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## Mobile Banking Services

### Reaching the Under- and Un-Banked

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UPI, June 16, 2006:

“Mobile phones are becoming commonplace enough in some of the remotest parts of the world, much to the delight of both private companies and public policymakers. For phone manufacturers and service providers, some of the globe's poorest people have turned out to be one of their most profitable demographic groups, while for international development agencies, the proliferation of mobile handsets is one key means to bridge the ever-increasing technological divide between rich and poor.

...even in regions where electric supply and phone connections are sporadic at best, mobile handsets are seen increasingly as a tool to make peoples' daily lives easier, including providing banking abilities.”

([http://www.postchronicle.com/news/technology/article\\_21223576.shtml](http://www.postchronicle.com/news/technology/article_21223576.shtml))

# IZDIHAR

IRAQ PRIVATE SECTOR GROWTH AND EMPLOYMENT GENERATION



BUSINESS DAY, Tuesday, July 26 2005 15

### BENEFITS OF M-COMMERCE

- Largely untapped revenue opportunity for banks
- Displaces cash, which is expensive to handle
- Available in areas without fixed-line infrastructure
- Potentially more secure than internet commerce
- Establishes a bill-payment platform



Mobile payments 'safer' than internet deals

## Cellphone becomes new tool of trade in m-commerce era

TechKnowledge, "strategic relationships



## What is Mobile Banking?

- Mobile banking (a.k.a. m-banking) is a bridge that brings traditional banking services to users of handheld GSM mobile devices.
- Existing GSM networks provide the telecommunications infrastructure for delivery of mobile banking services.
- Strategic partnerships with modern consumer-oriented banks enable fulfillment of banking services that were traditionally delivered through branch offices, ATMs, and the internet.
- Merchants and other non-bank third parties can become agents in the provisioning of services by facilitating currency transactions and offering access to services for those without a mobile phone.



## Why Mobile Banking?

- Mobile banking brings the potential to extend low cost virtual bank accounts to a large number of currently under- and un-banked individuals.
- Billions of people in developing countries lack access to formal banking services such as;
  - small deposit accounts,
  - loans for micro-enterprises, and,
  - cheap and easy ways to send money and pay bills.
- Technologies in use today can bridge these voids and provide access to services that can improve quality of life and contribute to economic growth.
- Opportunity is being created by the falling costs of technology.



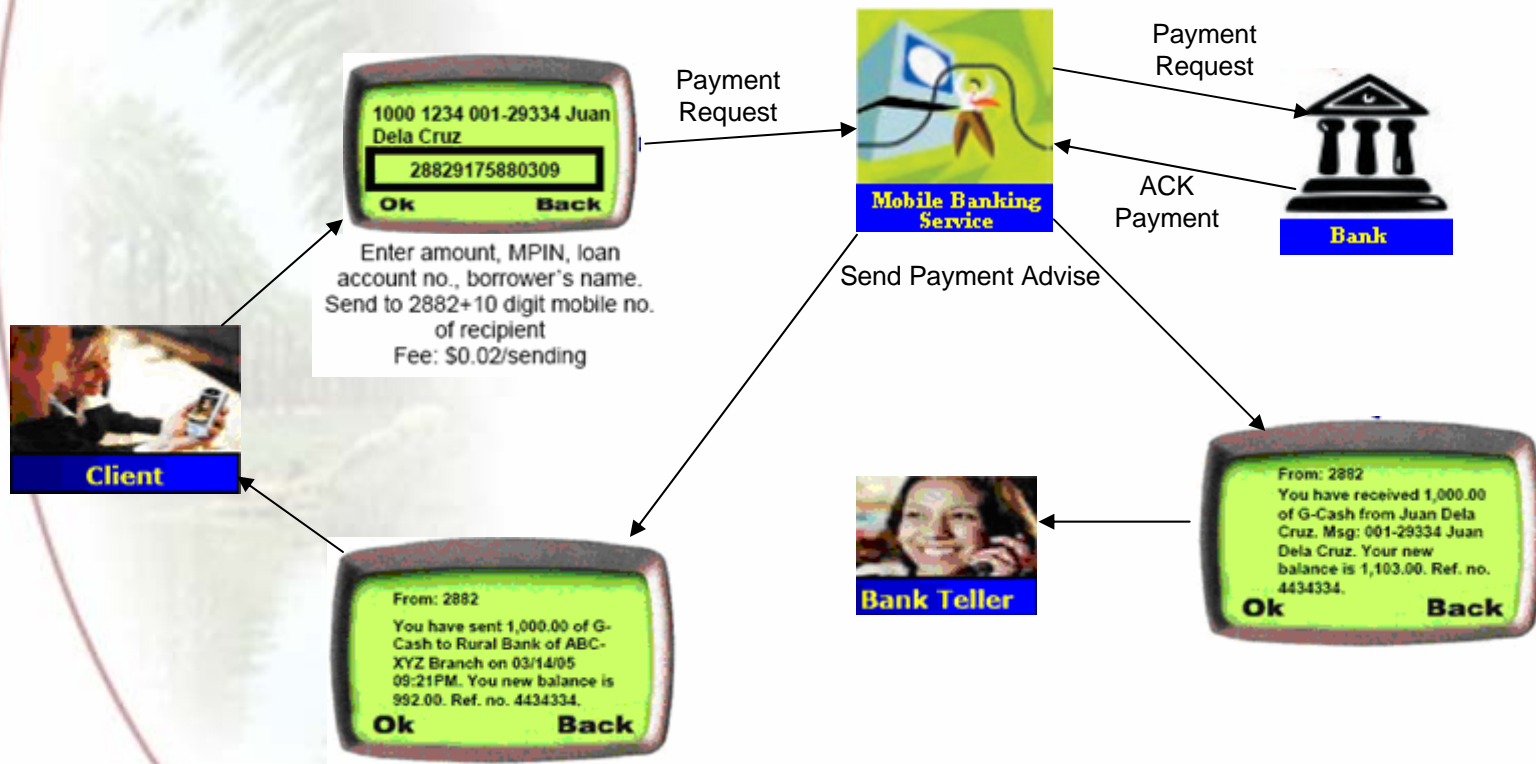
## Mobile Banking Services

Mobile banking can offer a wide array of services to customers:

- Account Balance Inquiry
- Money Transfer (person-to-person)
- Loan and Bill Payment
- Merchant Payments
- Cash Deposits and Withdrawals
- Airtime Top-Up and Transfer



## Making a Loan Payment





## Mobile Banking Services – The Value Proposition

What's in it for me?

- the Customer
- the Bank
- the Merchant
- the GSM Provider
- the Micro-Finance Industry



## the Customer

Services, from a Customer perspective, must provide perceived value that exceeds its cost. Four characteristics that contribute to perceived value include;

- 1) Convenience (accessible and easy to use),
- 2) Affordability,
- 3) Functionality, and,
- 4) Safety.

Convenience – Bank in a phone. Saves time.

Affordability – SMS text messaging is cheap.

Functionality – No new inventions. Only new delivery vehicles.

Safety – No cash to carry. No need to travel.



## the Bank

A Bank's life blood lies in its deposits. Mobile banking can;

- Help convert mattress deposits into bank deposits.
- Draw deposits from cash-based Merchants.
- More deposits ~ More transaction activity.
- Help retain deposits.



## the Merchant

For a Merchant, Mobile Banking can;

- Increase sales – impulse purchasing.
- Improve security – reduces cash handling.
- Add new revenue sources – agent fees for –
  - Cash Back on purchase
  - Cash Withdrawal
  - Cash Deposit
  - Transaction Facilitation



## the GSM Provider

Mobile Banking, based on simple SMS text messaging;

- Revenue for each transaction.
- Increased use of capacity.

As an implementing partner offering;

- Airtime Top-Up ~ faster more convenient recharges.
- Airtime Transfer ~ faster airtime usage.



## the Micro-Finance Industry

Mobile Banking;

- Is about outreach.
- Can improve on-time loan payment ratios.
- Provisioning of Services is a revenue and job generating activity.
- Provisioning of Services is not limited to the un-banked.
- Provides the impetus for converting mattress deposits into bank deposits.
- Mobilized mattress deposits offer a significant pool of microfinance loan capital, further seeding MSME economic development.



## Mobile Banking Services

Cellphones in Iraq?



excerpts from **Must Haves: Cellphones Top Iraqi Cool List**

“Cellphones have long been considered status symbols in developing countries, Iraq included. But in an environment where hanging out is potentially life threatening, cellphones are also a window into dreams and . . .”

“According to figures published last month by the State Department, there are now 7.1 million [26.5%<sup>i</sup>] cellphone subscribers in Iraq, up from 1.4 million two years ago. In an economy where jobs can be as scarce as rain, billboards for phones are among the only advertisements updated regularly in the capital.”

“Some Iraqis report spending as much as \$800 on phones like the Humvee, and from the rooftops of Sadr City, the poor Shiite district where trash lines the streets, visible cellphone towers outnumber minarets 15 to 2.”

“. . . while Iraqis of all sects rely on their phones to avoid danger.”

NY Times, Aug 8, 2006

<sup>i</sup> CIA Factbook, Iraq, Population 26,787,383 (Jul 2006 est.)



## Obstacles to Mobile Banking

Obstacles to success;

- Regulatory / Legal
- Bank Participation
- Customer Acceptance / Trust
- Inter-Bank Clearing Capabilities



## Mobile Banking – Where – Who

- Brazil, Unibanco
- Chile, Banesarrollo
- Colombia, Fundacion Social
- Kenya, Faulu Kenya (Safaricom / Vodafone), M-Pesa
- Malaysia, Maybank, Celcom
- Moldova, Victoria Bank
- Philippines, Rural Banks Association of the Philippines
- South Africa, Teba Bank, MTN
- South Africa, Wizzit Bank
- South Korea, SK Telecom
- Uganda, Centenary Bank
- Zambia and DRC, Celpay
- Zimbabwe, Central Africa Building Society



## Conclusions

Mobile Banking;

- Helps convert mattress deposits into bank deposits, increasing available MFI loan capital.
- Provisioning of Services generates revenue and jobs.
- Provides revenue opportunities for merchants and other non-bank third parties.
- Offers customers and merchants convenience, safety, and security.
- Can improve on-time loan repayment ratios.
- Increases capacity utilization for GSM providers.



## Mobile Banking Buzz

- Mobile Phones Offer New Banking Opportunities for the Poor (South Africa, 8 Nov 2006, [www.sys-con.com/read/297725.htm](http://www.sys-con.com/read/297725.htm)).
- Safaricom to Revolutionise Microfinance (Kenya, 30 Oct 2006, <http://allafrica.com/stories/200610310171.html>).
- SBP [State Bank of Pakistan] chief urges financial system for poor people (Pakistan, 18 Oct 2006, [http://www.khaleejtimes.com/DisplayArticleNew.asp?xfile=data/business/2006/October/business\\_October548.xml&section=business&col=](http://www.khaleejtimes.com/DisplayArticleNew.asp?xfile=data/business/2006/October/business_October548.xml&section=business&col=))
- USAID Pushes for Rural Mobile Banks (Uganda, 27 June 2006, <http://www.tmcnet.com/usubmit/2006/06/27/1697095.htm>)
- Malaysia's Maybank Launches Mobile Banking Service (22 Jun 2006, [http://www.energy-business-review.com/article\\_news.asp?guid=939C351D-E241-46C6-9378-40DAF75AF408](http://www.energy-business-review.com/article_news.asp?guid=939C351D-E241-46C6-9378-40DAF75AF408))
- Mobile-Phone Banking Expands into Rural Philippines (24 May 2006, [http://www.chemonics.com/projects/default.asp?content\\_id={D4EE9FE8-D174-471E-A1A1-20898BC6C029}](http://www.chemonics.com/projects/default.asp?content_id={D4EE9FE8-D174-471E-A1A1-20898BC6C029}))
- Korea Leads World in Mobile Banking (5 Feb 2006, [http://www.mobilemonday.net/mm/story.php?story\\_id=4613](http://www.mobilemonday.net/mm/story.php?story_id=4613))



## Sources and Resources

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- Electronic Banking for the Poor, David Cracknell, Microsave
- CGAP Focus Note #32, Using Technology to Build Inclusive Financial Systems, January 2006
- CGAP Brief, Using Technology to Build Inclusive Financial Systems, May 2006
- GCash; Catching the Technology Wave: Mobile Phone Banking and Text-a-Payment in the Philippines
- Safaricom to Revolutionise Microfinance, The East African Standard (Nairobi), 31 Oct 2006
- Expanding Financial Services to the Poor, Wizzit Bank
- CGAP Brief, Mobile Phones for Microfinance, May 2006
- M-Pesa – How Cellphone Technology can Mobilise Microfinance, 11 Nov 2005
- Banking the Unbanked: Technology's Role, [www.microcapital.org](http://www.microcapital.org), Feb 2006



**Thank You !**

**Spas !**

**Shukran !**