



Financial Inclusion - Banking the Unbanked

- *Research Findings & Prospects for Mobile Financial Services*

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Perspectives on the “Unbanked”



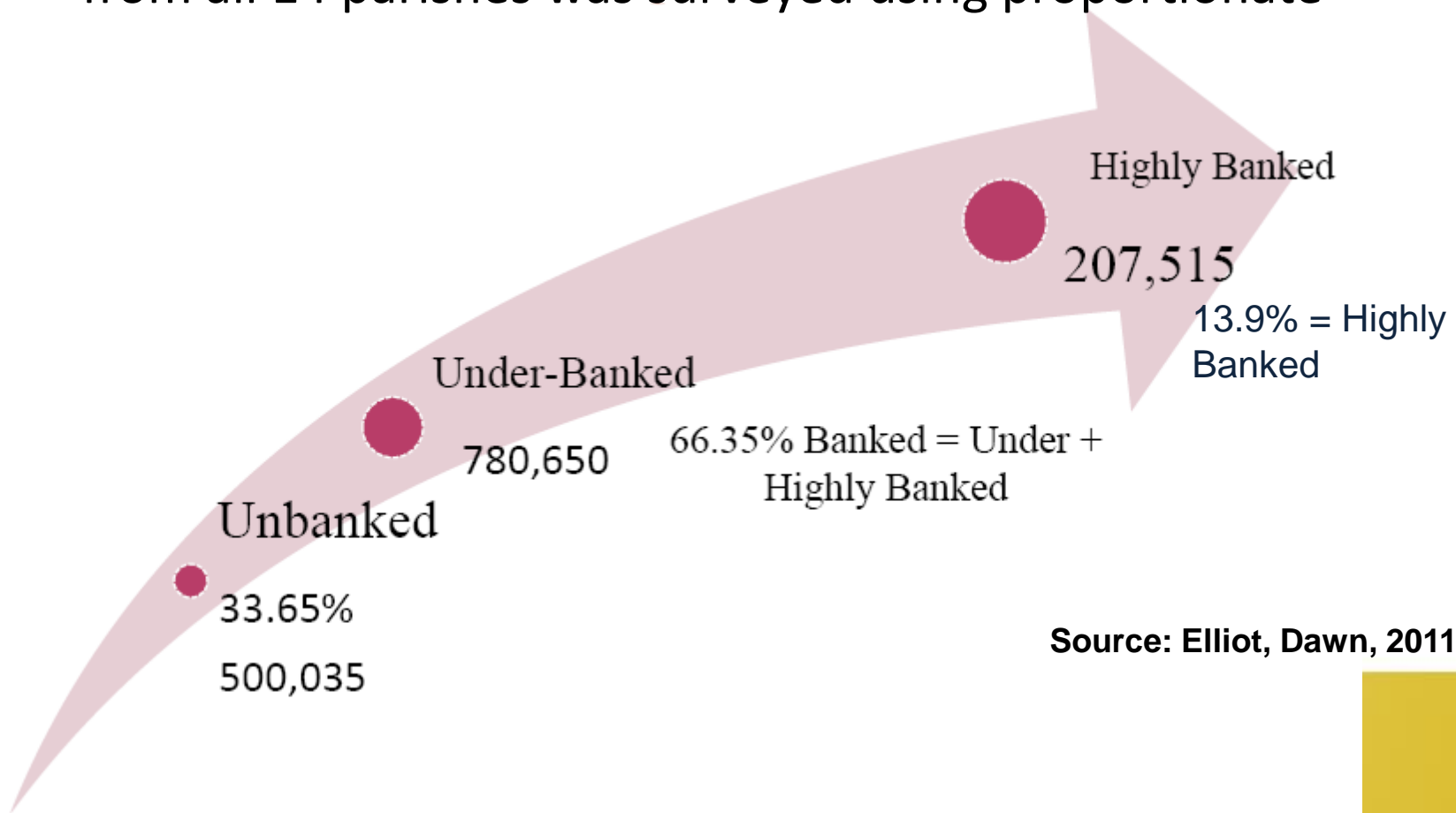
- “Unbanked” - An individual who does not have access to affordable, convenient, secure financial services.
 - 2.7 billion unbanked adults worldwide (CGAP 2009),
- Beyond the developmental impact and social responsibility!) for driving financial inclusion, is this a legitimate, sustainable growth strategy?
- The microfinance industry has demonstrated that the extreme poor are *extremely* bankable



Local Research Findings



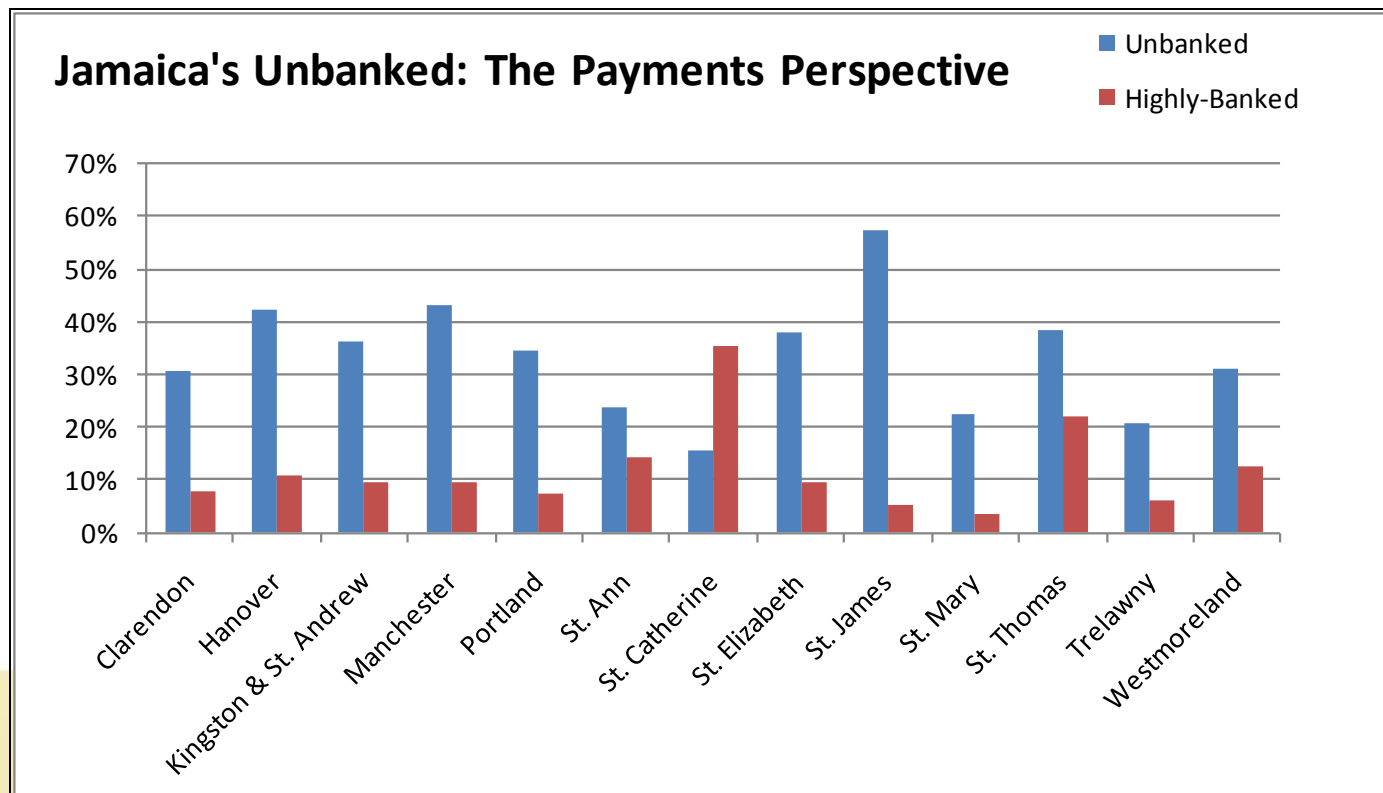
- A randomly-selected, nationally representative sample of two thousand four hundred and seventy six (2476) respondents from all 14 parishes was surveyed using proportionate



Local Research Findings



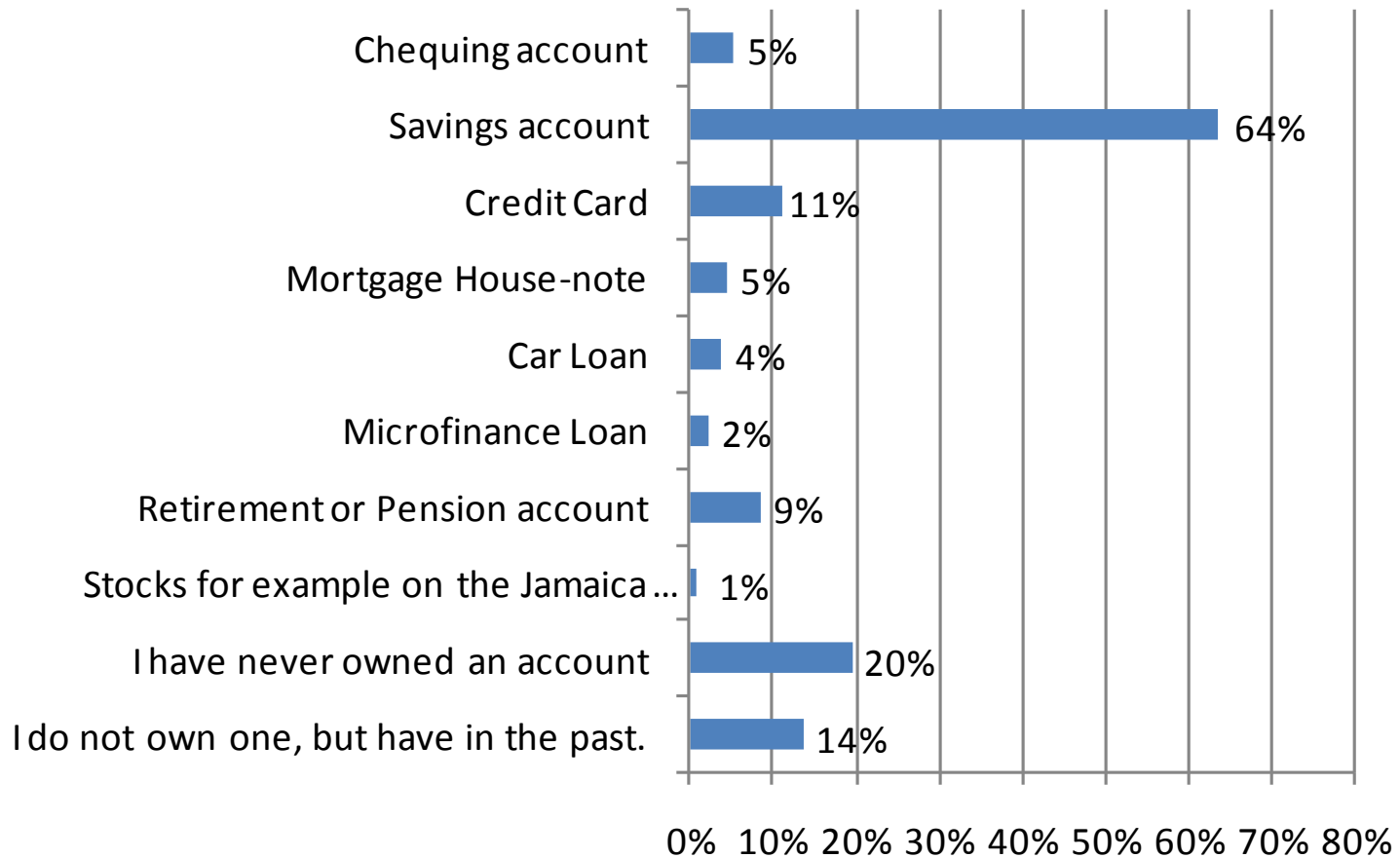
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Types of Account Ownership



Type of Bank Account



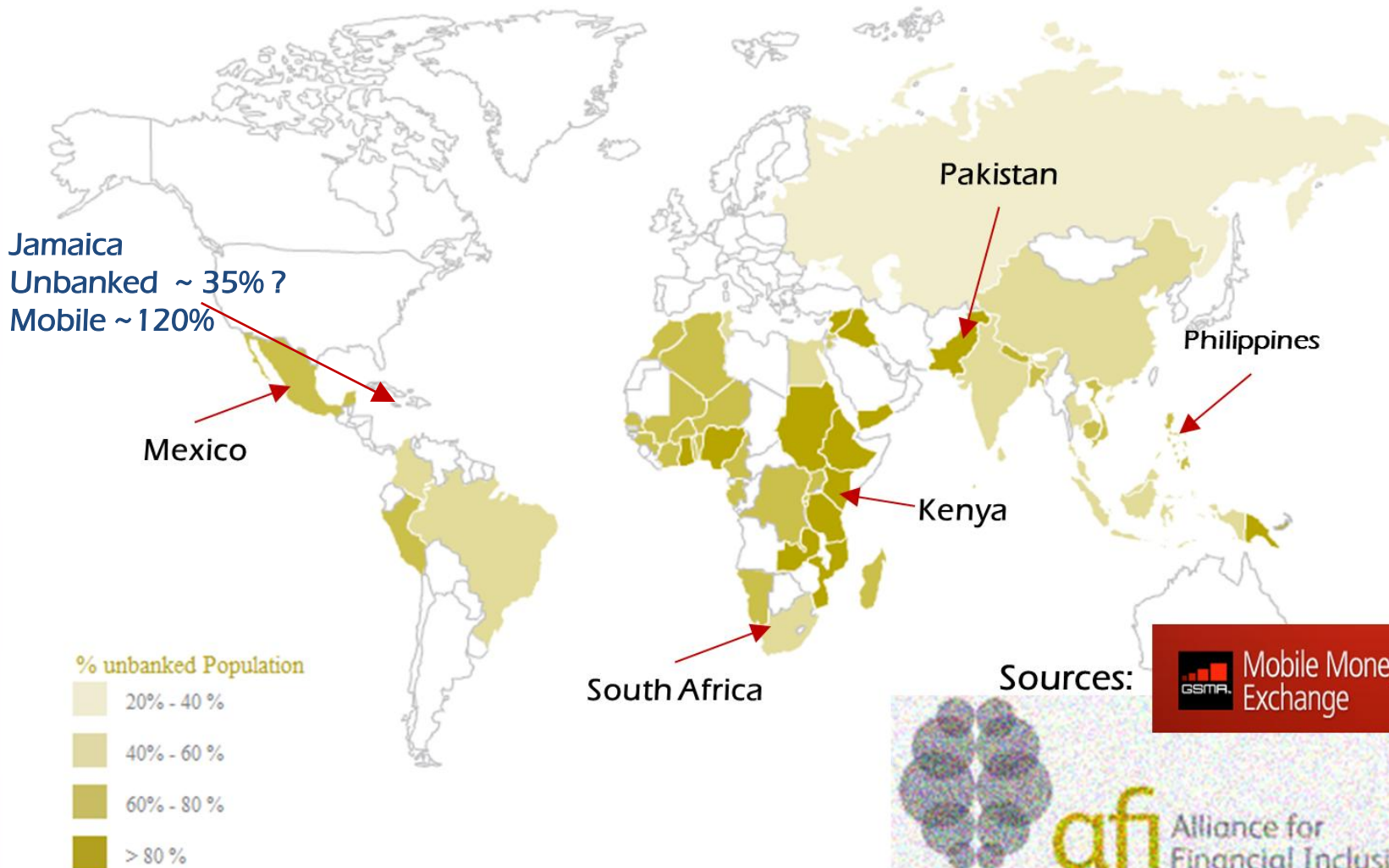
Barriers to Adoption



| I do not have accounts because... | Yes | No |
|---|-------|-------|
| I do not have some of the paper work such as TRN Number | 25.8% | 74.2% |
| I live/work too far from the bank/atm | 7.2% | 92.8% |
| of bank fees; atm; overdraft; interest cost; check processing | 13.8% | 86.2% |
| of the amount of money I have | 59.4% | 40.6% |
| I have no need for cheques | 3.6% | 96.4% |
| I do not need a bank to save | 18.4% | 81.7% |
| It is more work than it is worth to me | 5.9% | 94.1% |
| I do not trust banks | 17.0% | 83% |
| of record keeping | 17.0% | 83% |
| of the need to read and understand bank documents | 7.9% | 92.1% |

Unbanked = **f**(Literacy, Fees, Trust, Relevance, Financial Standing, Lack Paper Work)

Unbanked Population and Mobile Financial Services



MOBILE PAYMENTS AND GDP

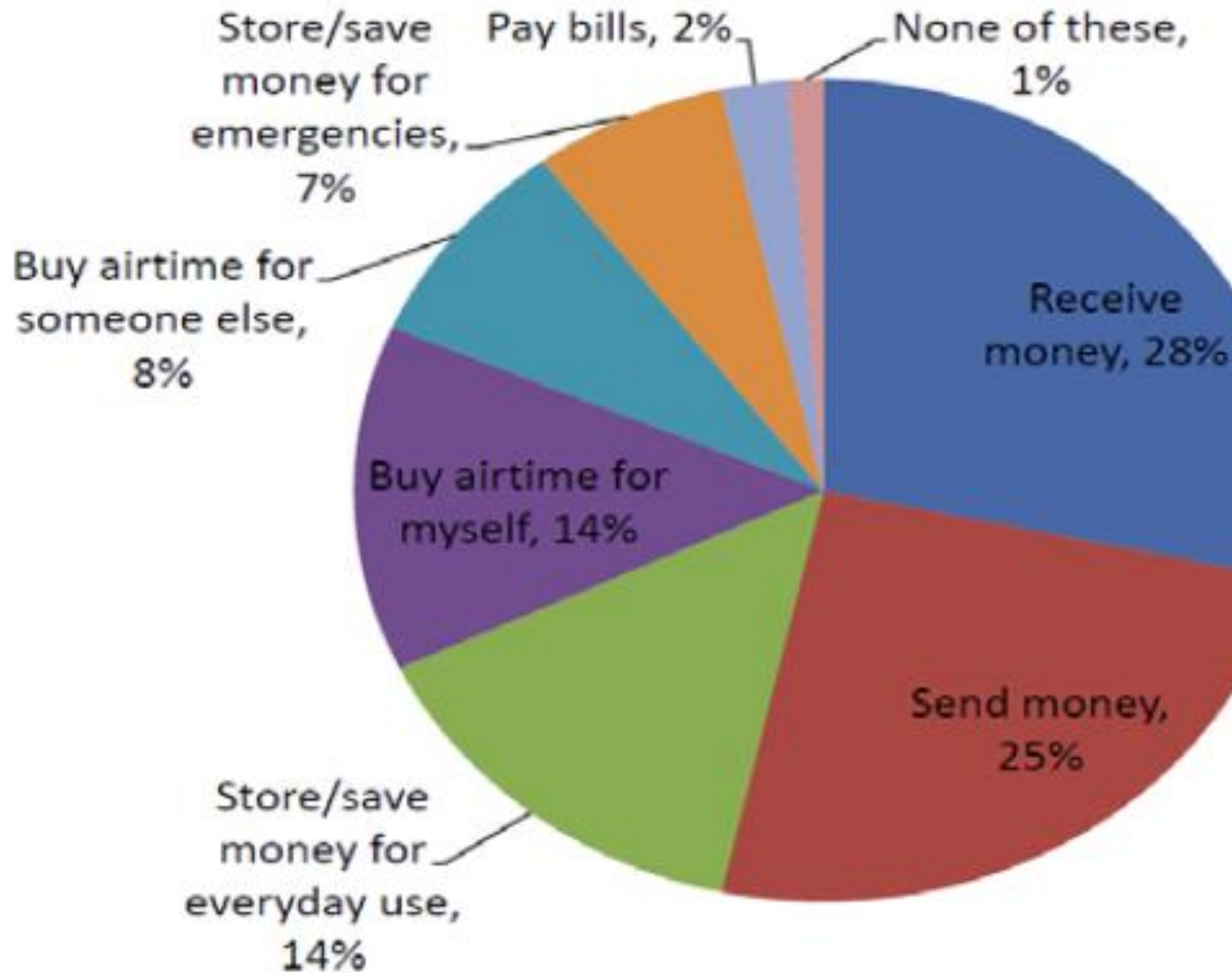


- Mobile money is the intersection between mobile telephony and digital currency (electronic payment systems)
- Studies have shown that mobile telephony leads to a rise in GDP. Similarly, digital currency (electronic payments), as a replacement for cash, is recognized to have the same effect
- A number of studies done concluded that a 10% rise in mobile subscribers in emerging markets will lead to a .6% to 1.2% increase in GDP in those markets due to the productivity gains associated with communication as well as new jobs*

** International Telecommunications Union (ITU), "Speech by ITU Secretary General", April 6, 2010 and Indian Council for Research on International Economic Relations (ICRIER.)*

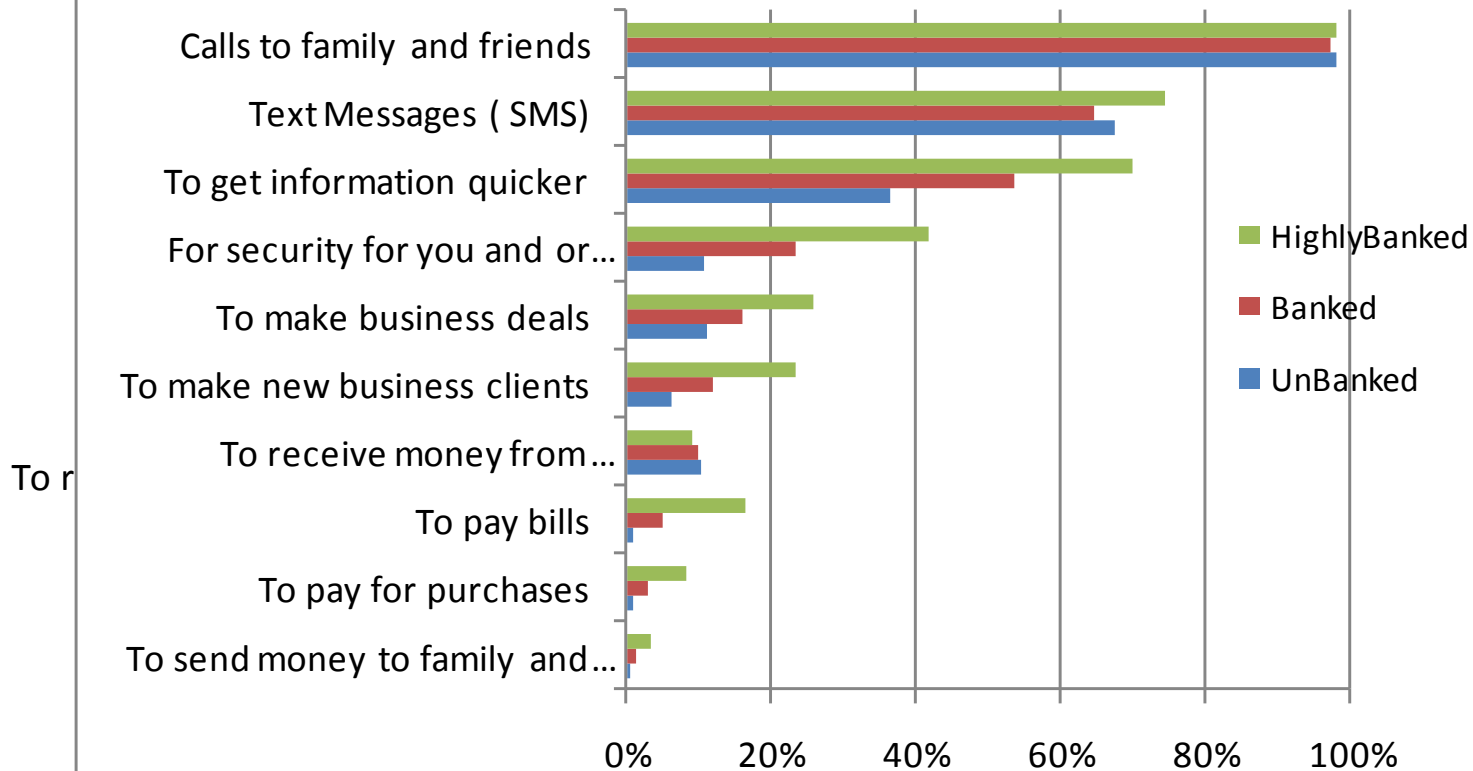


M-PESA – A Synopsis



Prospects for Mobile Financial Services

Mobile Phone Use vs Banking Status

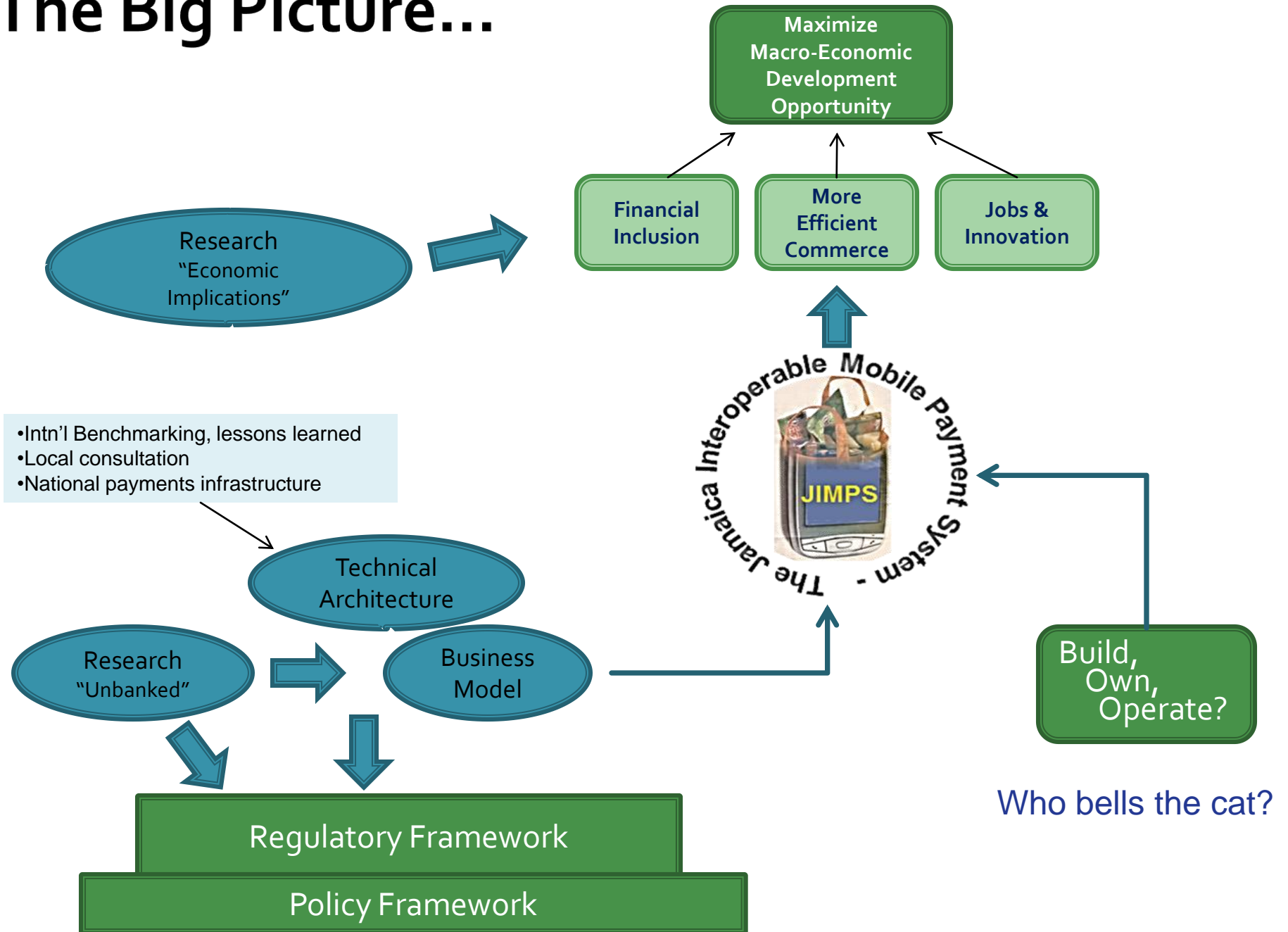


Prospects for Mobile Financial Services



| Barriers to Adoption | Impact of Mobile Financial Services Delivery Channel |
|---|---|
| <i>Financial/Educational Literacy</i> | Program of building consumer awareness and confidence; Using the mobile phone as an informational channel |
| <i>Fees</i> | Significantly lower transaction fees (order of magnitude) |
| <i>Trust</i> | Engagement, security, low transaction fees |
| <i>Relevance</i> | Financial service offerings tailored to low-income clients |
| <i>Financial Standing</i> | |
| <i>Paper Work enrollment requirements</i> | Over the air enrollment (conditional); Proportional KYC |

The Big Picture...



Alternative *PATH* to Financial Inclusion?



- About PATH
 - A Conditional Cash Transfer (CCT) Program
 - Payments to the poor on the condition that recipients make social investments in health and education
 - Bi-monthly disbursements to 377,709 beneficiaries using cheques (91%) and magnetic Debit cards (9%)
- Intuition/Evidence suggests high volume G2P micro-payments
 - significantly reduce Government operational costs
 - provide a catalyst for extending banking services to the poor (financial inclusion)



Imperative of Consumer Readiness



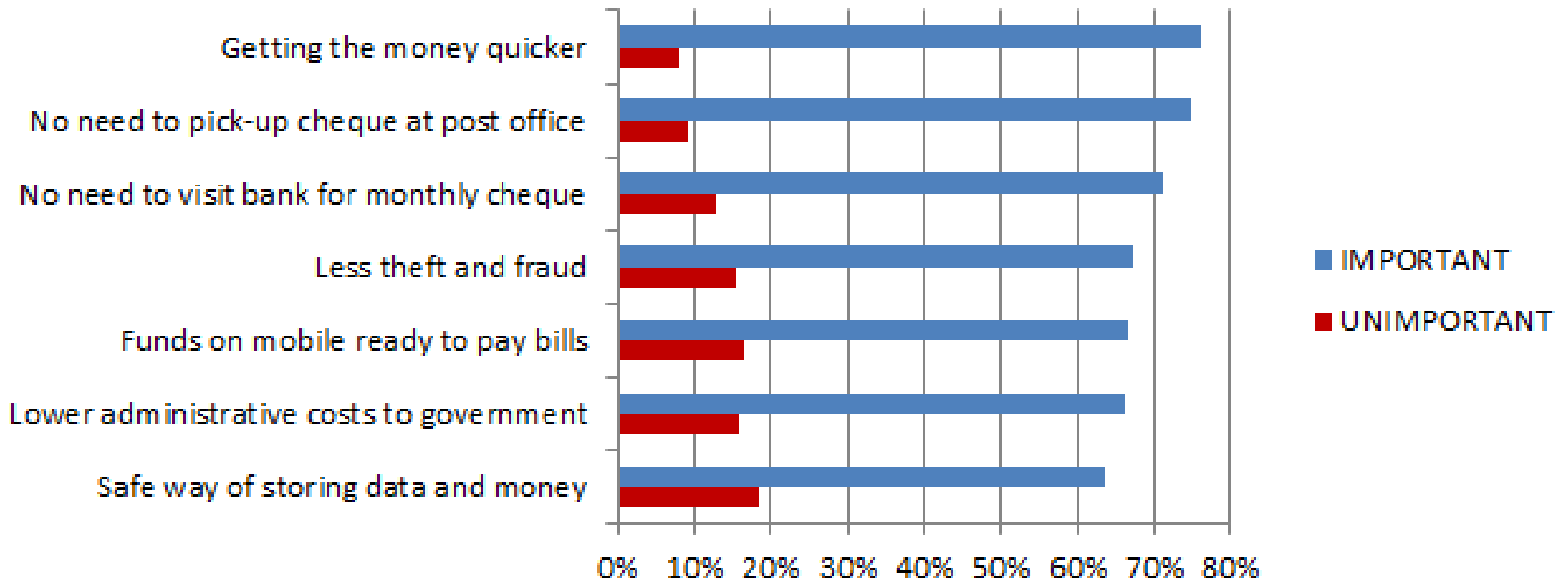
Consumer readiness is a critical success factor. The most advanced infrastructures in the world, with responsive legal systems, mature economies, and sophisticated technology networks, may be fertile ground, but until consumers embrace mobile payments, that ground will remain fallow.

Consumer familiarity, willingness, and actual usage are necessary conditions for mobile payments to take off.

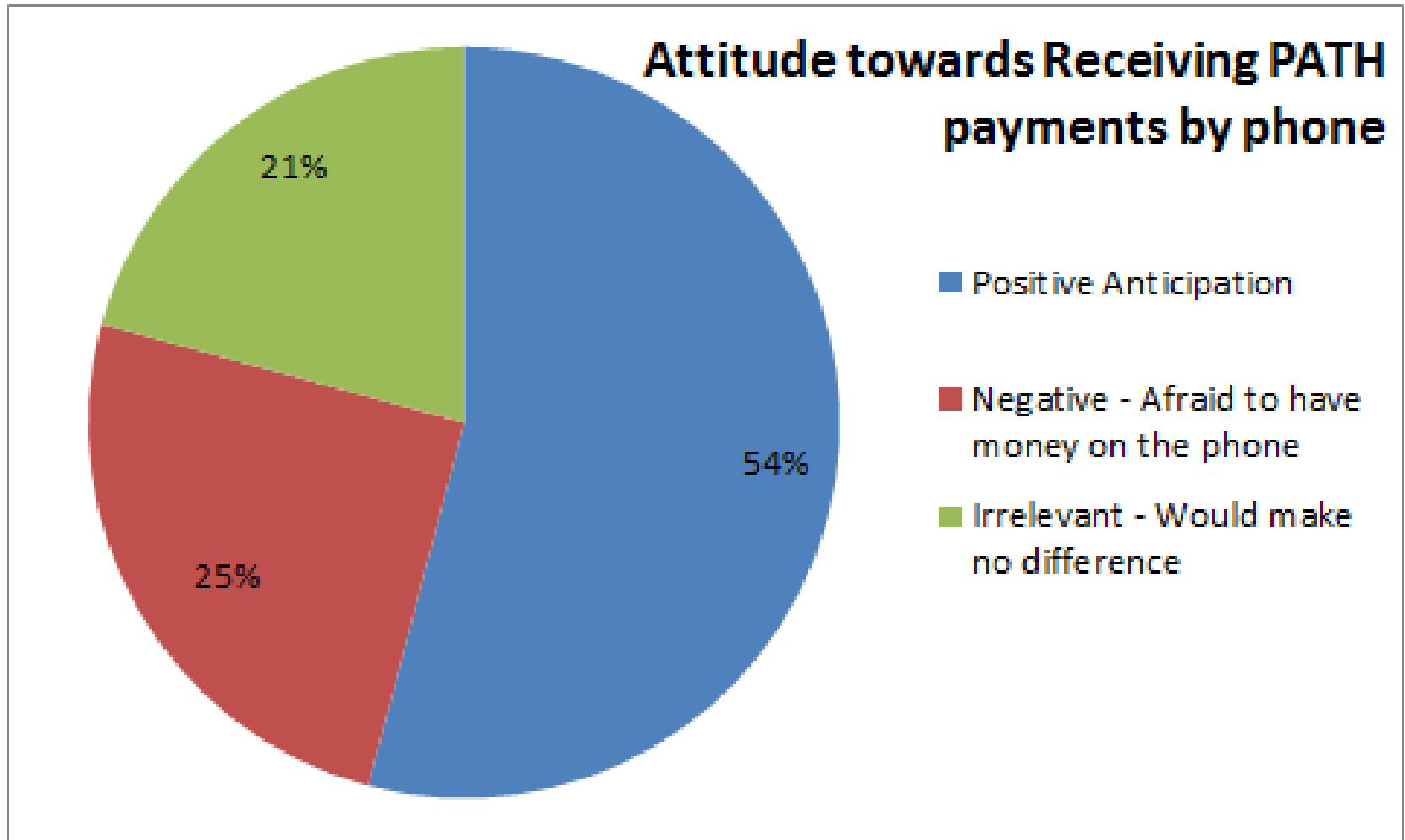
(Mastercard Worldwide; 2012)

What PATH Beneficiaries Say

Expected Benefits of Mobile Payments



What PATH Beneficiaries Say



Research Insights – Mobile PATH



- The current process of receipt of payments via check is a tedious process and one that often negatively impacts the self-esteem of beneficiaries;
- With respect to the electronic card method of payment, the adoption rate was 9% in the five years since its introduction. Poor communications and lack of awareness and understanding of the merits have impeded adoption
- The mobile phone is an essential, versatile and highly regarded tool by most respondents. The average user is very comfortable and proficient with the use of SMS text, which suggests that the learning curve to accessing financial transactions using SMS would not be a difficult barrier
- Most respondents were very responsive to the idea of using the mobile phone for the receipt of payments, once the options and the instructions for use were clear and not complex



