

# Mobile Money in the Global Fight Against Poverty

When poor households have access to the digital economy through mobile money technology, they have the key to ending their poverty.



## Executive Summary

For many of the poorest people in today's world, a successful passage out of poverty is only possible through the intersection of two critical facts: over 5 billion people have a mobile phone subscription,<sup>1</sup> yet 1.7 billion do not have a bank account or access to formal financial services.<sup>2</sup> Leveraging the remarkable degree of mobile phone penetration to correct the financial inclusion gap, particularly in developing regions of the world, has already led to significant shifts; for example, in Kenya's multi-vendor competitive market, where 96% of households use the same mobile money system, nearly 200,000 previously impoverished families have pulled themselves above the poverty line.<sup>3</sup> All around the world, this trend is defining a new and remarkable age of increased financial inclusion and, correspondingly, more options for people striving to escape poverty.

Today, mobile money operators process over a billion dollars a day, representing vital and life-sustaining transactions of over 690 million mobile money accounts.<sup>4</sup> The facts are clear: in nearly every region of the world disproportionately affected by poverty, mobile money technology has done more to improve the financial lives of individuals and households in the last decade than traditional banks have done in the last century.<sup>5</sup>

And yet obstacles remain. A focus on competition and market dominance between industry players has bred skepticism towards interoperability, a critical factor in scaling mobile money ecosystems to a global level. In order to achieve true and ubiquitous financial inclusion, competing entities must recognize the business case for interconnecting their technology and providing customers with affordable and convenient mobile money solutions.

In this paper, we will begin by exposing the realities of financial exclusion—both its statistical pervasiveness and, concurrently, the role of mobile money in attacking exclusion and opening the door to formal financial systems for millions of impoverished households. We will examine the business case for interoperability and its potential to further advance financial inclusion initiatives around the world, helping more families lift themselves out of poverty and achieve a legacy of stability and resilience. We will conclude by meeting one such family in Papua New Guinea, where mobile money provided access to funding for a solar energy project, giving this family an unprecedented opportunity to join the formal financial ecosystem and elevate their small farming practice from subsistence to profitability.

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<sup>1</sup> GSMA — “GSMA Intelligence” (2018) <https://www.gsmainelligence.com/>

<sup>2</sup> The World Bank — 2017 Findex Full Report Chapter 2 (2018) [https://globalindex.worldbank.org/sites/globalindex/files/chapters/2017%20Findex%20full%20report\\_chapter2.pdf](https://globalindex.worldbank.org/sites/globalindex/files/chapters/2017%20Findex%20full%20report_chapter2.pdf)

<sup>3</sup> Georgetown University — “Study: Use of Mobile Money Lifts Nearly 200,000 Kenyans Out of Poverty” (Dec 2016) <https://www.georgetown.edu/Billy-Jack-Mobile-Money-Kenya-research>

<sup>4</sup> GSMA — “2017 State of the Industry Report on Mobile Money” (2018) [https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2018/05/GSMA\\_2017\\_State\\_of\\_the\\_Industry\\_Report\\_on\\_Mobile\\_Money\\_Full\\_Report.pdf](https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2018/05/GSMA_2017_State_of_the_Industry_Report_on_Mobile_Money_Full_Report.pdf)

<sup>5</sup> GSMA — “The impact of mobile money on the UN Sustainable Development Goals” (Oct 2016) <https://www.gsma.com/mobilefordevelopment/programme/mobile-money/the-impact-of-mobile-money-on-the-un-sustainable-development-goals/>

## 1. Where We Are Today

### Spotlight on the problem: Global financial exclusion

“It is expensive to be poor. For most of the 2.5 billion people living on under \$2 per day, saving money is difficult, credit is available only at very high rates, if at all, and drought or illness can push people without savings or insurance deeper into poverty.”

From a report published by Bill & Melinda Gates Foundation<sup>6</sup>

There is no single way for families around the world to overcome poverty and establish financial resilience and independence. For some, a micro-loan provides a life-changing catapult into profitability. For others, a sustaining family member abroad, advances in farm technology, or a new source of income through entrepreneurship is the way out. Each of these stories of financial transformation, varied as they may be, share a common dimension: access to a formal financial system.

About 1.7 billion adults around the world don't have a bank account today.<sup>7</sup> This population operates in the informal economy, where cash, physical property, or unofficial lenders provide only marginal, precarious insulation from major financial crises—often at great expense and with a high degree of complexity. And while this population is gradually decreasing (it's down from 2 billion in 2014), a constellation of barriers to financial inclusion persist around the world, including geographical distance from brick and mortar institutions, a lack of the formal documentation required to open an account, and a common perception that banks are expensive, untrustworthy and require a prohibitive amount of capital.<sup>8</sup> As a result, this unbanked population forgoes the critical benefits of financial services. Without these services,

opportunities to effectively and securely save, borrow, or allay the financial burden of unforeseen setbacks, like a meagre harvest or a family death, are limited or non-existent. Even if members of this unbanked population are able to subsist in the cash economy for a time, poverty circles them more closely than any other population.

### WOMEN ARE MORE LIKELY TO FACE FINANCIAL EXCLUSION

Women represent about 56% of all unbanked adults globally, or 980 million people. Even in economies where relatively few adults are unbanked, women are overrepresented in the statistics; in Kenya, for example, only a fifth of adults are unbanked, but two-thirds of that group are women.<sup>9</sup> According to data from the World Bank, reasons for this disparity may include: <sup>10</sup>

- **Identification.** In many countries, women face greater hurdles than men in proving their identity to open a basic account.
- **Physical access.** In 17 countries, married women are more likely to face restrictions on traveling outside of their home, limiting their opportunity to visit a bank branch.
- **Creditworthiness.** Women are more likely than men to use microfinance loans or to spend and receive money in small amounts, activities which do not typically contribute to a formal transactional history and thus can hinder access to banking services.

<sup>6</sup> The Bill & Melinda Gates Foundation — “Fighting poverty, profitably” (Sept 2013) <https://docs.gatesfoundation.org/Documents/Fighting%20Poverty%20Profitably%20Full%20Report.pdf>

<sup>7</sup> The World Bank — 2017 Findex Full Report Chapter 2 (2018) [https://globalfindex.worldbank.org/sites/globalfindex/files/chapters/2017%20Findex%20full%20report\\_chapter2.pdf](https://globalfindex.worldbank.org/sites/globalfindex/files/chapters/2017%20Findex%20full%20report_chapter2.pdf)

<sup>8</sup> Ibid.

<sup>9</sup> The World Bank — 2017 Findex Full Report Chapter 2 (2018) [https://globalfindex.worldbank.org/sites/globalfindex/files/chapters/2017%20Findex%20full%20report\\_chapter2.pdf](https://globalfindex.worldbank.org/sites/globalfindex/files/chapters/2017%20Findex%20full%20report_chapter2.pdf)

<sup>10</sup> The World Bank — “Women's Financial Inclusion and the Law” (2018) <http://pubdocs.worldbank.org/en/610311522241094348/Financial-Inclusion.pdf>



## Spotlight on the solution: Mobile money

“Poor families have incredibly complex financial lives, but the tools available to them to manage their finances don’t match up. With better access to a broad range of financial tools and services that really meet the needs of the world’s poorest, they can take control of their financial lives.”

Rodger Voorhies, Executive Director, Global Growth & Opportunity Division, Bill & Melinda Gates Foundation<sup>11</sup>

### Mobile money is not the future. It is now.

Today, more than one billion unbanked adults own a mobile phone and about 480 million have Internet access.<sup>12</sup> At this rate of penetration, mobile money represents a solution to poverty and financial exclusion so auspicious that it might seem hard to believe, were it not for statistics demonstrating its impact. Using a transactional platform akin to storing airtime minutes—and therefore familiar to most mobile phone holders—mobile technology processes over a billion dollars a day<sup>13</sup> for more than 690 million mobile money accounts, an adoption rate that has risen by 25% in just the last two years.<sup>14</sup> Over 66% of the combined adult population of Kenya, Rwanda, Tanzania and Uganda—countries that share sub-Saharan Africa’s unfortunate claim to the second-highest rate of unbanked adults in the world<sup>15</sup>—use mobile money on an active basis.<sup>16</sup>



### The positive impact of mobile money is well established.

More and more research suggests that providing the right financial tools at critical moments separates those able to transcend poverty from those perpetually ensnared in its cycle.<sup>17</sup> By providing poor families with such tools through their mobile phone, a growing number of households have access to financial services designed specifically for excluded and underserved populations, including savings, credit, insurance, and even investment opportunities.<sup>18</sup>

<sup>11</sup> The Bill & Melinda Gates Foundation — “Digital payments can benefit the poor, and be good for business” (Sept 2018) <https://www.gatesfoundation.org/Media-Center/Press-Releases/2013/09/Digital-Payments-Can-Benefit-the-Poor>

<sup>12</sup> The World Bank — 2017 Findex Full Report (2018) <https://globalfindex.worldbank.org/>

<sup>13</sup> GSMA — “2017 State of the Industry Report on Mobile Money” (2018) [https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2018/05/GSMA\\_2017\\_State\\_of\\_the\\_Industry\\_Report\\_on\\_Mobile\\_Money\\_Full\\_Report.pdf](https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2018/05/GSMA_2017_State_of_the_Industry_Report_on_Mobile_Money_Full_Report.pdf)

<sup>14</sup> Ibid.

<sup>15</sup> CGAP — “Measuring Financial Exclusion: How Many People Are Unbanked?” (Apr 2012) <http://www.cgap.org/blog/measuring-financial-exclusion-how-many-people-are-unbanked>

<sup>16</sup> GSMA — “2017 State of the Industry Report on Mobile Money” (2018) [https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2018/05/GSMA\\_2017\\_State\\_of\\_the\\_Industry\\_Report\\_on\\_Mobile\\_Money\\_Full\\_Report.pdf](https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2018/05/GSMA_2017_State_of_the_Industry_Report_on_Mobile_Money_Full_Report.pdf)

<sup>17</sup> The Bill & Melinda Gates Foundation — “Financial Services for the Poor: Strategy Overview” (undated) <https://www.gatesfoundation.org/What-We-Do/Global-Growth-and-Opportunity/Financial-Services-for-the-Poor>

<sup>18</sup> GPFI — “Global Standard-Setting Bodies and Financial Inclusion the Evolving Landscape” (Mar 2016) [http://www.gpfi.org/sites/default/files/documents/GPFI\\_WhitePaper\\_Mar2016.pdf](http://www.gpfi.org/sites/default/files/documents/GPFI_WhitePaper_Mar2016.pdf)

## CASE STUDY: INNOVATORS IN THE DEVELOPING WORLD

Though mobile phone usage is high in most developing regions of the world, opinions have remained low regarding how much sophistication those users can—or should—access on their phones. While people in the first world use their phones for everything from casually trading stocks to video-conferencing with faraway family members, there's a pervasive expectation that because users in the developing world have outdated hardware, they can expect an outdated service model—one that is not necessarily designed for their needs, and that requires hours of customer support to complete basic functions.

But as the number of subscribers to mobile money services explodes, many network operators are looking to narrow the gap between first- and third-world experiences of technology. Leading the charge are two key players in the African market, airtel Rwanda and Tigo Tanzania, both Telepin partners and both regarded by many as leading innovators in mobile money solutions. Among their pioneering initiatives, two stand out as particularly aligned with the global push towards financial inclusion:

### 1. In Tanzania: Users can recall wrongly sent money with Tigo

Tigo recently introduced a self-service feature that allows users to recall money they've erroneously sent. In the past, users have had to call customer service to achieve the same end—a process that often involved hours of the user's time. With the introduction of this new feature, long considered table stakes in the first world but rarely seen in developing regions, users gain greater efficiency and control over their finances, and Tigo liberates significant customer care time which it can redirect to more meaningful purposes.

### 2. In Rwanda: Users can migrate traditional practices to their mobile phones with Airtel

Communities in Rwanda have a long tradition of organizing group savings, often in a physical location secured and monitored by local elders. These savings, which accounted for as much as \$13 billion as of 2016,<sup>19</sup> are used to cover costs including healthcare, school fees, or agricultural expenses.

In a move that prioritizes the needs and traditions of a community—rather than forcing those traditions to adapt to available technology—airtel Rwanda recently introduced a pilot project that invited community groups to save together using their mobile money solution. To date, the pilot has 200 registered users who have saved a total of \$1.2M.<sup>20</sup>

This access offers a cascade of benefits at both the individual and the institutional level. For individuals, an undisputed link between access to mobile money and increased income-earning potential means a clearer avenue out of poverty, as documented in several studies.<sup>21</sup> Meanwhile, advocacy groups and regulatory agencies have mainstreamed the subject of financial inclusion and, in some cases, have begun revising policies and guidelines in order to favour innovations in digital financial services. For example, in 2016, the G20

adapted its basic set of financial inclusion indicators, meant to support countries in advancing the fight against poverty, to include new indicators that measure the use, availability, and quality of digital financial services.<sup>22</sup> The United Nations has also helped to position mobile money as a priority initiative by recognizing its impact on financial inclusion.<sup>23</sup> Of the UN's seventeen Sustainable Development Goals, mobile money contributes to thirteen, including SDG 1 – No Poverty and SDG 5 – Gender Equality.<sup>24</sup>

<sup>19</sup> NISR – “Finscope Rwanda 2016” (Mar 2016) <http://www.statistics.gov.rw/publication/finscope-rwanda-2016>

<sup>20</sup> GSMA – “Mobile Financial Services—Innovation” (2018) – PowerPoint Presentation

<sup>21</sup> The World Bank – 2017 Findex Full Report <https://globalfindex.worldbank.org/basic-page-overview>

<sup>22</sup> GPFI – “G20 Financial Inclusion Indicators” (Aug 2015) [http://databank.worldbank.org/data/download/g20fdata/Indicators\\_note\\_formatted.pdf](http://databank.worldbank.org/data/download/g20fdata/Indicators_note_formatted.pdf)

<sup>23</sup> UNCDF – “Financial Inclusion and the SDGs” (2018) <http://www.uncdf.org/financial-inclusion-and-the-sdgs>

<sup>24</sup> GSMA – “The impact of mobile money on the UN Sustainable Development Goals” (Oct 2016) <https://www.gsma.com/mobilefordevelopment/programme/mobile-money/the-impact-of-mobile-money-on-the-un-sustainable-development-goals/>

Other documented advantages of mobile money technology at the individual and regulatory level include:

#### For individuals and households:

- **Greater financial stability**—Digital finance, including mobile money, has the potential to provide access to financial services for 1.6 billion unbanked people in emerging economies,<sup>25</sup> helping them to leave behind the cost and insecurity of the cash economy.
- **More financing for entrepreneurs**—Life-altering financial loans to individuals and businesses could increase by \$2.1 trillion per year through digital finance.<sup>26</sup>
- **Critical time savings**—The cash economy often requires hours of travel and wait time to accommodate the physical handover of assets, which can greatly limit an individual's income-earning time. In a five-month relief program in Niger, providing monthly government social benefit payments through mobile technology (as opposed to cash provided at specific locations) saved the recipients 20 hours on average in overall travel and wait time.<sup>27</sup>

#### For governments and institutions:

- **Increased tax revenue**—Governments stand to save \$110 billion per year as more adults move out of the unregulated cash economy and into formal financial system via mobile money.<sup>28</sup>
- **Decreased financial crime**—By reducing financial exclusion rates and, correspondingly, the rate of untracked cash-based transactions, institutional efforts to uncover and prosecute criminal financial activities—including money laundering and the financing of terrorism—have a greater chance of success.<sup>29</sup>
- **Increased GDP**—Digital finance could boost annual GDP of all emerging economies by \$3.7 trillion by 2025, a 6 percent increase versus a business-as-usual scenario.<sup>30</sup>

#### CASE STUDY: HOW MOBILE MONEY IMPROVES LIVES IN KENYA'S MULTI-VENDOR COMPETITIVE MARKET

Mobile money has charted exceptional growth in Kenya. Just three years after a major mobile money system entered the market in 2007, its share of registered users—most of whom are active customers—jumped from zero to 40% of the adult population.<sup>32</sup> Today, Kenya's competitive market, which includes industry disruptor and Telepin partner Telkom Kenya, is defined by spiking customer demand and a push for innovative solutions.

The impact of mobile money's dramatic growth in Kenya is remarkable. A long-term study conducted at MIT's Sloan School of Business found that use of that mobile money system has lifted as many as 194,000 Kenyan households out of poverty, and that poor women and members of female-headed households stand to gain the most from this new form of financial access.<sup>33</sup> In fact, researchers found that about 185,000 women were able to leave subsistence farming and transition to business or retail employment after adopting this mobile money system, leading to increased savings and greater financial resilience.<sup>34</sup>

- **Overall economic health**—More and more evidence shows that that financial inclusion, supported by mobile money, contributes to stable economies and increased government revenue.<sup>31</sup>

<sup>25</sup> McKinsey Global Institute — “Digital Finance For All: Powering Inclusive Growth In Emerging Economies” (Sept 2016) <https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Employment%20and%20Growth/How%20digital%20finance%20could%20boost%20growth%20in%20emerging%20economies/MGI-Digital-Finance-For-All-Executive-summary-September-2016.ashx>

<sup>26</sup> Ibid.

<sup>27</sup> The World Bank — 2017 Findex Full Report (2018) <https://globalfindex.worldbank.org/basic-page-overview>

<sup>28</sup> McKinsey Global Institute — “Digital Finance For All: Powering Inclusive Growth In Emerging Economies” (Sept 2016) <https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Employment%20and%20Growth/How%20digital%20finance%20could%20boost%20growth%20in%20emerging%20economies/MGI-Digital-Finance-For-All-Executive-summary-September-2016.ashx>

<sup>29</sup> CGAP — “Deepening Insights on Financial Exclusion Risks” (Jun 2016) <http://www.cgap.org/blog/deepening-insights-financial-exclusion-risks>

<sup>30</sup> McKinsey Global Institute — “Digital Finance For All: Powering Inclusive Growth In Emerging Economies” (Sept 2016) <https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Employment%20and%20Growth/How%20digital%20finance%20could%20boost%20growth%20in%20emerging%20economies/MGI-Digital-Finance-For-All-Executive-summary-September-2016.ashx>

<sup>31</sup> UNCDF — “Financial Inclusion and the SDGs” (2018) <http://www.uncdf.org/financial-inclusion-and-the-sdgs>



## 2. The Way Forward

“Interoperability of digital payments has been the toughest hurdle for the financial services industry to overcome.”

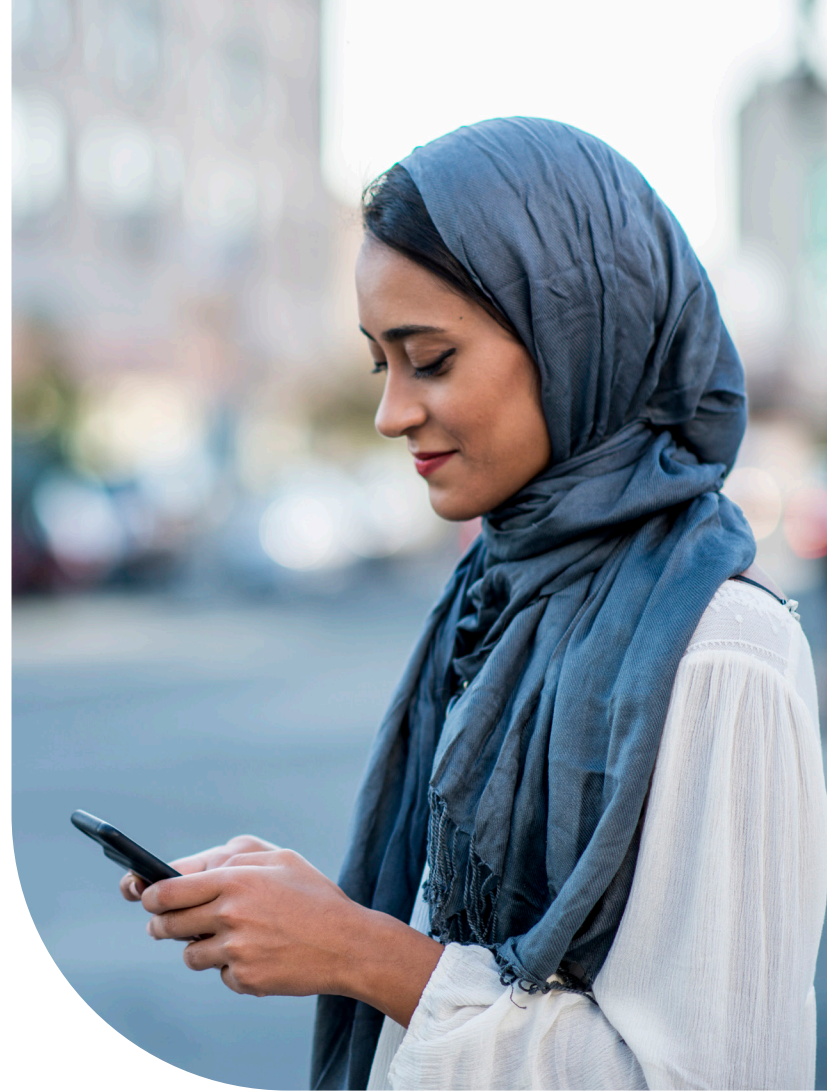
Kosta Peric, Deputy Director, Financial Services for the Poor,  
Bill & Melinda Gates Foundation

Despite the remarkable promise of mobile money in alleviating poverty and advancing financial inclusion efforts around the world, strong headwinds—some political, others practical—are decelerating forward progress.

### Interoperability: The push for democratized access

In 2007, there were fewer than ten mobile money service providers around the world; today, there are 276 in 90 countries.<sup>35</sup> In these highly fragmented markets, a lack of interoperability between digital financial services and payment platforms is greatly limiting the global expansion of mobile money initiatives. With limited ability to transact across providers, institutions and borders, mobile money users are unable to do much more than purchase airtime or send and receive domestic remittance payments within the same provider network—two functions which account for the majority of mobile transactions globally by far.<sup>36</sup> With improved interoperability between mobile money providers and any bank, merchant or institution, end users will benefit from democratized access to an expanded portfolio of needed services. The result will directly benefit the world’s poor.

In 2017, four of the world’s largest mobile money vendors—including Telepin—united to develop an Open API for mobile money interoperability. This historic collaboration was part of an initiative led by the Bill & Melinda Gates Foundation; they were working towards the launch of Mojaloop, a free-to-use open-source software designed to



better connect poor customers to merchants, banks, mobile money providers and governments (“Moja,” a Swahili word, means “one”).<sup>37</sup> The APIs that were developed through the harmonized effort of those four mobile money tech giants will allow providers to integrate with Mojaloop and its ancillary products, inching the industry closer to the full potential of interoperable mobile money solutions for the financially excluded.

<sup>32</sup> The Bill & Melinda Gates Foundation — “Mobile Payments go Viral: M-PESA in Kenya” (Mar 2010) <http://documents.worldbank.org/curated/en/638851468048259219/pdf/543380WP0M1PES1BOX0349405B01PUBLIC1.pdf>

<sup>33</sup> UNCDF — “Financial Inclusion and the SDGs” (2018) <http://www.uncdf.org/financial-inclusion-and-the-sdgs>

<sup>34</sup> Georgetown University — “Study: Use of Mobile Money Lifts Nearly 200,000 Kenyans Out of Poverty” (Dec 2016) <https://www.georgetown.edu/Billy-Jack-Mobile-Money-Kenya-research>

<sup>35</sup> GSMA — “2017 State of the Industry Report on Mobile Money” (2018) [https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2018/05/GSMA\\_2017\\_State\\_of\\_the\\_Industry\\_Report\\_on\\_Mobile\\_Money\\_Full\\_Report.pdf](https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2018/05/GSMA_2017_State_of_the_Industry_Report_on_Mobile_Money_Full_Report.pdf)

<sup>36</sup> GSMA — “Mobile money transactions: What are people using mobile money for” (Apr 2015) <https://www.gsma.com/mobilefordevelopment/programme/mobile-money/mobile-money-transactions-what-are-people-using-mobile-money-for/>

<sup>37</sup> The Bill & Melinda Gates Foundation — “Bill & Melinda Gates Foundation Releases Open-Source Software to Support Efforts that Expand Access to Financial Services in Developing Countries” (Oct 2017) <https://www.gatesfoundation.org/Media-Center/Press-Releases/2017/10/Bill-Melinda-Gates-Foundation-Releases-Open-Source-Software-to-Expand-Access-to-Financial-Services>

Mojaloop's first introduction into the marketplace will take place later this year in Tanzania. It's no coincidence that Tanzania is host this historic implementation; in 2014, at the crest of a wave that saw the number of people with access to formal financial services quadruple in just five years,<sup>38</sup> the country's competing mobile money service providers connected their networks bilaterally through custom APIs. This made Tanzania the first African country where customers could instantly transfer money between operators. One of those operators, Telepin partner Tigo Pesa, went a step further by announcing that same year that it would distribute its profits to customers in quarterly payouts. The move helped to incentivize the mobile money model, which made sense from a business perspective—Tigo now claims a 36% share in the Tanzanian market<sup>39</sup>—and from the broader perspective of financial inclusion, already bolstered by the country's interoperability initiative. Today, Tanzania is considered a world leader in providing financial services to unbanked populations; of a population of 52 million, 32% of Tanzanians use mobile money as their exclusive financial service provider, compared to only 2% with a traditional bank account.<sup>40</sup>

Into this encouraging picture comes Mojaloop, intended to further accelerate Tanzania's commitment to mobile money access. The Bank of Tanzania, which enabled the 2014 interoperability effort by providing a supportive regulatory environment for the participating providers, recently stated, "We are excited to explore implementation of this because of how it can simplify the capability for businesses and governments, and speed up access to financial services."<sup>41</sup> The mobile money world will be watching as Mojaloop arrives in Tanzania, representing the combined efforts of otherwise competitive vendors and operators and helping to further modernize and optimize financial services for poor households around the world.

## Partnering for the greater good—and greater business outcomes

The idea behind Mojaloop and other emerging technologies designed for interconnection, including blockchain solutions and distributed ledger technology (DLT), is to overcome the barriers that have traditionally dissuaded banks and providers from interconnecting—chiefly, the upfront cost and the skepticism of a telco industry historically divided by fierce competition. For some of those telco players, the business case for interoperability is dubious; by choosing competition over partnership, big players seek market dominance that will allow them to dictate prices and moderate spending. Interoperability, in this paradigm, begins to look like a commercial hindrance, not an advantage.

As long as such skepticism exists, the financially excluded continue to lose. In 2016, the Global Partnership for Financial Inclusion explained it this way: "The early rapid growth of one system that is not interoperable with others could have a 'tipping effect' such that no other system can compete. This dominance could have negative effects... through higher pricing or lower rates of innovation."<sup>42</sup>

Fortunately, telco players in some parts of the world are reconsidering their stance and adapting from adversarial to collaborative strategizing, creating a positive business case for other markets to follow. Indonesian mobile money providers pioneered this shift when they implemented interoperability in 2013; operators in Pakistan, Sri Lanka, Tanzania and elsewhere followed suit a year later, opening the door for mobile money customers to send and receive payments across networks within those countries. And earlier this year, two operators in Kenya overcame a historic battle for control of the mobile money industry by working together on domestic interoperability trials.<sup>43</sup>

<sup>38</sup> CGAP — "Infographic: Tanzania's Mobile Money Revolution" (2014) <http://www.cgap.org/data/infographic-tanzanias-mobile-money-revolution>

<sup>39</sup> The Citizen — "You can now recall wrongly sent cash on Tigo Pesa" (Jul 2018) <http://www.thecitizen.co.tz/News/Business/1840414-4666224-fyjfb/index.html>

<sup>40</sup> TanzaniaInvest.com — "Tanzania Mobile Money" (2018) <https://www.tanzaniainvest.com/mobile-money>

<sup>41</sup> The Bill & Melinda Gates Foundation — "Bill & Melinda Gates Foundation Releases Open-Source Software to Support Efforts that Expand Access to Financial Services in Developing Countries" (Oct 2017) <https://www.gatesfoundation.org/Media-Center/Press-Releases/2017/10/Bill-Melinda-Gates-Foundation-Releases-Open-Source-Software-to-Expand-Access-to-Financial-Services>

<sup>42</sup> GPF — "Global Standard-Setting Bodies and Financial Inclusion the Evolving Landscape" (Mar 2016) [https://www.gpfi.org/sites/default/files/documents/GPFI\\_WhitePaper\\_Mar2016.pdf](https://www.gpfi.org/sites/default/files/documents/GPFI_WhitePaper_Mar2016.pdf)

<sup>43</sup> Daily Nation — "Fresh hope as telecoms start mobile money interlink trials" (Jan 2018) <https://www.nation.co.ke/business/Fresh-hope-as-telecoms-start-mobile-money-interlink-trials/996-4272266-mttcok/index.html>





Domestic interoperability is key to scaling financial inclusion initiatives, but it doesn't go far enough. Facilitating cross-border mobile remittances is the next step. In some countries, international remittances can amount to a quarter of the GDP;<sup>44</sup> for individuals, these cross-border payments, often linking a family member working abroad to a dependent household in a developing region, can provide a critical lifeline. The UN, taking note of this lifeline, called on the international community to assist in reducing migrant remittance transaction costs to a global average of 3% by 2020, which could mean up to an additional \$20 billion flowing directly to households each year.<sup>45</sup> In this context, mobile money technology presents a compelling solution.

Sending money in digital form costs, on average, half of what it does using traditional channels,<sup>46</sup> and it provides a gateway to “whenever, wherever” transactions—a major benefit for customers with little access to agent locations, including rural customers or women with limited opportunities to travel.

Progress in this area—that is, towards interoperability across borders—is gradual but notable. Currently, 51 unique country corridors support cross-border payments through mobile money, up from eight at the end of 2013,<sup>47</sup> and traditional money transfer operators like Western Union and MasterCard have begun collaborating with mobile money providers to better facilitate international transactions.

The combined expertise and technological infrastructure of these partnerships has advanced the interoperability agenda in meaningful ways, enabling critical remittances between remote areas of the world and contributing to greater, more affordable financial inclusion overall. Still, much work remains in the push for a global mobile money ecosystem, supporting the upwards trajectory of more and more households in poor and unbanked regions of the world.

<sup>44</sup> GSMA – “Working Paper Guidelines on International Remittances through Mobile Money” (Sept 2017) <https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2017/09/GSMA-September-2017-Guidelines-On-International-Remittances-via-Mobile-Money-1.pdf>

<sup>45</sup> Ibid.

<sup>46</sup> Ibid.

<sup>47</sup> Ibid.

### 3. A Mobile Money Success Story

The statistics that demonstrate mobile money's role in elevating families out of poverty are useful only to a point. True understanding comes from hearing the stories of those impacted by this technology—stories like that of Cathy Rumints, who left her home in Papua New Guinea for six months to study solar engineering in India. The course was funded by a micro-loan made possible through mobile money technology; the same technology that connects Cathy and millions of other low-income, unbanked adults in the South Pacific to critical financial services. Because of those services, these adults moved from a tradition of keeping money under their mattresses to one of securely and conveniently managing their financial lives through digital technology, helping them achieve greater stability and visibility into their financial realities.

For Cathy, this access—and the loan it facilitated—meant that she could gain valuable skills as a solar energy expert. She brought these skills back to her community, where she helped families buy and install solar panels in their homes, giving them a safe and low-cost alternative to noxious kerosene. In Cathy's own family, the impact was almost immediate; because of the new source of energy, her family was able to expand their farming operation, which helped them repay the micro-loan and further secure their financial situation.

In families like Cathy's, mobile money technology truly is a lifeline.

#### THE CASE FOR MOBILE MONEY: KEY TAKEAWAYS

##### **1. Financial inclusion helps the world's poorest households.**

The financial services sector is currently failing about 1.7 billion adults without a bank account, largely due to a lack of access to such services. Studies show that increasing access to financial services helps the world's poorest citizens reduce their vulnerability by performing basic, life-sustaining transactions securely and affordably, including receiving and saving money, paying bills, and sending money to relatives.

##### **2. Mobile money is essential to financial inclusion.**

Of those unbanked adults, more than one billion carry a solution to financial vulnerability in their pocket: a mobile phone. As an alternative to the expensive and inefficient cash economy, mobile money technology can reduce the cost of performing basic transactions by up to 90%.<sup>48</sup> Already, there are 690 million mobile money accounts, an adoption rate that has risen by 25% in just the last two years<sup>49</sup>—mainly in remote or developing regions of the world where access to traditional banking services is highly limited. Many impact studies have revealed a corresponding decrease in rates of poverty around the world.

##### **3. The potential of mobile money is limited by a lack of interoperability between providers, both domestically and across borders.**

Technological innovation and collaboration between competitors are essential to true, universal financial access.

Pilot initiatives in many domestic markets, including Indonesia, Pakistan and Sri Lanka, have established a positive business case for interoperating providers; meanwhile, cross-border interoperability continues to expand globally, helping families to send remittances home for rates that are far lower than traditional money transfer methods.

For this trend to continue, further collaboration is required.

<sup>48</sup> The Bill & Melinda Gates Foundation – “Digital payments can benefit the poor, and be good for business” (Sept 2018) <https://www.gatesfoundation.org/Media-Center/Press-Releases/2013/09/Digital-Payments-Can-Benefit-the-Poor>

<sup>49</sup> GSMA – “2017 State of the Industry Report on Mobile Money” (2018) [https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2018/05/GSMA\\_2017\\_State\\_of\\_the\\_Industry\\_Report\\_on\\_Mobile\\_Money\\_Full\\_Report.pdf](https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2018/05/GSMA_2017_State_of_the_Industry_Report_on_Mobile_Money_Full_Report.pdf)

## 4. Conclusion

For the world's poorest citizens, the path to a better future is not as simple as finding or earning more money; it requires a formal financial system to help these citizens keep, spend and share their money securely, away from the volatility and impracticalities of the cash economy. And yet without access to even the simplest of such systems, billions of unbanked adults remain locked in poverty.

Mobile money is the solution. This technology takes a familiar and near-ubiquitous tool—the humble mobile phone, common in even the remotest regions of the world—and transforms it into a banking solution. And it's working. Today, mobile money is empowering millions of unbanked adults to transcend poverty and stabilize their financial lives—and as the technology and interoperability between providers improves, it stands to empower millions more and help end financial exclusion once and for all.

### FIND OUT MORE

A mobile money platform does more than just provide a payment vehicle — it enables financial inclusion through its function and features and provides life changing impact to the end users. Digitizing payment streams leads to increased usage of mobile money which in turn leads to financial inclusion.

Let's discuss the impact a comprehensive mobile money platform can make in the lives of your customers.

Contact [info@telepin.com](mailto:info@telepin.com)



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## About Telepin

Telepin is a global leader of mobile transaction platforms, Telepin's customer base includes tier-one operators in the Middle East, Africa, Asia, and the Americas. With more than 256 million subscribers and more than a million merchants, we have securely processed more than 10 billion transactions—a number that grows daily. Our stable, trusted mobile payment solutions provide mobile network operators the most efficient and trusted way to maximize revenue and deliver innovative mobile applications that gives financial power to people—whatever their circumstances and location.

Telepin is headquartered in Ottawa, Canada with regional presence in the Middle East, Tanzania, Malaysia, and Singapore. For more information, visit: [telepin.com](http://telepin.com)

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