

Bringing together the stakeholders for mobile money in Latin America

by Sirpa Nordlund, Executive Director, Mobey Forum; Juan Arauz Feria, Director of Mobile Payments, BBVA; and Enrique De La Rosa, CEO, Redeban Multicolor

In this article, Mobey Forum and some of its Latin American members, outline the opportunities and challenges for delivering mobile financial services within this dynamic and diverse region. The stakeholders must work together to approach this massive market. Mobile operators provide the infrastructure, but the coverage is not always adequate and the service pricing must not be too high. Banks should develop low-value financial products and must not levy high margins on low-value transactions. Although mobile money is already offered in places, there is still much to do in order to reach the unbanked, low income consumers, rural population and working women, who would prosper if given this chance of managing their finance securely, wherever they are. It is up to the region's governments, as in Columbia, to create new financial rules to enable mobile money to flourish.



Sirpa Nordlund, Mobey Forum

Ms Nordlund currently serves as Executive Director of Mobey Forum. Mobey Forum is a not-for-profit global leader in defining a sustainable and prosperous mobile financial services ecosystem. Since 2010, Ms Nordlund has been responsible for the direction of Mobey Forum initiatives and for overseeing the operational management of the group. Prior to joining Mobey Forum, Ms Nordlund served ten years at Nokia, where she held several management positions, especially involved with business development of NFC. More recently, Ms Nordlund was responsible for sales in selected European markets at Venyon, a subsidiary of Giesecke & Devrient.

Enrique De La Rosa, Redeban Multicolor

Mr De la Rosa currently serves as CEO of Redeban Multicolor, which is a merger of two POS networks led by him. Redeban Multicolor is a MasterCard processor and a leading electronic funds transfer network in Colombia. Prior to joining Redeban Multicolor, Mr De la Rosa served for sixteen years as Regional Manager, Commercial Vice President and CEO of Bansuperior, a bank that manages the Diners Club brand in Colombia. Mr De la Rosa has served on the Board of Directors of several firms including Asobancaria (Banking and Financial Institutions Association), Redeban Multicolor, Visa of Colombia and AV Villas Bank.



Juan Arauz Feria, BBVA

Mr Arauz currently serves as Director of Mobile Payments of BBVA Bancomer. BBVA is a global group that offers individual and corporate customers a range of financial and non-financial products and services. Mr Arauz has successfully implemented mobile solutions for the bank. Before this, in the R&D Unit, he had the opportunity to develop many innovative concepts in the sphere of payments between customers.



The cellphone is the most successful consumer device in history in terms of consumer access, penetration and usage. It offers new possibilities and opportunities for delivering a wide range of services to consumers and businesses in a user-friendly and convenient manner. In developing economies, the cellphone provides a platform to

bring mobile financial services to an otherwise unreachable population.

Mobile remote banking and mobile remote payments are the processes of using a cellphone to make payments and conduct financial transactions irrespective of the location of the

person. It provides for people who are living in remote regions, where there are no banks or Internet facilities, and who thus have no access to financial services and products. To quote Mr Arauz: "The rapid growth of the cellphone in Mexico presents a unique opportunity to democratise the financial services economy in

our region. Financial organisations can now offer basic banking services and credit in a profitable manner to a segment of the population which cannot be reached via traditional methods.” Mr De La Rosa adds that the benefits afforded go beyond the population and will also “provide interesting and profitable business prospects for the many organisations that will support this impressive new banking environment”.

The services that are being created are specially designed to appeal to the ‘unbanked’ people of Latin America, and will be different from the traditional financial products found in advanced banking regions. “Historically, in developed banking economies people open a bank account at a young age to begin saving money, create wealth, access money and get credit. In situations where the consumer is unbanked, the motivation for opening a bank account is usually to transfer funds, known as peer-to-peer transactions, and to establish a safe place to store money. This removes the fear of money being stolen or lost,” explains Ms Nordlund.

The challenges

“There are technical, financial, regulatory and educational challenges that need to be addressed in order to achieve the goal of providing mobile financial services to the unbanked,” says Mr De La Rosa. He highlights that mobile network operators (MNOs) need to guarantee that they can provide reliable, good quality coverage in all regions. Mr Arauz also acknowledges that many of the areas inhabited by the unbanked currently do not have adequate cellphone coverage, which is required to support reliable mobile financial services.

In addition to ensuring a good network coverage, the charges for using mobile financial services will need to be realistic. Mr De La Rosa notes that this kind of service should be offered for free or as cheap as possible, as the majority of transactions are micropayments. Even more so in the case of transactions that are related to governmental initiatives to hand out social benefits and subsidies. Mr Arauz supports this notion by adding: “The high cellphone costs and tariff rates in Mexico would make mobile financial services unaffordable for certain demographics of the population, essentially the unbanked and low income families that we would be aiming to engage.”

Educating people on how to use their cellphone to access banking services is another key consideration. “The penetration of cellphones has grown significantly,” explains Ms Nordlund. “This means that people with a lower income are now ready to invest in a cellphone, but are unlikely to

understand the full capabilities of the device and how it can be used to manage their finances and keep their money safe.”

Mr De La Rosa points out that current laws and regulations need to be updated to enable the banking community to utilise the full functionality of the device. For example, in Colombia, the government created new financial rules focused on promoting these capabilities which encouraged some financial institutions to develop products for the unbanked.

The infrastructure

The key question for many operating in the industry is how will the market players - MNOs, financial institutions and merchants - come together to address these barriers and build the ecosystem for an interoperable, secure and scalable service. Mr Arauz acknowledges that the technology is available and that the focus today is on developing business relationships. Ms Nordlund agrees: “Many of these partnerships are across industries that have no template or benchmark to work from as it is the first time they have converged in such a manner. It is the role of not-for-profit organisations such as Mobey Forum to provide a common roundtable to assist both business and technical stakeholders in appreciating what the options are and the benefits of each party.”

These views are shared by Mr De La Rosa, who advises that in order for this ecosystem to exist and for each of the parties to benefit, all of the players need to work together. He adds: “MNOs should supply the infrastructure and customer databases. Financial institutions should provide their financial experience, products, processes and operations. Merchants should open their businesses to promote and accept the new payment systems, and governments must adjust their legislations. To make this a reality, all players and stakeholders should share their resources and expertise.”

The implementation

Despite some parts of Latin America suffering from the lack of a reliable cellphone service, there are some implementations within the region that have been well received. Mr De La Rosa shares an example from Colombia, where there are many financial institutions that joined forces with MNOs in new initiatives to offer mobile banking services to their customers since 2006. Over 8,000 customers have enrolled, generating an average of 1.8 million transactions per month since the launch. In addition to this, in February 2010, two banks launched a new service for the unbanked that allows them to open an online mobile account with services such as cash, balance enquiries,

utilities, payments, top-ups and money transfers. Almost 30,000 consumers are enrolled on this service and are actively using the facilities.

However, Mr Arauz reflects that although many of the major banks within Latin America are offering a range of financial services via cellphones, there are varying degrees of success. He comments: “In Mexico there are one million people who have signed up for financial services through their cellphone. This is a significant number, however, when considering that this is a marketplace with 80 million cellphones and over 45 million economically active people. We realise how much out-reaching work still needs to be undertaken and how huge this market could be.”

The benefits and future

Looking at each group of stakeholders in the mobile banking community, Mr Arauz believes that each has much to gain: “For the banks, mobile banking provides an opportunity to widen their customer base through reaching a previously inaccessible market, to offer new mobile financial services to carefully targeted customer segments in the form of emergency loans, insurances or money transfers and to bring a new mobile distribution channel to the market. It will provide a medium for MNOs to develop new services for customers that otherwise would not have the means of making payments. For customers, this brings convenience - being able to access financial services through their cellphones in a timely and secure manner.” He adds: “I believe we will see a major breakthrough in the next ten years, with costs decreasing, service variety increasing and customer engagement and usage rising.”

Ms Nordlund states that the need for secure financial management is a basic human need: “The current high margins levied on low-banked or unbanked consumers enhance inequality and the uncertainty of money handling. By introducing a safe place to store money and by increasing the possibilities for sophisticated payment options, mobile financial services can improve people’s everyday lives. It can also enhance the financial position of women in the rural areas by giving them means of financial management and access to loans and insurance. By improving the life of women you also enhance the life of their children.”

“The culture of saving in a society is the foundation of its development and will produce significant benefits for all,” concludes Mr De La Rosa. “Banking services are part of the basic needs of a thriving population.” ●

For further information on the work of Mobey Forum and its role in developing a sustainable mobile financial services ecosystem visit www.mobeyforum.org.