Interoperability of mobile money services

Increased competition and the wide spread adoption of mobile money in emerging markets are driving a push to interoperability.

Interoperability will play a key role in the continued expansion of mobile money. We have reached a position where it is no longer a question of ‘if’ interoperability will occur but ‘when’. The GSMA MMU reports that in 2013 there were at least 52 markets in which two or more mobile money services were in operation.

It remains to be seen who will facilitate this interoperability. How will it be managed? And how will it be monetised? Currently there are several different models in existence, each with their advantages and drawbacks. In some countries, the central bank is leading the way, as in Indonesia, while in other countries not-for-profit organisations are taking the first step, such as the Bill & Melinda Gates Foundation in Tanzania with the support of the local regulator. The other option is for an independent provider to operate this type of service as a business. In this model the crucial factor is that the service remains economical for the end-user.

At present most mobile money deployments operate as a ‘walled garden’, meaning that transactions can only be performed between users of the same system, i.e. a user can only transfer electronic money to another user of the same mobile money deployment. A lack of interoperability has been highlighted as a major barrier to the development of the mobile money market. The strongest reason for enabling interoperability is the dramatic increase in mobile money transactions that will result. Transaction volume in any network is proportional to and driven by the number of interconnections possible between subscribers. 1

Interoperability would give mobile money service providers the opportunity to increase the volume of digital transactions, improve the sustainability of mobile money services and contribute to an open digital financial ecosystem which promotes financial inclusion.

<table>
<thead>
<tr>
<th></th>
<th>Market share %</th>
<th>Mobile Wallets (000s)</th>
<th>Interconnections within network (000s)</th>
<th>Interconnections with interoperability (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operator A</td>
<td>50</td>
<td>5,000</td>
<td>25,000,000</td>
<td>1,000,000,000</td>
</tr>
<tr>
<td>Operator B</td>
<td>20</td>
<td>3,000</td>
<td>9,000,000</td>
<td>1,000,000,000</td>
</tr>
<tr>
<td>Operator C</td>
<td>20</td>
<td>2,000</td>
<td>4,000,000</td>
<td>1,000,000,000</td>
</tr>
<tr>
<td>Total market</td>
<td>100</td>
<td>10,000</td>
<td>38,000,000</td>
<td>1,000,000,000</td>
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GSMA’s Mobile Money Interoperability Programme

Interoperability has been highlighted by the GSMA as a key objective in the development of mobile financial services. To support this objective, in 2014 the Mobile Money Interoperability Programme was launched to identify commercially and technically viable options for enabling mobile money transactions beyond the bounds of a single operator scheme, thereby growing the addressable market and significantly increasing the volume of mobile money transactions.

Their first focus area is Account-to-Account (A2A) interoperability. A2A interoperability in mobile money may create strong positive network effects; there is a wide body of research that investigates interoperability in payments systems and assesses the opportunity for participants that is created through network effects. Studies have found empirical evidence that demonstrates the positive network effects of A2A interoperability between banks, which could be expected to apply also for mobile money. 2

The GSMA highlights the key functional requirements for A2A interoperability as the ability to:

- Directly transact between wallet accounts at different MMOs;
- Directly transact between mobile money accounts and bank accounts;
- Settle the funds for transactions across schemes and between schemes and banks;
- Implement common risk management practices that preserve the integrity of the individual mobile money schemes.

1. Ovum Research, Mobile Money in Emerging Markets, 2010
About eServGlobal

eServGlobal (LSE: ESG, ASX: ESV) offers mobile money solutions which put feature-rich services at the fingertips of users worldwide, covering the full spectrum of mobile financial services, mobile wallet, mobile commerce, recharge, promotions and agent management features. eServGlobal invests heavily in product development, using carrier-grade, next-generation technology and aligning with the requirements customers worldwide.

Together with MasterCard and BICS, eServGlobal is a joint venture partner of the HomeSend global payment hub, a market leading solution based on eServGlobal technology and enabling cross-border money transfer between mobile money accounts, payment cards, bank accounts or cash outlets from anywhere in the world regardless of the users location.

eServGlobal also builds on its extensive experience in the telco domain to offer a comprehensive suite of sophisticated, revenue generating Value-Added Services to engage subscribers in a dynamic manner. eServGlobal has been a source of innovative solutions for mobile and financial service providers for 30 years.

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