eServGlobal
white paper

Mobile Financial Services
Insurance, Loans and Savings

Harnessing the potential of mobile money in emerging markets to build profitable services that promote financial inclusion.

In emerging markets around the globe, facilitating financial services through the mobile is being seen as the future of financial inclusion. These services target sections of the population who lack access to standard financial services, primarily the unbanked and the under-banked.

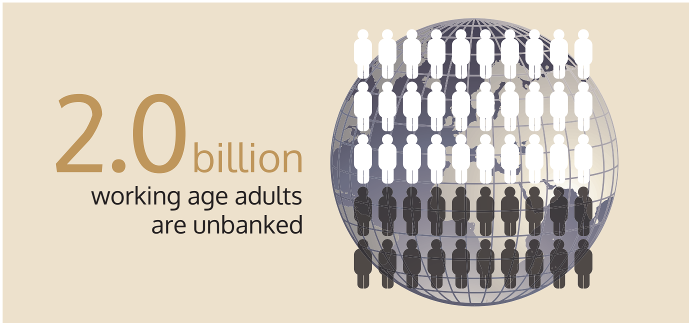
Microfinance, and especially micro-loans, is a proven solution for increasing financial inclusion among the poor, ultimately contributing to the development of a country's economy. The appropriate financial services can help improve household welfare and spur small enterprise activity. The success of microfinance in the developing world has been well documented over the past 15 years and was highlighted by the Nobel Prize awarded to Muhammad Yunus in 2006.

Mobile financial services (MFS) are not limited to loans. Capitalising on the wide-spread use of mobile phones to extend insurance and savings products is a logical step in the development of mobile money services. The boom in the deployment of these services over recent years has been driven by some of the most advanced mobile money service providers (for example in Kenya, Pakistan, Bangladesh).

The term mobile financial services can refer to a wide array of services including insurance, savings and loans that are distributed, subscribed to or paid via a mobile device.

In each deployment, the service needs to be tailored to the specificities of the local market, however in general, these products are targeted at people with low incomes, giving them new methods to control their finances as well as practical tools to plan for the future and the ability to manage risk.

A primary challenge for traditional microfinance has been how to reach remote sections of the community where infrastructure is still developing. The mobile phone is an ideal tool to meet this challenge. Delivering microfinance via mobile devices offers an easy to access service via a familiar channel.



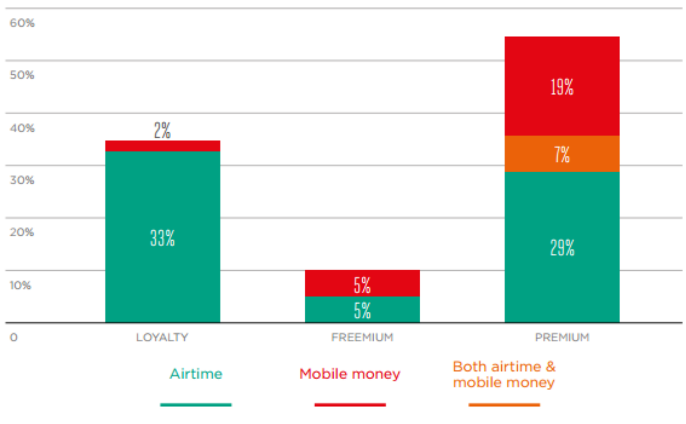
Leveraging the mobile infrastructure for microfinance can benefit operators, insurers and customers in a variety of beneficial ways.

Mobile insurance

The GSMA MMU reveals in its 2013 State of the Industry report that there are 84 live mobile insurance services among which 16 were launched in 2013. These services have been most popular in Sub-Saharian Africa and South Asia. Over 75% of the mobile insurance services offer life insurance, while the remaining offer health insurance, accident coverage or agricultural insurance.

Life insurance is the simplest service to enable via mobile. For non-life insurance products, insurance providers have been innovatively capitalising on the use of data collection to automatically pay out claims via mobile money. This is the case of Kilimo Salama (meaning "Safe Agriculture") in Kenya. The project, which is a partnership between Syngenta Foundation for Sustainable Agriculture, UAP Insurance, and telecoms operator Safaricom, has developed a system to automatically pay out farmers on weather conditions data collected from the weather centers. This allows farmers to take out insurance policies to shield them from significant financial losses when drought or excess rain could wreak havoc on their harvests.

Mobile insurance providers need to rely on a large salesforce to educate and acquire new customers for these relatively sophisticated services. Bima Life Insurance in Bangladesh set up a team of 800 dedicated sales agents plus an outbound call center of 50 agents to drive sign-ups. In Senegal, Tigo set up a team of 40 sales agents to individually educate and register customers. Tigo also set up an outbound call center to provide follow-up with each new registered customer.



In term of business models, mobile insurance can be offered either as a loyalty reward (52% of the time according to the GSMA) or where customers pay a premium (48%).

The below diagram illustrates how customers pay for mobile insurance (subscription, premiums) and how claims are disbursed.
Despite mobile insurance being a relatively new service, we can already observe key factors for success from existing services:

- The ability to automatically debit, at set intervals, an account that is likely to have an active balance (an airtime wallet rather than a mobile wallet)
- Offering mobile insurance in partnership with insurers with expertise in micro-insurance
- Employing a model whereby customers are given free insurance in exchange for loyalty and given the option of upgrading to a paid policy with additional coverage.

Mobile Loans

In its 2013 State of the Industry report the GSMA MMU found 17 live mobile loan or mobile credit services. These services rely on a dedicated salesforce, separate to the existing mobile money agents. However, customers are required to have a mobile wallet which is used for loan disbursement and repayments. The use of credit scoring algorithms based on the customer call history data and on airtime purchases will allow service providers to measure the purchasing power and to reduce default rates of these new targeted populations.

All actors within the sphere of microfinance have a role to play in targeting eligible customers, communicating with them, performing credit scoring and also protecting customers through the provision of clear information about available financial products.

User trust and confidence is essential for microfinance services. Customers need easy and regular access to agents in their local area to ask questions and seek information about new services.

Mobile Savings

According to the GSMA MMU 22 mobile savings services were live end at the end of 2013. Mobile savings are currently being offered across a wide-range of countries in emerging markets. Mobile savings can deliver interest directly to the mobile wallets of subscribers. However, not all mobile savings schemes pay interest (around 50% according to the GSMA MMU). Even if they do not earn any interest on their mobile wallets, some customers use them as a secure way to store their money for the future.
Customers can have the possibility to open a savings account that is distinct from their mobile money accounts.

Educating the users is key for this type of product. 'Saving money' can be a new concept in many markets. The benefits of this solution need to be clearly conveyed to potential users. The GSMA suggests savings goal can be defined and managed as a system of deferred payments. Save today to buy tomorrow.
For mobile operators, proposing these new services to their users can bring benefits in terms of competitive differentiation, increased ARPU, customer acquisition, reduced churn and new revenue streams.

Telecommunication operators, mobile money providers, microfinance institutions, banks or even large retail groups can find new business opportunities within the world of microfinance.

Deployment models

When linked to a mobile money offering, mobile financial services may be deployed in the following two models.

- The mobile money platform manages mobile financial services including the creation and sale of products, claim management for insurance and money deposits and withdrawals for the savings. For mobile money service providers, this model has the advantage of being independent of any external partner. It also means that the service provider needs to have expert knowledge and qualified staff in the financial services being offered. The service provider may enter into competition with specialized companies with established brands. The mobile aspect here is a clear differentiator.

- MFS services are managed by existing financial institutions and the mobile money platform interfaces with their existing systems to enable the management of the services from mobile device. One advantage of this model is the ability to rely on the expertise of companies working in the financial space with existing products. The mobile money service provider brings new tools to capture new customers. Integrating the two platforms and revenue sharing between the partners needs to be accounted for in the business model.

About eServGlobal

We are eServGlobal. We are a pioneering digital financial transactions technology company. We enable financial and telecommunications service providers to create smoother transactions for their customers through deep technical expertise and rapid implementation.

We utilise the latest technology platforms, with the largest global reach, to offer a range of transaction services including digital wallets, commerce, remittance, recharge, rapid service connection and business analytics.

We combine more than 30 years experience, with an agile, future-focused mindset. We live by relentless progress. We push ourselves to be ahead of upcoming digital disruptions to continue to support our clients in future-proofing their businesses.

GSMA Mobile Insurance, Savings, & Credit Report 2015