

Micro-Payment Systems and their Application to Mobile Networks



In many developing countries, particularly in rural areas, access to financial services is limited resulting in a large percentage of the population operating on a cash only basis and outside of the formal banking system. However, the proliferation of mobile services in these countries has created a unique platform to provide financial services over the mobile network. In light of the growing size of international and national banking remittances, there is a great opportunity to capitalise on the benefits of such a system.

In an effort to understand better the potential of this new mobile application, which is part of a growing area of mobile enabled commerce (m-Commerce), the Information for

Development Program (*infoDev*) has partnered with the International Finance Corporation (IFC) and the GSM Association (GSMA) to conduct a case study of two promising examples of m-Commerce in the Philippines, namely mobile financial services provided by SMART Communications and GLOBE Telecom. This partnership has produced a report, which summarises the first phase of *infoDev*'s ongoing exploration into the application of m-Commerce in developing markets. This first phase is aimed at identifying the opportunities provided by mobile networks in offering m-Commerce services, as well as identifying the drivers of successful implementation. This work also forms part of the GSMA's



initiative to bring the benefits of mobile communication to more people in the developing world.

Key findings

Based on the findings, it is clear that it is not only technically feasible and profitable to deploy financial services over mobile networks, but that there is significant and growing demand. In fact, m-Commerce may address a major service gap in developing countries that is critical to their social and economic development.

The report's findings include:

- For users – an opportunity to become engaged in the formal banking sector, to facilitate and reduce the costs of remittances, and to enable financial

transactions without the costs and risks associated with the use of cash, including theft and travel to pay in person

- For banks – an increase in their customer reach, the opportunity to migrate customers upward in the use of banking services and the added cash float available to the bank
- For networks – an increase in text messaging revenues, reduction in churn rates, greater appeal to the market and hence an increase in the uptake of mobile services
- For retailers – added business opportunities through the sale of

prepaid account credits, facilitating purchasing by customers and the competitive advantage gained by having the facility available

- For micro-finance institutions – the ability to advance funds to remote areas and have regular repayments that do not significantly inconvenience the user
- For service industries and utilities – the ability to get payments electronically from a significant portion of the overall population without the need to establish franchised agents in remote locations

Download the full report on any of the websites listed below.

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