



EQUITY CENTRE

The Convergence; Banks & Telcos



The Convergence

- ❖ ‘With globalization and shift from industrialization to the information age, completion is quickly changing form Value Chains to Value Webs’
- ❖ This can not be further from the truth as to survive, Telcos have to work with Banks and Vice Versa, for economies of scale, Banks have to work with Telcos to avail convenient and affordable Bank services to the masses.
- ❖ This is evident with Bank’ Mobile, Agency and Merchant Payment solutions that use Mobile and POS devices that get connected to the Bank’s system via SIM Cards hence the reliance on Telco infrastructure to operate. The Bank Branch and ATM infrastructures on the other hand are value add in providing avenues for Deposit and Withdrawal of Mobile Money.



- ❖ In overall analysis therefore, for financial inclusion and financial deepening, Banks and Telcos need to work together.
- ❖ Partnerships between the two are necessary if the financial deepening and inclusion goal is to be achieved in Africa.



Market Status; Kenya Mobile Money

- ❖ Mobile financial services in Kenya commenced in **2007**
- ❖ From a customers base of **25.93 million** and **120,781** agents , Kenya mobile transactions hit **Ksh 2,148.13 billion (USD 23.4 billion)** for the year ended June 30, 2014.

MOBILE PHONE MONEY TRANSFER

Year to	2008	2009	2010	2011	2012	2013	2014
Amount transferred (Ksh billion)	61.07	318.44	597.31	919.22	1,375.83	1,689.04	2,148.13
Number of agents	3,011	10,735	31,902	46,588	61,313	103,165	120,781
Number of transactions (million)	21.77	125.12	251.25	364.06	507.90	643.01	824.26
Number of 'registered' customers/accounts (million)	3.04	7.39	10.44	17.99	19.80	23.75	25.93

Source: Service providers

Market Status - Uganda Mobile Money

- ❖ Mobile financial services in Uganda commenced in **2009**
- ❖ From a Mobile Money customers base of **14.2 million**, Uganda mobile transactions hit **Ushs.18.6 trillion (USD 6.5 billion)** as at December 2013.

	Number of transactions ('000s)	Value of transactions (Ushs. billion)	Number of registered customers
Dec-10	28,816	962.7	1,683,713
Dec-11	87,481	3,752.90	2,879,968
Dec-12	241,728	11,662.70	8,870,873
Dec-13	399,461	18,645.15	14,243,379

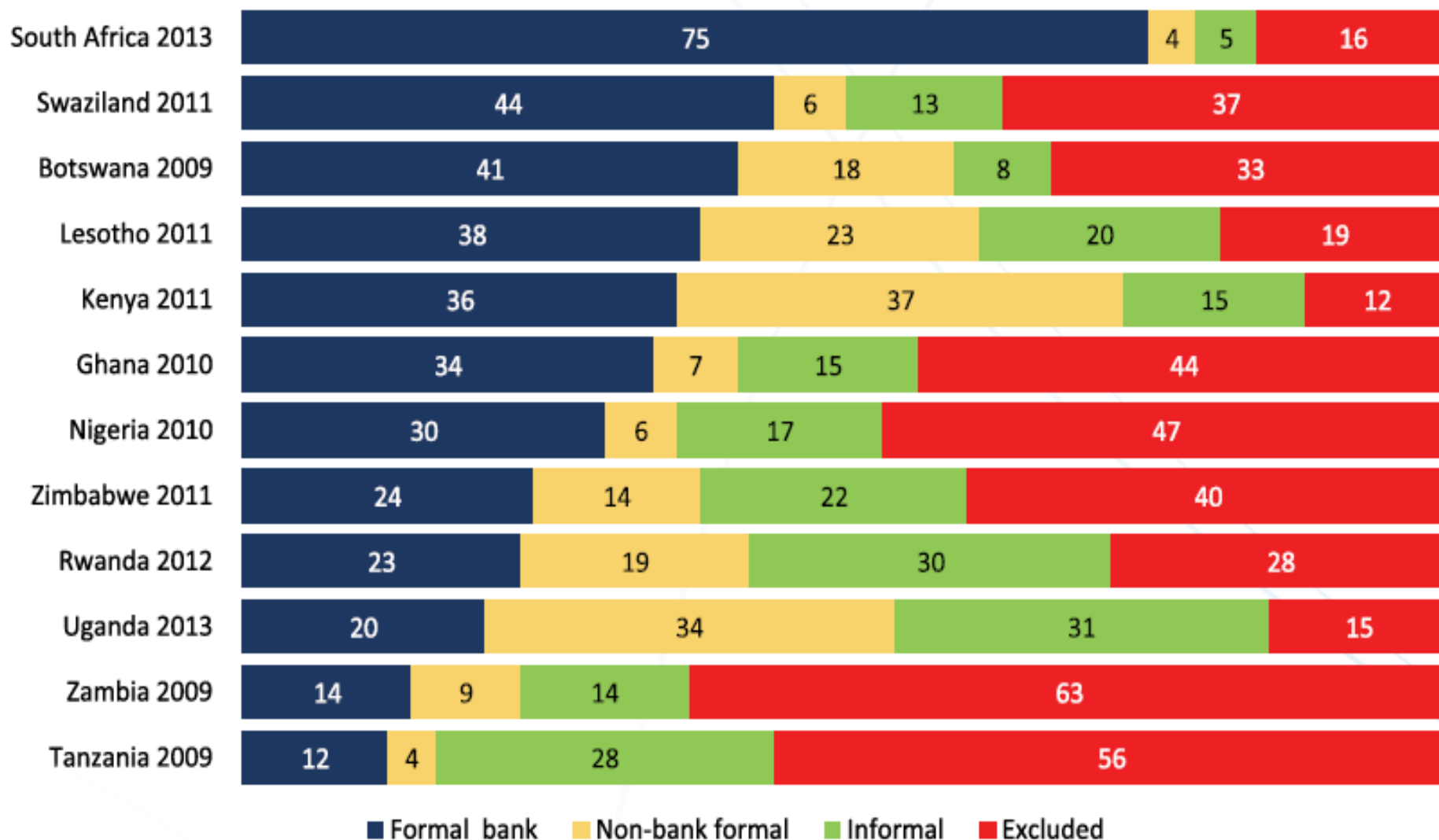
Source: Bank of Uganda

In 2015;

- ❖ Sale of Tablets will overtake sale of Personal Computers.
- ❖ Revenues from Internet Advertisements will overtake advertisements from Newspapers, Magazines and Billboards.
- ❖ Mobile phone subscription will exceed the world population.
- ❖ People active on Facebook will be more than the population of China.

Kenneth Cukier: Data Editor, The Economist

Financial Inclusion Outlook



Source: Author's calculations based on FinScope III 2013 (for Uganda); the rest is from various FinScope surveys from other African countries.

Equity Bank Experience

- ❖ The Bank Mobile/Eazzy 247channels on; Web, Wap and USSD; accessible by all network providers across the region.



- ❖ The Bank instant account opening products; Hapo Hapo in Kenya and Hano Hano in Rwanda have on the other hand demystified the huddles of opening a Bank Account thus attracted the otherwise excluded citizenry into formal financial inclusion.



Equity Bank Experience

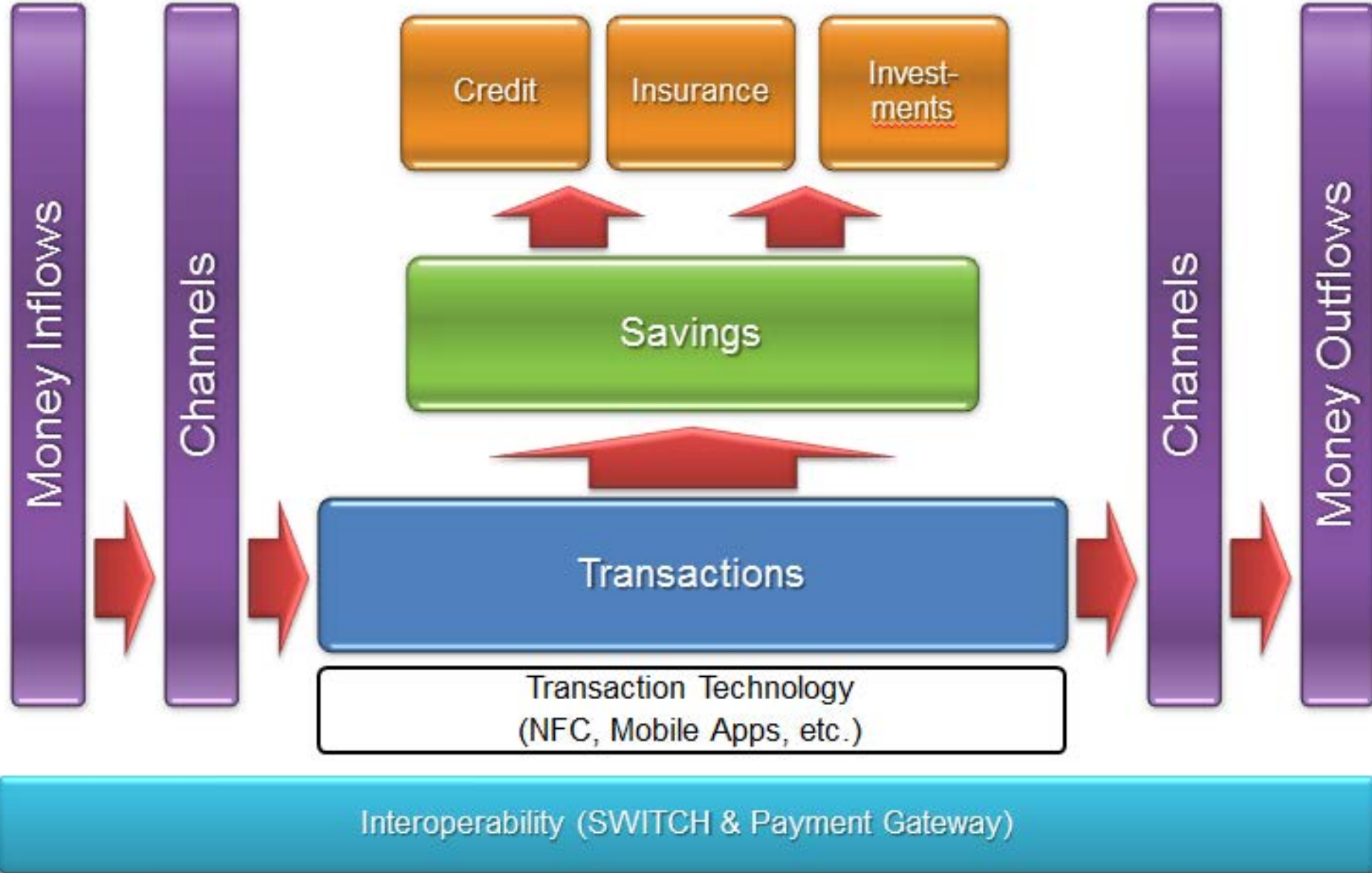


- ❖ In Transforming Equity from somewhere you go, to something you do; supporting lifestyles; Equity in a partnership with Airtel's launched MVNO services; First in Kenya, First in Africa to offer a full banking suite through an MVNO.

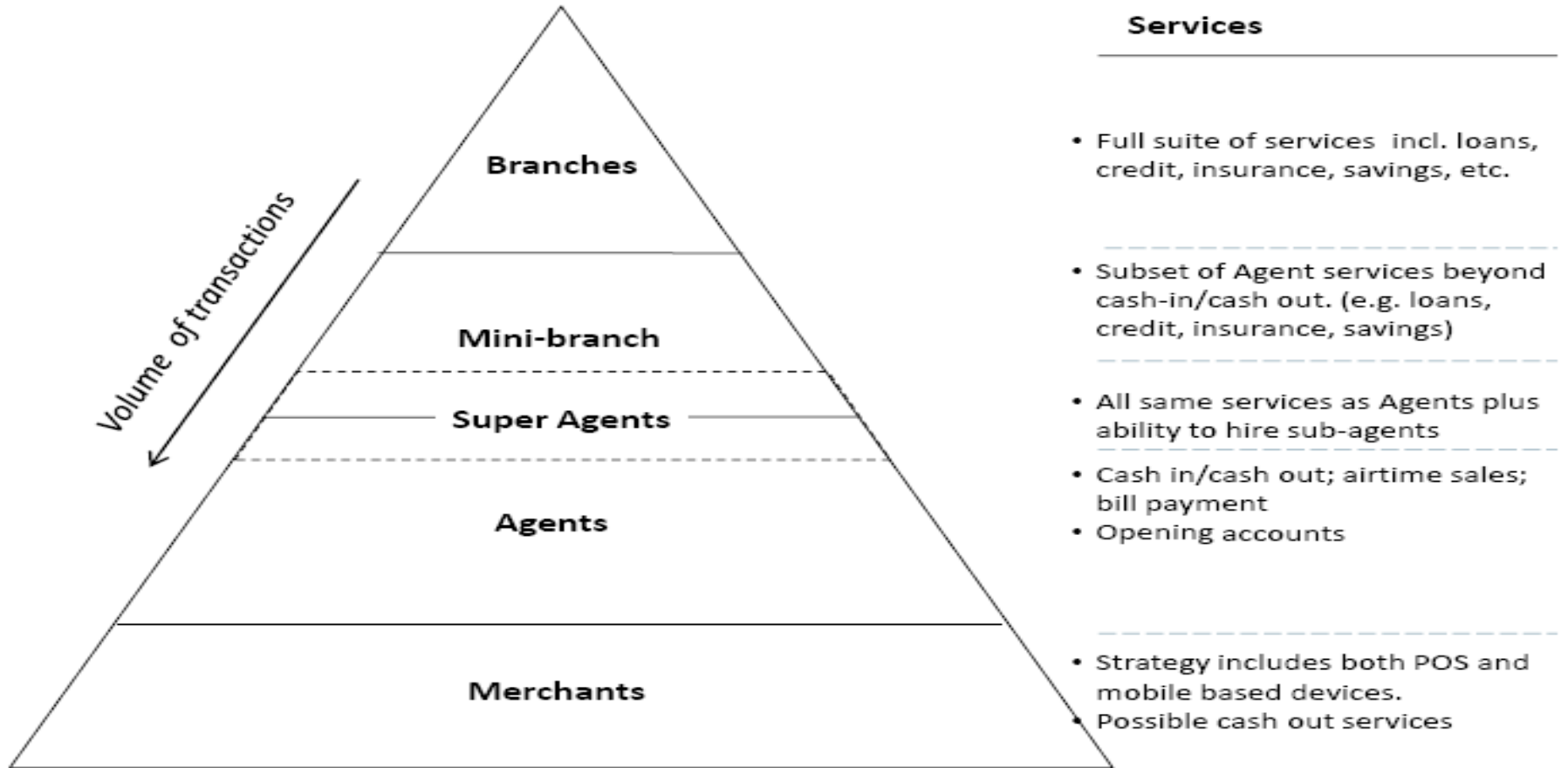


- ❖ Equity MVNO is a platform bigger than mobile money, The SIM toolkit availed Equity customers easy and secure access to Bank Accounts; anywhere and anytime; wherever & whenever; Benki Yangu Mkononi - Making banking a lifestyle defined by freedom, choice and control.

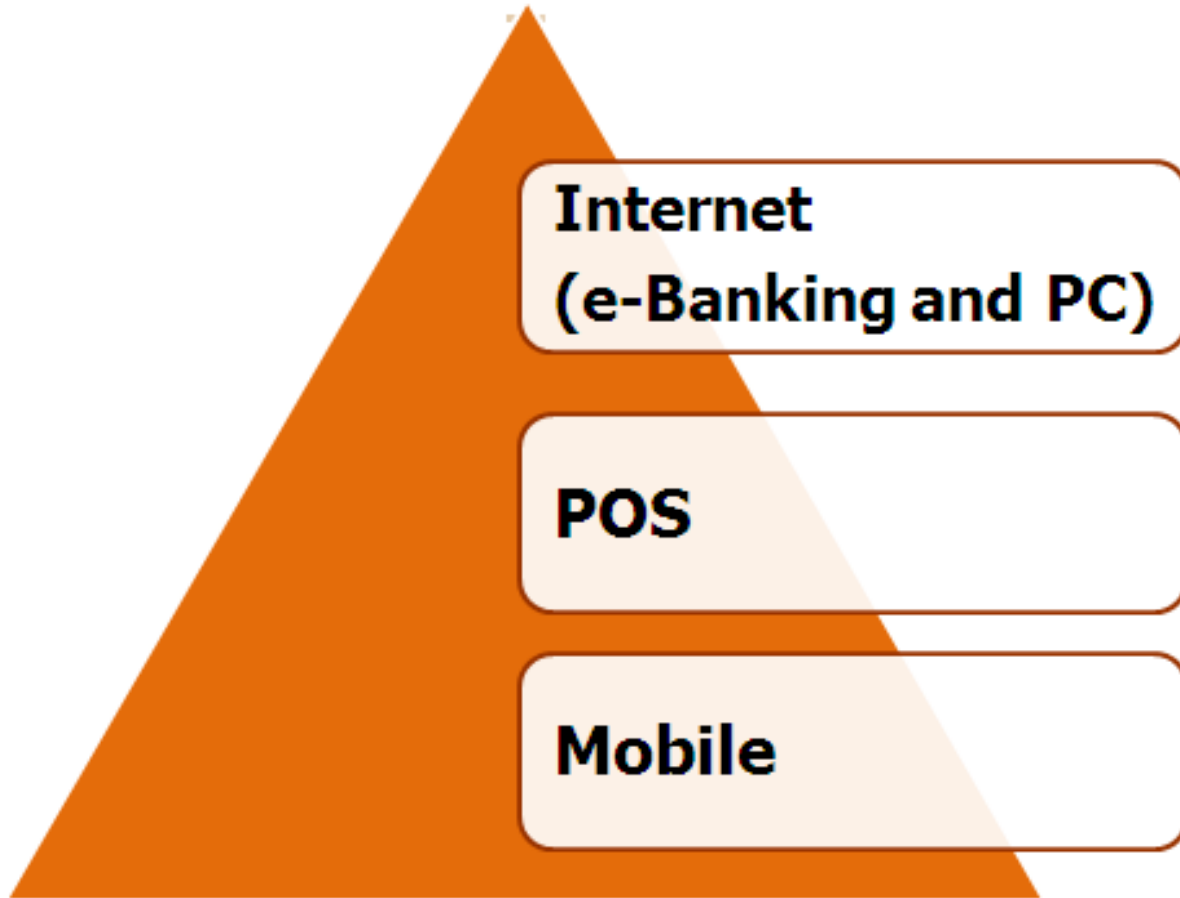
Where are Financial Services Going?



Outreach Strategies



- ❖ Banks of the future will heavily channel services through Agency and Merchant Banking.
- ❖ With Agency Banking for instance, Small and Medium enterprises are expected to spring up thus employment creation.



- ❖ POS and M POS terminals will be the devices used to bridge the digital divide



- ❖ Competition will be with Cash; Electronic Money being the preference; and cash lite economies being the order of the day.

Advantages of Mobile Banking

Financial Inclusion for the Unbanked & Under-Banked

Accessibility

- Branches are few and distant

Cost-efficiency for the customer

- Saves on travel time
- Saves on travel expenses

Cost-efficiency for the bank

- Brick & mortar is expensive
- Reduces labor costs

Evolution to Self-Service

- Improvement over assisted channel which is constrained by operating hours, involves long queues, etc.

Financial Intermediation is Essential

- Transactions, Savings, and Financial Services should be led by Financial Institutions.

Security & Stability Must be Maintained

- Safeguards for Interoperable Settlement & Clearing must be Priorities.

Agent Networks are Critical and Should be Equal in Approach

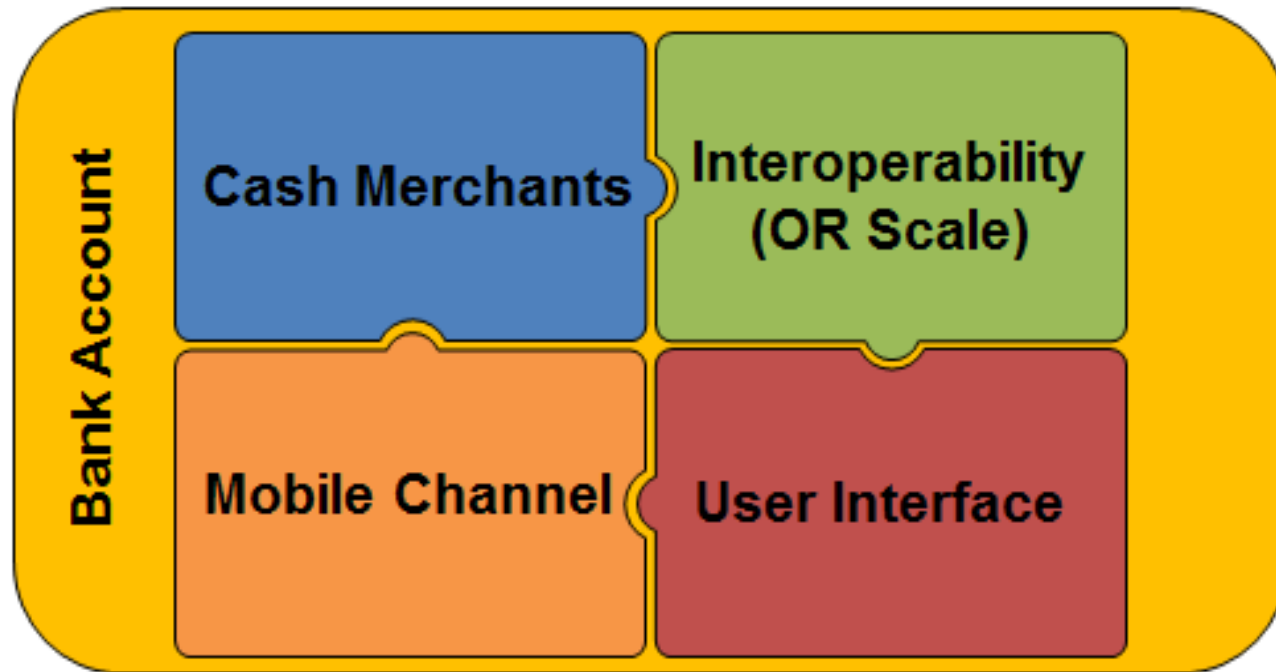
- Convenience of cash-in & cash-out important in transition to e-money.
- Agent regulations should be neutral.

Mobile Banking Key Ingredients

Cash Merchant: Enabling convenient, accessible cash-in & cash-out is a critical part of transition to e-money.

Interoperability: Getting large volume of transaction lowers costs; large volume requires interoperability.

Bank Account: Underlying bank account enables rich mobile financial services.



Mobile Channel: Multiple mobile channels in use today (USSD, SMS, WAP, GPRS).

User Interface: Simplicity and discoverability are important drivers for take-up and ongoing usage.

Lessons & Recommendations

Goal is Financial Inclusion for the Unbanked

- Financial inclusion goes beyond money transfer services, must be offered by a Bank.

Financial Intermediation is Essential

- Transactions, Savings, and Financial Services should be led by Financial Institutions.

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- Safeguards for Interoperable Settlement & Clearing must be Priorities.

Agent Networks Should be Equal in Approach

- Agents involved in Financial Services (e-money, savings, payments) should be led by Financial Institutions.

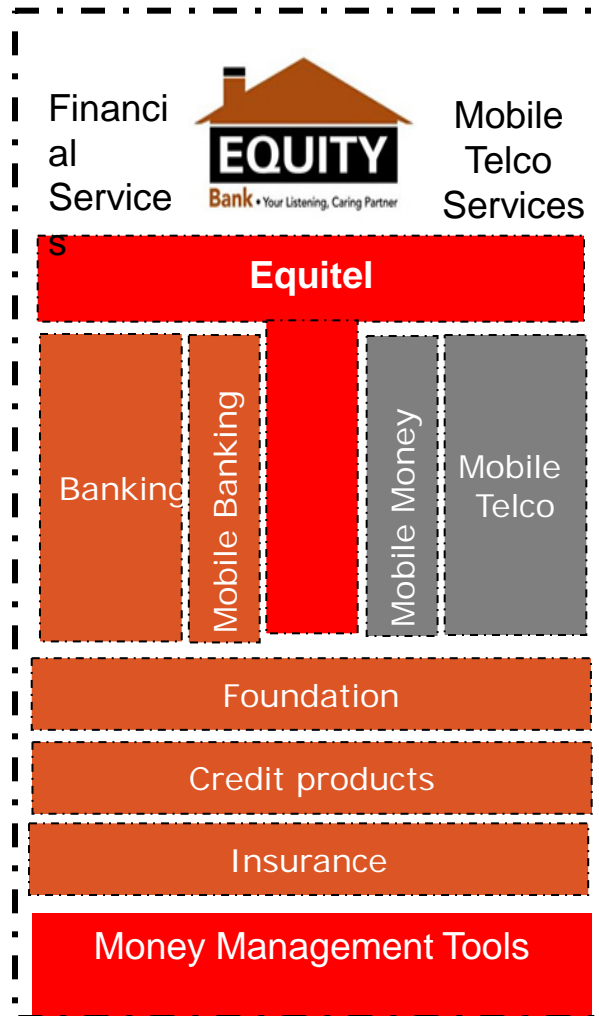
Regulatory Framework: What We Need

Risk-based KYC

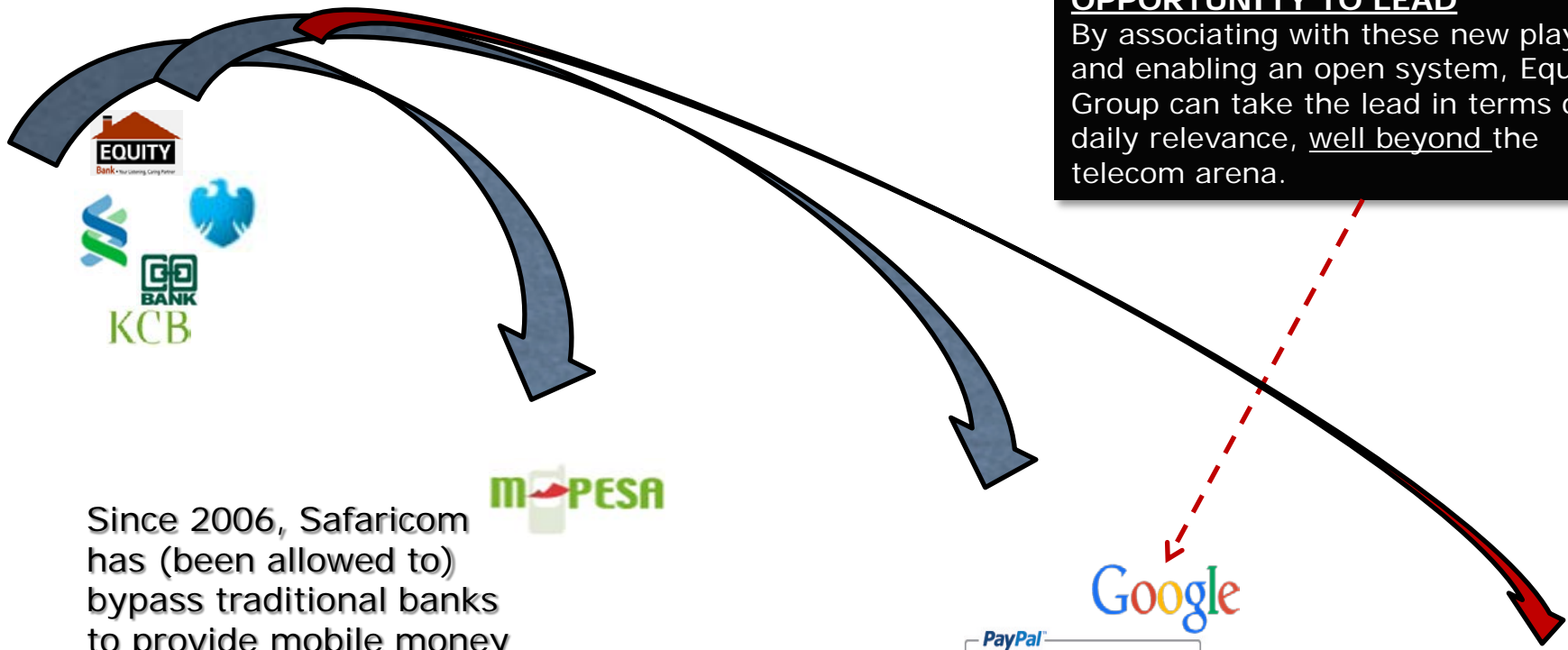
Tiered agent
structure which
includes all players

Fair access to
infrastructure

Why we are doing MICA



The next bypass



OPPORTUNITY TO LEAD
By associating with these new players and enabling an open system, Equity Group can take the lead in terms of daily relevance, well beyond the telecom arena.

Since 2006, Safaricom has (been allowed to) bypass traditional banks to provide mobile money



Now traditional Telcos are in turn bypassed by social networks, e-commerce, over-the-top content

Equity Financial Services





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Thank You