



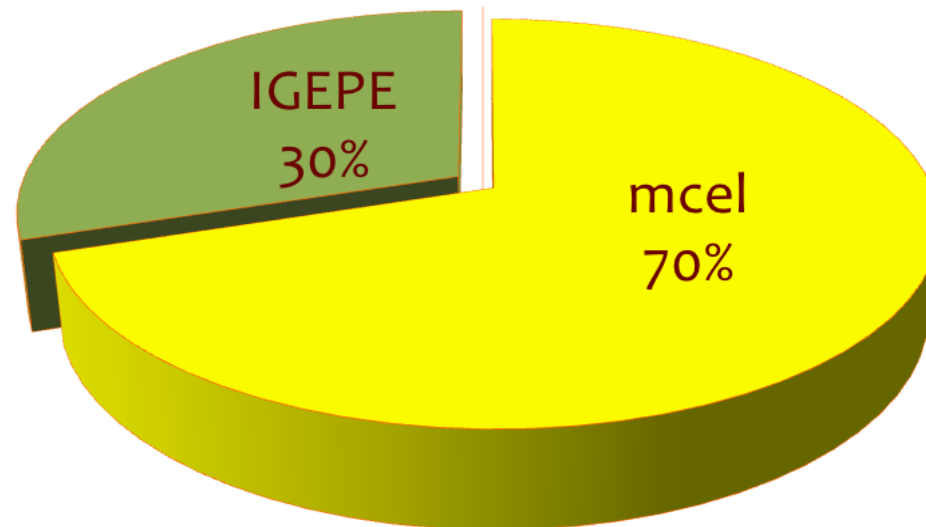
Mobile Money in Mozambique mKesh Implementation

COMPANY PROFILE AND IT'S PORTFOLIO

Carteira Movel, SA (CM), held by mcel, SA, – Moçambique Celular, SA and IGEPE – Institute of Management of State Holdings, is the first financial institution offering mobile money service in Mozambique and, as mobile money entity, it is licensed and regulated by the Bank of Mozambique – Central Bank;

Our partnership with mcel, allows CM to offer the first e-money service available to about 7.1 million potential subscribers. This service is innovative, fast, secure, relatively easy to use and low cost. The service is called **mKesh**.

SHAREHOLDER STRUCTURE



- ❖ Carteira Movel is part of mcel Group, the largest mobile operator in the country, with about 33% of market share;
- ❖ Covers 100% of districts country, 90% of population area, 307 locations (73%) and has about 68% of Countrywide network coverage;
- ❖ It has about 2.150 base stations, more than 1.650 sites and more than 7.1 million subscribers;
- ❖ mcel has ISO Certification on 9001 and 14001 by APCER for international quality standards;
- ❖ Currently, **mKesh** hosts on database about 2,660,000 users without PIN – but having KYC [38% of MNO customer base] and 475,000 with PIN registered [18% of mKesh registered users] and 60.000 are active users [13% of registered PIN users – at least 1 transaction per month];
- ❖ **mKesh** distribution network is based on 4.065 agents and merchants, 36.000 Street Vendors – EVD's countrywide;
- ❖ **mKesh** platform is linked to *Interbank/SIMO* [one of the network switch in Mozambique], with more than 995 ATM's;
- ❖ **mKesh** offers to it's customers, merchants and agents, the ability to Save, Buy, Pay, Transfer and Receive money via mobile phone;
- ❖ The **mKesh** is a service accessible to clients via the mcel network, by dialling *500# or by accessing Internet in www.mKesh.co.mz;
- ❖ The service is available 24/7 and 365 days per year.

Mobile Financial Services

Access to Mobile Financial Services

Impact of Mobile Network in MFS's

mcel – pioneer in Mobile Money

mKesh – O Banco na mão [The Bank on your hand]

MFS concept in optics of the mobile phone operator!



- ✧ MFS – Set of financial transactions carried out with resources to a mobile phone;
- ✧ It's implementation is achieved by adopting a **correct business model** and a **correct platform**:

MOBILE MONEY



Preview

[Clear Selection](#) |
 [Add Country \(15\)](#)
[Add Series \(1\)](#)
[Add Time \(6\)](#)

Commercial bank branches (per 100,000 adults)  

	2009	2010	2011	2012	2013	2014
Angola	6.3	9.0	10.2	11.0	12.4	12.9
Botswana	8.8	9.2	8.8	9.0	9.2	9.5
Lesotho	2.4	3.4	3.5	3.4	3.6	3.6
Madagascar	1.4	1.5	1.5	1.6	1.7	1.9
Mozambique	2.9	3.3	3.5	3.8	3.8	4.1
Zimbabwe	4.4	4.6	5.9	12.0	12.3	13.0
Zambia	3.9	4.0	4.2	4.4	4.7	5.0
Tanzania	1.8	1.8	1.9	2.1	2.5	2.3
Namibia	12.5	12.5	12.6	12.4	12.3	12.8
Swaziland	5.6	5.6	6.3	6.2	5.9	5.8
Malawi	2.2	2.8	1.0	3.2	3.2	3.2
Mauritius	20.9	21.1	21.4	21.7	22.1	24.2
Seychelles	45.8	45.9	47.0	48.0	50.0	54.8
Congo, Dem. Rep.	0.5	0.6	0.6	0.7	0.7	0.8
South Africa	9.1	9.9	10.3	10.0	10.2	10.9

Source: World Development Indicators. Click on a metadata icon for original source information to be used for citation.

- ✧ According to the World Bank, in average, Africans countries has less than 11 bank branches per 100,000 adults;
- ✧ The development and the growth of suburban and rural areas implies providing people with a way to access basic financial services.

ACCESS TO MFS's

Some obstacles to access to financial services in rural areas IN Mozambique:

Access to Infrastructure [Mobile Network]

High costs of transport

Low population density

High deficit of academic and financial literacy

Reduced demand for financial services

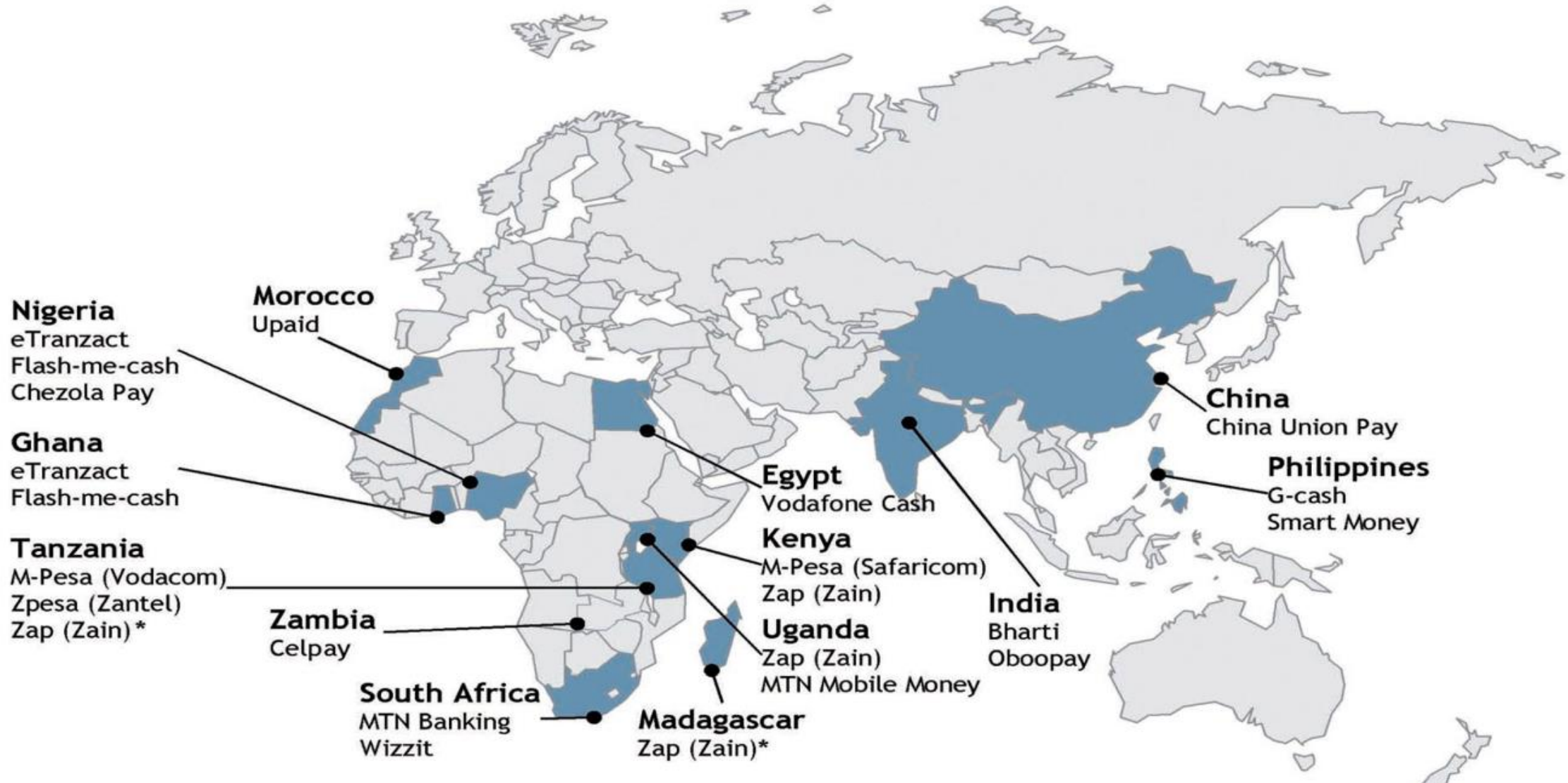
Case of Mozambique

- ✧ Population – 24 millions;
- ✧ 10% of the adult population is banked;
- ✧ ONLY 3% of 10% can access to the credit lines.

Mobile Money will allow soon:

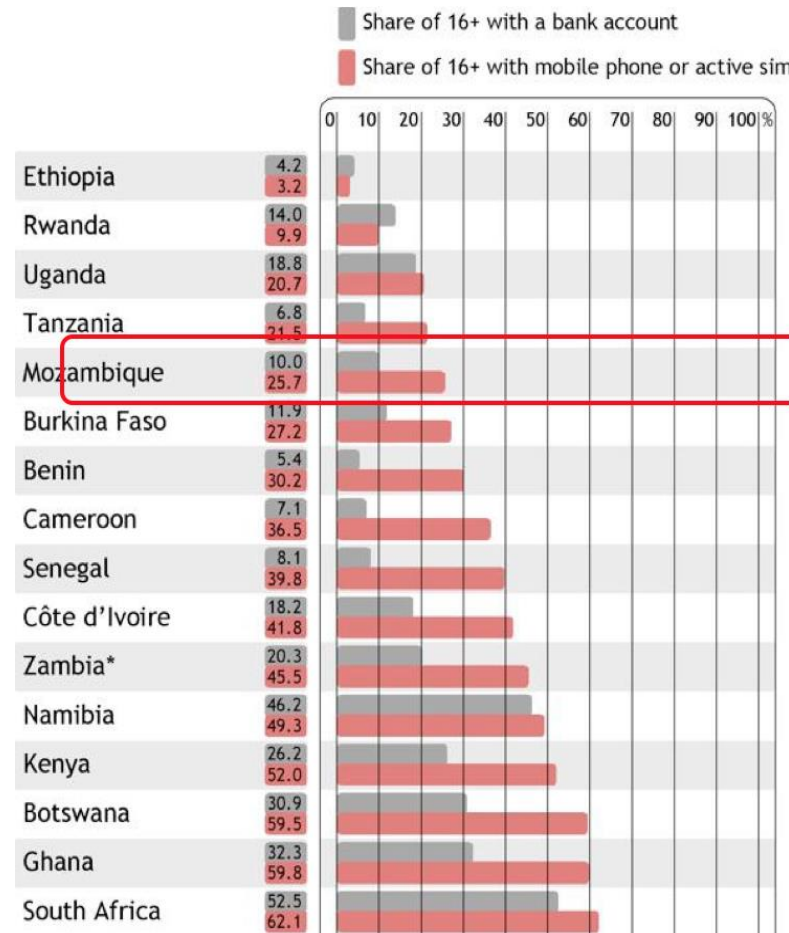
- ✧ Help to bank people;
- ✧ Increase more the commercial trade;
- ✧ Reduce the physical money circulation;
- ✧ Improving the day by day of the people;
- ✧ More financial inclusion and access to basic financial services.

IMPACT OF MOBILE NETWORK AT FINANCIAL SERVICES



IMPACT OF MOBILE NETWORK AT FINANCIAL SERVICES

- ✧ The use of Mobile Money succeeded in developing countries and in the African continent in particular. We believe to be possible in our country, as well.
- ✧ The growth and expansion of our network with more than 7.1 million users, has the maturity to adopt the technology of Mobile Money and offer mobile financial services to all who use mobile phone.





CHALLENGES TO ADOPT AND IMPLEMENT GOOD MOBILE MONEY STRATEGIES

Regulators	Commercial Banks	Mobile Money Operators
<ul style="list-style-type: none"> ✧ Harmonization/Enabling Regulatory Framework [AML/KYC]; ✧ Regulation lagging behind innovation; ✧ Misaligned and/or non existent legislation; 	<ul style="list-style-type: none"> ✧ Level the playing fields, who does the scheme report to; ✧ What regulations apply; ✧ Conflicts with MNO's [USSD, Access]; ✧ Increasing financial inclusion with non-bank; 	<ul style="list-style-type: none"> ✧ Regulatory challenges: Harmonization, law change requirements, Agenda priorities; ✧ Financial inclusion – true mobile interoperability;
<ul style="list-style-type: none"> ✧ Consumer Awareness/Consumer Protection [Standards rules across the country/complaints management]; ✧ Consumer protection in digital finance; 	<ul style="list-style-type: none"> ✧ Consumer protection rules to be aligned in the country; ✧ AML – Clear, must be understood clearly; Regulator to enforce; ✧ Security Risk – Risk of fraud due to lower KYC; Hacking; 	<ul style="list-style-type: none"> ✧ Ecosystem: Business case, financing and approval, settlement issues; ✧ Infrastructure sharing; ✧ Additional Mobile Money Products [Platforms]; ✧ Retention of customers and improved loyalty and customer experience;
<ul style="list-style-type: none"> ✧ Greater financial inclusion; ✧ How to achieve interoperability; 	<ul style="list-style-type: none"> ✧ Small banks to link to other banks enabling the to participate in the financial market; ✧ Settlement risk [collateral requirement]; 	<ul style="list-style-type: none"> ✧ Informal market: Lack of education, cultural mind set, laws; ✧ Business case + cost and budget limitations;
<ul style="list-style-type: none"> ✧ Economies of Scale; ✧ Bring more people into formal channels, thus increasing financial inclusion; 	<ul style="list-style-type: none"> ✧ Bring informal into formal platform/more revenue; ✧ Lack of common understanding of concepts [e.g. interoperability]; 	<ul style="list-style-type: none"> ✧ Market: New markets [inactive to active – churn]; Segmented approach; Increase revenue; ✧ Improved revenue – economies of scale as digital drives down cost;
<ul style="list-style-type: none"> ✧ Cash is King; ✧ Competing stakeholders interests. 	<ul style="list-style-type: none"> ✧ Opportunity for non bank to be banked; ✧ Unequal rules for banks and non-banks. 	<ul style="list-style-type: none"> ✧ Alignment: Standards, pricing, regulatory; technology.

CHALLENGES TO ADOPT AND IMPLEMENT GOOD MOBILE MONEY STRATEGIES

Solution	Action
Regulatory Model: <ul style="list-style-type: none"> ✧ Agree regulatory models for access to the infrastructure to enable interoperability; ✧ Develop similar requirements for all players, tiered approach; 	1) Develop a communications & marketing strategic plan for various players & stakeholders;
Education & Marketing Campaign: <ul style="list-style-type: none"> ✧ Transparency of Pricing via Advertising, Forums, Website, T&C's [simple & native language]; ✧ Limitations: Marketing Budget, Cultural Adoption, Literacy Rate. 	2) Budget approval & adjusted plan accordingly;
	3) Roll out/implementation/test for effectiveness;
	4) Engage Government on the development of national financial education strategy with a recommendation that the Central Bank should drive the process;
	5) Identify funding sources for the development & implementation of the strategy;
	6) From an operational point of view, all elements that will be required to implement the proposed solution must be developed and agreed by all entities involved.

To bring the effective implementation of Interoperability in the Country, we seen across the different financial institutions and stakeholder applying the present suggestions, in order to succeed at Mobile Money business...

Credit Institutions Law

Law #09/2004, of July 21st Update a Law #15/99, of November 1st;

- ✧ Extends the range of institutions operating in the Mozambican financial market and improves the type of credit institutions and financial corporations.

The law sets – **Electronic Money Institutions**, as:

Credit institutions which have the prime object the issuing methods of payment in the form of electronic money.

Electronic Money – the monetary value represented by a claim on the issuer which:

- I. Is stored on an electronic device;
- II. Is accepted as method of payment by entities other than the issuer.

- ✧ There is **no specific regulation** for the activity [**Mobile Money**], it self being applied to existing credit institutions laws [Lack of a regulation for the this industry];
- ✧ Difficulties in obtaining licenses such as receiving and sending money – International Remittances;
- ✧ Non-involvement/encouragement by the Government, even indirectly, in the process of implementation/accreditation of the mKesh service, i.e. encouragement on payments G2B, B2G, G2P, P2G [government tax, municipality tax, public employees salaries, pensions, etc.];
- ✧ Carteira Movel – mKesh develops its activity with the accompaniment of the Regulator, the Bank of Mozambique – Central Bank, as well as with support of other institutions, like the case of the IGC – International Growth Centre, accredited independent entity indicated to support the Regulator in establishment of appropriate specific regulation aligned with our country;
- ✧ The mobile wallet does not offer credit products;
- ✧ The physical currency received has its corresponding reflected in **electronic money** in the clients accounts [mKesh wallets.

The limit is our imagination...

5 KEYS TO SUCCESS

- ✧ For the rapid and sustainable growth of any Mobile Money Operation, its important to be focused in five strategic keys:
 - ✧ **Finding the pain point:** Identifying specific pain points in the market that allows the MMO to meet customer needs in a targeted way;
 - ✧ **Taking a long-term view:** Long-term vision and commitment from shareholders will allow the MMO to focus on the foundations of the business, rather than short-term profits;
 - ✧ **Keeping mobile money separated from MNO:** Creating a specific company with dedicated staff and governance will give to MMO the focus and financial resources it need to succeed;
 - ✧ **Starting with a simple product:** Despite broader long-term ambitions, the MMO MUST begin by launching a product with a simple and clear proposition: “Send and Receive Money”;
 - ✧ **Embracing the financial ecosystem:** The MMO MUST work within the existing financial ecosystem and focusing on interoperability to create linkages between banked and unbanked populations.

OBRIGADO!

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