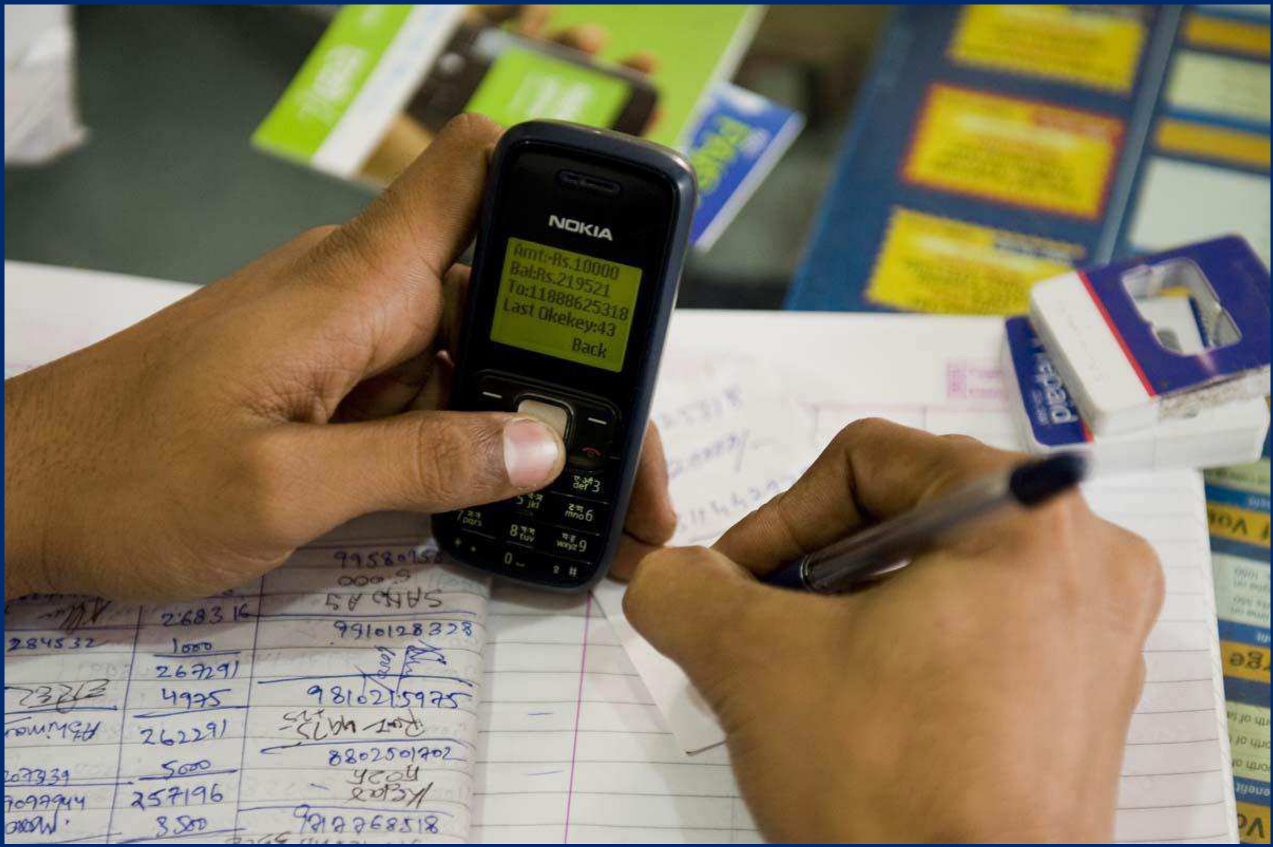
USAID FIRMS PROJECT

Pakistan Mobile Money Analysis



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Data Page

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Abbreviations/Acronyms

ADB	Asian Development Bank
ADR	Alternate Dispute Resolution
AIP	Annual Implementation Plan
AML/CFT	Anti-Money Laundering / Combating the Financing of Terrorism
AMP	Award Management Plan
BEE	Business Enabling Environment
COP	Chief of Party
COTR	Contracting Officer's Technical Representative
DEDS	District Economic Development Strategies
EG	Economic Growth
EU	European Union
FATA	Federally Administered Tribal Areas
FLB	Fruit Logistica Berlin
FSN	Foreign Service National
FY	Fiscal Year
GDP	Gross Domestic Product
GIS	Geographical Information System
GOP	Government of Pakistan
HACCP	Hazard analysis and critical control points
IDP	Internally Displaced Person
IMF	International Monetary Fund
IT	Information Technology
IUA	Infrastructure Up gradation Agreement
KPCCI	Khyber Pakhtunkhwa Chamber of Commerce and Industry
KPK	Khyber Pakhtunkhwa
KYC	Know Your Customer
M&E	Monitoring and Evaluation
MGA	Mango Growers Association
MM	Mobile Money
MNO	Mobile Network Operator
MoU	Memorandum of Understanding
NGO	Non-Governmental Organization
OTC	Over The Counter
PaRRSA	Provincial Reconstruction, Rehabilitation and Settlement Authority

PHDEC	Pakistan Horticulture Development and Export Board
PTA	Pakistan Telecommunication Agency
RFP	Request for Proposal
SBP	State Bank of Pakistan
SME	Small and Medium Enterprises
SMEDA	Small and Medium Enterprises Development Authority
SO	Strategic Objective
SOW	Scope of Work
TBD	To Be Determined
TFFs	Trout Fish Farms
US	United States
USAID	United States Agency for International Development
USG	United States Government
WB	World Bank

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Exchange Rate

1 USD = 90.6427 PKR

1. Executive Summary

Mobile money (MM) refers to the use of mobile phones to perform financial and banking functions. It has been used to assist the billions of people who have little or no access to traditional financial services. Where the service is available, users can securely receive funds, pay bills, make bank transactions, transfer funds, and purchase goods and services.

Based on survey findings[1], 9 in 10 Pakistani households including poor, rural and unbanked households, have access to a mobile phone and a SIM card. Although the rates of mobile money (m-money) registration and use are low, only 5% of Pakistani households are mobile money users. This compares with 86% of households in Kenya, 35% in Tanzania, and 21% in Uganda. Among nonusers of m-money, insufficient awareness (60 % of nonusers know about the services) seems to be the most common reason for not using mobile money. Among households that have no mobile money user (either OTC or account-based), only 60% even know mobile money exists. Moreover, many poor Pakistani's will not leave the comfort and familiarity of transacting in cash. At the household level, 92% of mobile money users are Telenor Easy paisa customers (most exclusively but some in combination with other providers) while 7% are UBL customers.

In view of the above statistics, Pakistan is a prime candidate for mobile financial services that operate on low operational cost structures. Since the introduction of mobile money in 2008, Pakistan saw a surge in use of MM that has since flat-lined with very little month on month growth.

USAID through its FIRMS project commissioned this Gap Analysis to review the Mobile Money landscape, comparing it with similar economies globally with a view to strengthen what has worked, remedy what didn't and learn from success and failures of other MM deployments.

[1] Bill & Melinda Gates Foundation's Financial Services for the Poor (FSP) program

The study uses four main methodologies

- **Survey questionnaires.** Both face-to-face interviews and remotely. The survey strived to choose group sets representative of the different economic groups in Pakistan. The survey collected basic demographics, access and use of mobile devices, access and use of MM, access and use of formal financial services, level of satisfaction with the service providers and Mobile Financial Services products (MFS), Level of trust on the mobile channel and MM Service providers , and over-the-counter (OTC) mobile money use. N= 136
- **Interviews with the key stakeholders in the mobile money industry.** This included all the MNOs, commercial banks, microfinance banks, aggregators, regulators, donors, end users and Agents.
- **Results and feedback** from an industry-wide workshop held in Islamabad, Pakistan.
- **Background research** and papers by players in the MM space.

Although several mobile network operators in Pakistan have partnered with banks and introduced mobile money products, they are still struggling to get established and fully operational.

2. Key insights

2.1. Payments

- While cash remains the main media for payments, digital payments are slowly gaining acceptance.
- Card-based payment has seen more acceptability recently and is seen as “trendy” and the “in thing”.
- Mobile money is mainly used for remittances and utility payments.

2.2. Mobile money Usage

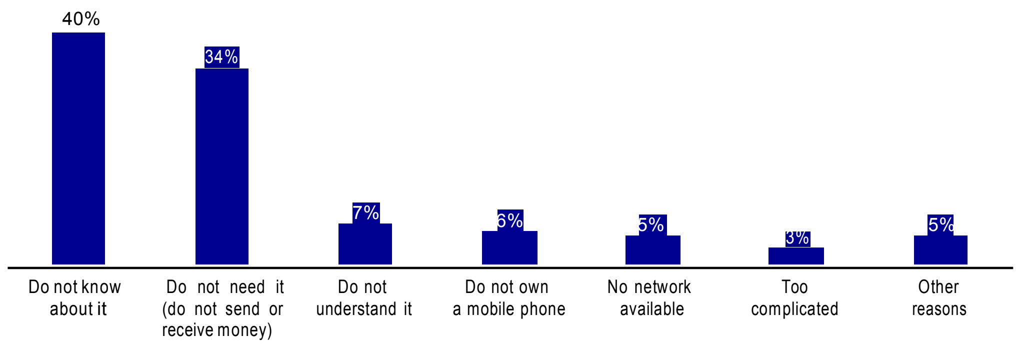
- **Mobile money is easy to use:** In Pakistan the prevalence of Over The Counter (OTC) method makes mobile money easy to use, all you need is a CNIC and the funds.
- **Very Few mobile money users are registered:** 7 % of the surveyed had used mobile money. However, only a negligible percentage had registered mobile money accounts.
- 94% percent of non-registered mobile money users use MM services over the counter with an agent.
- **Almost 98% use mobile money for personal and bill payments.** Personal meant paying domestic help and P2P.
- Very few MM users are registered. 93% of the respondents who use mobile money services have not registered their own accounts; instead, most prefer to conduct transactions through an agent's account.
- **Most users did not hear about MM from agents.** Although OTC agents are a prime facilitator of mobile money use, very few active mobile money account holders first heard about mobile money through an agent, and none of them said a recommendation from an agent prompted them to start using mobile money.
- **Most users do not quantify time they use to get to an Agent**. Around 19 % of mobile money users spend more than 15 minutes travelling to an agent; 21 percent use a motorcycle taxi or a minibus taxi. This suggests that there could be significant time savings for OTC mobile money users if they registered their accounts.
- **Top 3 reasons for starting to use a Mobile Money account** are 1) to receive money from another person 49%. 2) To receive money from another person 39% 3) To send money to an organization / government or pay bills 20%
- **Top 5 uses for Mobile Money account:** 1) To withdraw money 42%. 2) Deposit money 31%. 3) Pay utility bills 25%. 4) Send money to family, friends and acquaintances to support with emergencies 11%. 5) Send money to family, friends and acquaintances for regular support 1%.
- **Level of trust for MM is very low**. When it comes to trust Mobile money lags behind banks and MFI. This is mainly due to rampart SMS and phone call fraud.

Also since MM is new and heavily tech-focused people are still suspicious of using it. Data from SBP indicates that trust among users is higher than among non-users, indicating that knowledge and awareness have direct influence on trust

2.3. Uptake of Mobile Money Wallets (mWallets)

While there has been increase in the use and uptake of mobile money, still use of registered mWallets is very low. The study found that this mainly due to 4 main reasons.

2.3.1. Awareness. TV is the main media through which people heard of mobile money. Majority of the non-users (40%) cited unawareness as the reason they do not use mobile money, with 34% believing they do not need it.



- 8% of nonusers said they transfer money to individuals who are at a distance of more than 2 kilometres away, but only 42% of this group knew that this task could be conducted via mobile money. Similarly, 8 % of non-users said they receive money from individuals who are more than 2 kilometers away, but only 37% of this group knew that mobile money is an option for receiving this type of money transfer. This is significant, given that money transfer is currently the most well-known mobile money function in Pakistan.

- 57% of non-users owned a mobile phone, but only 13 per cent of this group knew that a mobile money account can be used to buy airtime top-ups.

2.3.2. OTC – Over the Counter Transaction was also cited as a reason people do not use mobile money. Due to its ease and convenience, majority of the use do not feel the need to register for mobile money. While OTC has been good to the MNOs as it gives them the much needed scale in MM (The MM active customer base is far much less than the total customer base), throughput and Yield. [2]

Banks and Financial Services Providers (FSPs) have found it easy to champion the OTC model as they are already using the OTC in the daily operations. OTC for banks and FSPs decongest the banking hall leaving room for high value clients.

For customers OTC is appealing mainly because of the following:

- They don't need to learn a new skill
- The user interface of mWallet is sometimes too complex for most users.
- Techno-Phobia
- No KYC
- Near zero trust issues
- "its too difficult to use" mentality

> *The service of OTC remittances is the dominant activity. In Pakistan's overall mobile phone banking services industry, which processed forty-one million transactions, worth $1.6 billion in the first quarter of 2013"*
>
> **-- State Bank of Pakistan**

[2] The easiest and fast way to grow throughput is to open OTC to large value transaction and Yield Seems like it's the only way to get to the competitions' base.

2.3.3. Trust. This study, backed with data from the State Bank of Pakistan (SBP) found that mobile money lags behind State-owned banks, private banks, and MFIs when it came to trust among users. This is mainly because of rampant SMS and phone call scams in Pakistan and due to the fact that MM is a new and on a non-traditional platform

2.3.3.1. Data from SBP indicates that trust among users is higher than among non-users, indicating that knowledge and awareness have direct influence on trust.

2.3.4. Pricing and Competition. Majority of those surveyed found the cost of using mobile money high and prohibitive compared to the traditional ways of sending money. It was however noted that they did not quantify the time factor.

Both MNOs and FSPs pointed out that the cost of VeriSys (the real-time biometric verification of customers' data from NADRA) was very high. At the time of drafting this report, there had been agreement between the regulator and NADRA to reduce this cost further.

3. Recommendation.

Based on the gap analysis, the most obvious "pain points" in looking at explicit customer needs are two types of transactions: remittances and bill payments. Remittances because a large percentage of people are migrants (working away from their villages/provinces) and need to send money home; and bill payments since, the billers will not provide credit and are likely to disrupt supplies if not paid on time. Therefore, it's getting clearer by the day that remittances (and possibly bill payments) are emerging as the most common "anchor" products for mobile money deployments. And, of course, in Pakistan G2P payments (benefit transfers, salary payments, Social payments, Pension etc.) can also play this important role. It is with this in mind and based on Pakistan's unique geopolitical position that the following recommendations are put forward.

The analysis will seek to address the following key concerns:

- Customers are not aware of mobile money.
- Customers are aware of the mobile money service, but do not understand how it could be beneficial to them
- Customers get bogged down in the registration process and never try the product
- Customers don't understand the mechanics of performing transactions and are apprehensive to try something so novel as mobile money
- Customers don't trust the operator's brand or Mobile money itself and are hesitant to conduct financial services on the platform.

The objective of any mobile money providers' program is to persuade consumers to register and become regular users of its mobile money service. Given the current products and services consumers are using instead of mobile money, the adoption of mobile financial services represents a significant behavior change.

To drive customer usage, operators must guide customers on a journey from their first encounter with mobile money to habitual use of the mobile money platform. For this the analysis will use the following customer journey diagram.

UNAWARE	AWARE	UNDERSTANDING	KNOWLEDGE/ REGISTRATION	TRAIL	REGULAR USE
Customer has never heard of MM	Customer hears of MM	Customer understand the benefits of MM	Customer knows the steps needed to	Customer tries the MM service	Customer becomes a habitual user

3.1. Creating Awareness and understanding.

As awareness and understanding are the reasons impeding the adoption of MM money in Pakistan, it is imperative that all the stakeholders come together to create this awareness. It's not enough that consumers know the name of the mobile money service or even that they know what mobile money is. Rather, awareness campaigns must build understanding to help users see how this new service is both relevant and beneficial to them. This lays the groundwork for behavior change. Here there is an opportunity for private sector, the regulators and International development partners such as USAID to work together to create this awareness.

3.2. From OTC to mWallets

While OTC has been credited with the rapid adoption of mobile money in Pakistan, its success has inadvertently impeded further adoption of mobile money and mWallets. As will be demonstrated later and using example from the other deployments around the globe, OTC model denies the MNO significant amount of revenue. It's therefore imperative that MNOs take steps to move clients from OTC to mWallets. This should include:

- Competitive pricing on mWallets –mWallets transfers. Making it cheaper than OTC will not only encourage the move to mWallets but also result in MNO and Brand stickiness.
- Rewards for using mWallets. M-Loyalty program. Similar to Bonga Points in Kenya and frequent flier miles in the airline industry will help with the behavior shift to m-Wallets
- Innovative revenue share with agents that help in activating wallets for users.
- Campaigns to highlight the convenience, user control and other benefits of wallets.
- Rewards for keeping a minimum amount of e-Value on the wallet, as being pioneered by Telenor.

3.3. Create a compelling product suite.

Most experts consider a product (or suite of products) that generates two to two-and-a-half transactions per month per customer to be a commercial success. So, which products are most likely to achieve this level of transaction volume? In Pakistan like most other countries, Mobile Money service providers have focused on approach of Person –to- Person (P2P) echoing m-pesa' value proposition: "send money home"

A more promising approach would be to focus first on identifying a "killer app" that would drive a high volume of transactions onto the platform, and then promoting this product through both above-the- line (ATL) marketing (which includes mass-market advertising channels such as television, radio, newspapers, magazines, and outdoor advertising) and below-the-line (BTL) marketing (which includes non-media marketing techniques such as direct mail or face-to-face sales). The most successful deployments will expand into other products only when a killer app gains traction.

The first step in designing a killer app is to conduct a detailed customer-needs assessment that maps the current behavior and pain points of the provider's most important customer segments, and then implement a service to address the needs identified. It's in the detailed customer research that MM players in Pakistan needs to invest more, instead of "copying " Easy Paisa offering. As demonstrated in the research, there is no product offering to compete with the traditional ways of savings i.e. in Gold, Farm animals, under the mattress.

Other possible killer apps could be point-of-sale payments, business-to-business transfers, mobile bill pay, mobile payroll, international remittances, agricultural insurance, savings, or microloans. Two examples of Bank for the Unbanked and Trading and Payment platform product suites are shown below

Example 1
Bank for the unbanked

Vision: Become the least expensive provider for the full range of bottom-of-the-pyramid customers' financial-services needs

Potential products:
- Bill pay
- Payroll direct deposit
- Domestic and international remittances
- Savings
- Credit
- Life insurance
- E-wallet ("me-to-me" current account)
- Welfare and social-security payouts
- Pensions

Example 2
Trading and payments platform

Vision: Become a comprehensive platform for applications and payments, offering an alternative to credit-card platforms

Potential products:
- Bill pay (e.g., utilities)
- Point-of-sale payments
- Payment facility for informal trade (e.g., consumer to kiosk owner)
- Lease-to-own payments (e.g., solar panels, scooter)
- Real-time weather applications
- Agricultural insurance
- Commodities-markets updates

3.4. Ongoing marketing.

Ongoing marketing. Experts frequently cite poor marketing as one of the key barriers to adoption. Our research validates this observation. Our research also suggests that the most successful mobile-money providers have combined both ATL and BTL marketing to drive registration and transactions. While a lot has been done on ATL in Pakistan, very little has been done on the BTL front. BTL, face-to-face interaction is critical to drive trust. Potential customers must receive quite a bit of education about how the new service works and what it could mean for them before they will trust the system. A customer normally would require 10 - 15 minutes of face time with an agent of other mobile money representative in order to feel comfortable in using the product. Our research in Pakistan also suggests that most companies need to revise their expectation regarding the marketing investment needed. All marketing activities should drive customer adoption and usage. A common mistake is to focus marketing efforts on customer acquisition at the expense of use. Messaging should communicate the benefit of frequent use and educate customers about the variety of situations in which using mobile money could benefit them.

3.5. Agent Network and Management.

In Pakistan the “Agent is King “ due to competition and due to the players offering the same products, there has been a massive commission war, with the MM service providers undercutting each other. This has seen the agent receive higher and higher commission as the service providers battle for the agents to sell their service over the competitions’. This model is NOT sustainable and the industry admits there is a problem. There is a dire need for the key players to come together, probably under the mediation of SBP, to address this.

The other consequence of this agent war is the reduction of the agent footprint across the country. This is because no service provider is willing to invest money and time in training new agents only to have the competition come in later and “steal “ them away by offering more commission. While the SBP of Pakistan has tried to address this with the 70/30 rules[3] it has not worked. The 70/30 rules[4] is good on paper but virtually impossible to implement and enforce. In the interest of increasing inclusivity, agent foot print and promoting adoption of mobile money use, the regulators should go back to drawing board in allow an element of exclusivity in new and remote regions, until such a time the MM market has matured

4. Conclusion

There are several elements that are in play and factors that will contribute in creating a "financial inclusion tsunami" in Pakistan.5

- 9 in 10 households in Pakistan have access to a phones or SIM card, all of whom have payment needs but don't have bank accounts. This number is expected to grow before the gap narrows.
- Most of the adult population already owns a CNIC card meaning they have the basic requirement for a legal contract with a mobile money provider.
- 63% of the population is under the age of 25 and therefore device savvy.
- 98% of the phone owners pre-load value into their mobile phones through scratch cards and various other digital means. This means that they are not only number literate but can also follow basic language syntax i.e. yes, no, enter, and cancel, and so on.
- The state bank of Pakistan has committed to creating an environment for Mobile and digital finance to grow.
- Finally, with only 10% of the population owning bank accounts there is a huge unmet need for financial inclusion.

For any of this to make sense, the regulators, and industry leaders should devise a way of measuring the impact of financial inclusion and mobile money on poverty levels. In

[3] SBP new rule requiring that at most 30% of all new agents in urban areas be exclusive.
[4] 70/30
[5] Qasif Shahid, Head of Remote Banking & Business Development & Executive Vice President at MCB Bank

Pakistan both the World Bank has its own score card. Grameen foundation has the PPI that is in use in several countries and is currently used by the Pakistan Microfinance Network. It is recommended that Grameen Foundation' PPI (Progress out Off Poverty Index) can be used as an M & E tool in Pakistan. It is also recommended that State Bank of Pakistan and any interested private sector firm be trained on the use of PPI.

1.0 Introduction

1.1 Background

More than 17% (27 million) of Pakistan's population live below $1 a day and 73% (116 million) live below $2 a day6. The impressive economic growth record of the past four years and successful financial sector reforms still have a long way to go before the persisting inequalities among regions, classes and between genders are reduced. The outreach of microfinance and other financial services to the poor and marginalized groups in Pakistan remains very low compared to other Asian countries. According to recent estimates[7], only 2% of the poor in Pakistan have access to microfinance services against 35% in Bangladesh, 29% in Sri Lanka, 8% in Nepal and 3% in India.

Based on survey findings[8], 9 in 10 Pakistani households including poor, rural and unbanked households, have access to a mobile phone and a SIM card but the rates of mobile money (m-money) registration and use are low, only 5% of Pakistani households are mobile money users. This compares with 86% of households in Kenya, 35% in Tanzania, and 21% in Uganda. Among nonusers of m-money, insufficient awareness (60 % of nonusers know about the services) seems to be the most common reason for not using mobile money. Among households that have no mobile money user (either OTC or account-based), only 60% even know mobile money exists. Moreover, many poor Pakistani's will not leave the comfort and familiarity of transacting in cash. At the household level, 92% of mobile money users are Telenor Easypaisa customers (most exclusively but some in combination with other providers) while 7% are UBL customers.

EasyPaisa and Omni hold 53% and 23% market share respectively, down from 55% and 24% in the previous quarter. The market shares of smaller aggressive

[6] World Development Report 2007
[7] from the Consultative Group to Assist the Poor at the World Bank
[8] Bill & Melinda Gates Foundation's Financial Services for the Poor (FSP) program

players such as Mobicash, U-Paisa, and HBL-Express are slowly inching up with individual growth in share volume of 1% each. Particularly, Mobicash has captured a market share of 9%.[9]

In view of the above statistics, Pakistan is a prime candidate for mobile financial services that operate on low operational cost structures and overheads. Although several mobile network operators in Pakistan have partnered with banks and introduced mobile money products they are still struggling to get established and fully operational.

The objective of this consultancy is to conduct an analysis of the mobile money landscape in Pakistan and evaluate it to international best practices in comparable economies. This gap will facilitate the development of a comprehensive strategy for spreading awareness and suggest ways of radically scaling up mobile money systems in Pakistan. The targeted impact is the development of an ecosystem that will support the long term and sustained growth of the Pakistani mobile financial services market.

1.2 The study

Today, mobile money services are available throughout much of the developing world. Most markets have a live offering and many have multiple services. In 2007, there were fewer than 20 mobile money services for the unbanked worldwide. Since then the number of deployments has ballooned to over 190, with another 115 planning to launch.10

How are these 190 services faring? Unevenly. Many mobile money services have yet to achieve significant scale, but a collection of stand-out services appear to

9 http://www.sbp.org.pk/publications/acd/BranchlessBanking-Apr-Jun-2014.pdf

10 http:// www.gsma.com/mobilefordevelopment/ programs/mobile-money-for-the- unbanked/tracker

have figured out the formula and are riding a steep growth trajectory. According to GSMA's 2012 Global Mobile Money Adoption Survey, 14 services qualified as Mobile Money Sprinters, the world's fastest growing mobile money services. What has been the formula for their success?

We sought to find out what drives on-the-ground success and to develop a preliminary set of prioritized, actionable recommendations. We interviewed and conducted a workshop with more than 20 leading mobile-money providers and banks offering digital finance, which we supplemented with a survey of about a dozen providers and industry leaders globally.

We are going to look the key enabling features of the Mobile Money sprinters and compare them to the Pakistan landscape. On this basis the following were deemed key to scaling mobile money.

- Management buy-in and corporate commitment.
- Enabling Regulatory regime
- Distribution and Agent network
- Innovative Product offering.
- Technology.
- Strength of brand
- Market structure

To appreciate this the analysis will look at the general life cycle curve of mobile money deployments.

Market Entry.	Internal beta launch	Deployment of 500 agents to 10% market penetration for user. 1 trx/user/mont	Market penetration exceeds 10%. 2+ trx/user/month
Design	Launch	Scale-up	Diversify

Figure 1 Mobile Money Life cycle

1.2.1 MANAGEMENT BUY-IN AND CORPORATE COMMITMENT.

Our research shows that most successfully mobile money deployment take about 3 – 5 years to break even and start making profits.

The experience of WING in Cambodia would appear to bear out the truth of these observations. Launched in 2009 by ANZ bank, and initially conceived as a product aimed at bulk transactions, particularly pay roll processing for Cambodia garment industry, WING has grown into something of a mobile money success story, though one which is largely overshadowed by African successes. Nevertheless, in 2013 WING turned a profit break even and reach profitability.

In Pakistan most of the Easy Paisa, benefitted from a unique and innovative corporate partnership between Telenor and Tameer Microfinance. This saw Easy Paisa getting the “best of both worlds” This unique marriage enabled Easy Paisa both the liquidity and management buy-in to reach scale.

Other players should consider that an enthusiastic, committed corporate culture that is willing to make significant up-front investments and patiently wait for impact at scale is crucial to mobile- money success.

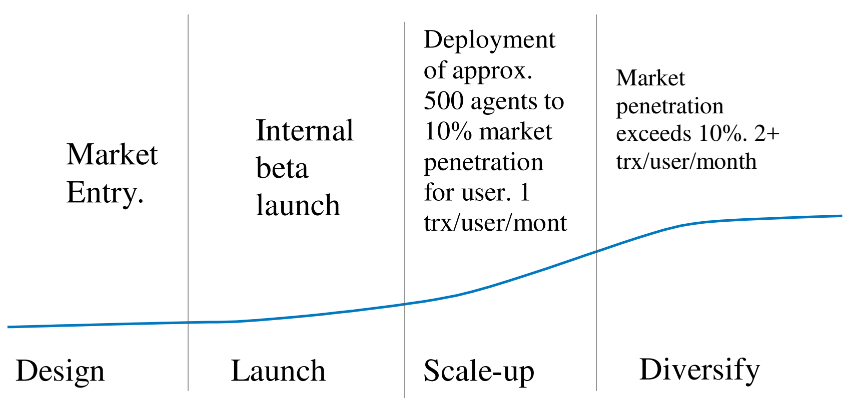
Mobile money has great potential to be profitable for the service providers in the long term because of the combination of direct fee revenues and indirect benefits (churn reduction and lower airtime- sales-channel costs being the most significant). Conservative estimates indicate that both MNOs and banks can generate significantly more profits once mobile money reaches scale. From what we have seen so far, though, mobile money tends to become profitable only after it begins to “go viral” and enjoy the benefits of network effects.

Because new technologies and people’s money are involved, it takes time for people to become comfortable and trust the system. Therefore, strong corporate commitment and faith in mobile money’s future profitability is crucial for success in the launch and scale-up phases.

This rings particularly true as the rest of the mobile money and branchless banking providers playing catch up in Pakistan. The Management should commit more funds than expected to reach scale. Most successful mobile-money launches have had the backing of millions of dollars.

Safaricom poured $30 million into M-Pesa. Other successful deployments received similar levels of investment: Vodacom spent $25 million, and MTN Uganda put up $10 million in initial investment. Numerous other deployments in the last few years have attempted to get off the ground with less than $1 million, only to find themselves unable to gain traction. Mobile banking is not simple; it requires a thorough, careful understanding of customers and agents, and a willingness to invest in the buy-in of both these groups. If companies are not willing to invest and stay committed, the deployments will not reach scale

Mobile Money Lifecycle with critical indicators



Management buy-in				
Enabling Regulatory regime				
Distribution and Agent				
Innovative Product offering				
Technology				
Partnerships				
Brand recognition and				

	Most Critical
	Highly Important
	Important

1.2.2 ENABLING REGULATORY REGIME

For there to be any significant success in mobile money, there must be an enabling regulatory environment with clear mandate and vision to drive financial inclusion and a cash-lite economy.

The impact regulators have on the mobile determines hugely on the growth and sustainability of the industry. The two main regulators are the State Bank of Pakistan (SBP) and the Pakistan Telecommunication Agency. Since Pakistan has a Bank-led model, SBP plays a big role. PTA is primarily tasked with regulating the Technology aspect of Mobile money and SPB with the regulating the money aspect.

1.2.2.1 MOBILE MONEY AND BRANCHLESS BANKING MODELS

Pakistan has a bank-led model, at least on paper. This has led to MNOs either acquiring a bank (normally a small microfinance) like the case of Telenor and Tameer Microfinance bank or partnering with financial institutions, like the case of ZONG. Other banks like Muslim Commercial bank have pursued a Teleco-agnostic model.

In the interest of financial inclusion, the SPB has allowed a mix of different model to their credit.

To further promote the adoption mobile money and digital finance I Pakistan, SPB should look at not leaving the market of financial services for the poor in the hands of a single player. There needs to be a level playing field where multiple players can reasonably contest the market, and where success is not premised on a single operator exerting its dominant position in the adjacent telco market to the exclusion of others.

Alongside the dominant MNO scenario, SPB should ideally demonstrate viability of two further types of models. One is a Telco-agnostic mobile money solution, where non-banks –whether banks, retail chains or independent third parties—can leverage deployed mobile technologies (networks and phones) without having to enter into specific partnership agreements with telcos. In this fashion they could build a branchless banking solution without having to go through the expense of rolling out large numbers of cards and point of sale terminals – which telcos don't need to do. A telco-independent solution would need to circumvent 'bottleneck assets' controlled by telcos which are not offered on standard commercial terms, namely access to the SIM card and to the USSD communications channel. This requires the scheme promoter to develop an alternative security and user interface presentation mechanism. With the growth of 4G and 3G networks, and as smart phones increase in the country, this should be a viable option

1.2.2.2 REGULATION TO MAKE MOBILE MONEY TO WORK FOR THE POOR.

The other key step in driving mobile money uptake in Pakistan is for the regulators to create an ecosystem that makes mobile money work for the poor segments of the population and to service smaller transactions. This is largely not happening in Pakistan.

The current transaction costs are still high, locking out the bottom of pyramid from the service. SPB and PTA should look at the eventuality that mobile money is working commercially for service providers and affordably for poor customers for transactions of as little as PKR100 or PKR200.

There are two key requirements to open up the low-denomination transaction market profitably.

First, there needs to be sufficient volume of transactions to be able to amortize operating costs over a larger transaction pool. Thus, there is benefit in schemes broadening the usage base to include P2P, bill payment (C2P), salary disbursements (B2P), government welfare payments (G2P), of which is currently being aggressively pursued.

Second, there needs to be a more segmented and diverse cash merchant channel. There is a limit to how small (and cheap) store-based transactions can be, before they start placing an unreasonable burden on the store. Poorer customers, especially those in rural areas, will need to be served through alternative channels, be they roving collectors, market-based resellers, Imams or leaders of community-based organizations. There is a tantalizing possibility of savings-led groups providing a transaction consolidation and cash aggregation point from which it becomes efficient to connect the poorest people with mobile money systems. In this fashion, mobile money would leverage not only existing physical infrastructure but established social capital as well. MCB's mobile banking is dropping all cost to the customers for transactions on the system. This has helped driver service activation for MCB.

1.2.2.3 KYC and AML

About 90% of adults in Pakistan have a National ID (CNIC) issued and maintained by NADRA. This forms the basis of individuals entering into financial agreements with any service provider.

During our research, most industry players complained about having to deal with two different sets of KYC – one for SIM Registration regulated by PTA and the other KYC for mobile money registration regulated by the SBP. While unique geopolitical position of Pakistan requires it to be strict on KYC, it is within the acceptable international KYC/AML regulation to streamline the two KYC requirements. At the time of this report, PTA and SPB were working to align the KYC requirement so that users would only need to do it once – at the SIM registration level. This is okay for any new customer but the challenge still remains for the existing millions of customers that have SIMs but haven't gone through the mandatory KYC from PTA.

Transaction on CNIC has helped mobile money and specifically Easy Paisa quickly transact billions of rupees. Credit must be given to SPB for allowing this. The next step for both regulators and service providers to move customers from just using the platform to move money from point A to B, to start storing money within the ecosystem – this is the true cashless and cash-lite economy.

It is key that the service providers continue to engage the regulator on a regular basis and an open forum so that together they can put in place anti-money laundering policies, risk management and compliance systems that meet with the SBP's satisfaction without being hampered by regulation that could kill mobile money before it manages to take flight. A regulator following the market while monitoring it closely has also been shown to be a key determinant in allowing mobile money to reach scale.

1.2.3 DISTRIBUTION AND AGENT NETWORK

Depending on who you ask, Pakistan has between 60,000 – 120,000 agents .The 60,000 proponents argue that most of the agents are shared so the 120,000 number is not the real on the ground picture.

Our findings suggest that managing the agent network is the most critical post-launch success factor. Agents conduct the cash-in and cash-out functions, enabling customers to convert cash into electronic money and back again in convenient locations; in the eyes of the customer, the agent is the face of the company. In Pakistan’s OTC model it is the agents that do the actual transaction on the agent phone. This means the agent can either build or destroy trust and credibility.

Many providers focus on building their agent networks as fast as possible, without careful attention to the agents’ business case and profitability.

This oversight and warped business strategy has led to the current Agent wars in Pakistan.

New service providers wanting to get a piece of the OTC pie from the market leader go out in to the field and recruit the market leaders already trained agents, offering them higher commissions to push their products and platform over the competition’s. This has led to scenario where agents are paid as high as 110%. This model is not financial viable and not sustainable business practice.

The undercutting and agent wars has had the negative effect of reducing the agent-footprint across the country as no service provider is willing to invest time and money to recruit and train agents only for the competition to swoop in and “steal them”. During this research, this was highlighted and brought to the attention of the SBP.

According to our research, this is a mistake. We propose four key tenets in managing an agent network:

- Grow the customer base and the network in tandem;
- Understand agent economics and risk—the business case for agents is not that simple;
- Only enroll agents who have the right skills and dedication, and be prepared to train and retrain.

- Roll out unique products that will distinguish you from the competition.

1.2.3.1 Grow the network with the customer base

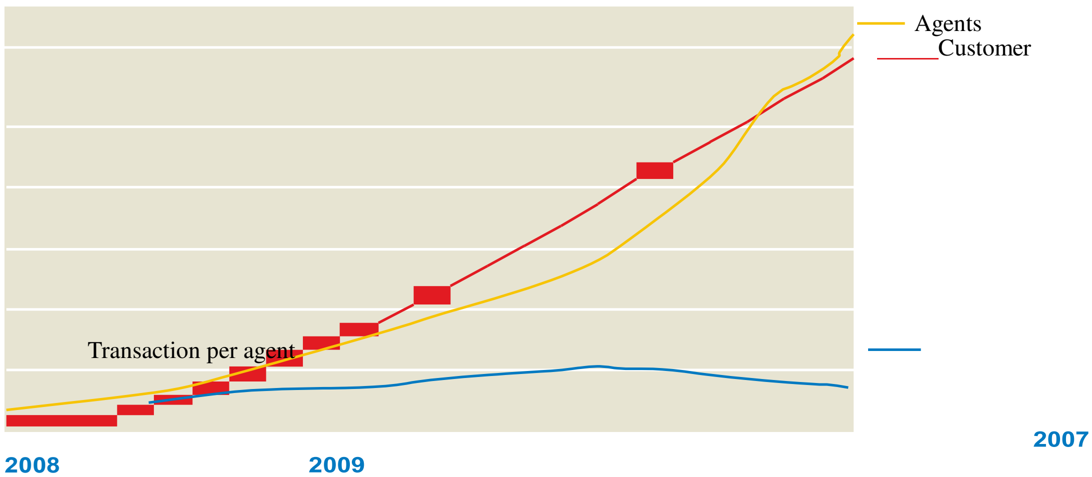
Getting the agent network rollout right is one of the most complicated aspects of launching mobile money. If a provider enlists too few agents, customers perceive the system as difficult to use, or even useless. On the other hand, if there are too many agents, many of them cannot generate enough business to cover the cost of managing liquidity. As a result, they stop maintaining their electronic money float and cash balances or altogether move to the competition. This is bad for the agents and damages the system's credibility with customers. It is best not to let such an imbalance continue. For example, when one African provider realized that it had too many agents relative to transaction volume, it cut its agent base in half.

To ensure ease of use for customers and the appropriate level of business for agents, a provider must take a considered approach to network growth As an example, one of the keys to Safaricom's continued success has been its decision to match network growth to customer-base growth, ensuring a steady.

The practical implication is that the agent network can start out smaller than commonly expected. The initial network will likely number in the hundreds, not thousands, and it does not have to cover the entire country. Safaricom launched M-Pesa with just 400 agents in a country of almost 37 million people. For large country like Pakistan, we urge a regional launch, accompanied by later rollouts.

Figure 2 M-Pesa Customer growth drove agent growth

[11]



M-Pesa manages its agent network to match trends in the growth of its customer base, ensuring a steady stream of around 1,000 transactions per agent per month

1.2.3.2 Understand agent economics and risk.

This may sound simple, but many providers have failed to ensure that their agents have a manageable path to profitability. Experts note that it takes a year or more for agents to see profits from mobile money. The Gates Foundation maintains that agents must process around 30 to 50 transactions per day for their business to be viable. Understanding the business case for agents means analyzing their day-to-day operations and developing solutions to their biggest pain points, as well as understanding the trade-offs they face.

For example, managing liquidity is the largest cost for agents, representing one-third of their total costs. In this context, there are two sides to liquidity: managing physical cash on hand and managing the amount of e-money the

[11] CGAP

agent has bought as "e-float." Agents must invest significant amounts of money up front in e-float and other costs, which in many countries including Pakistan, can be as much as three times per capita GDP. In the early days of a deployment, there are too few transactions to offset these costs. Even when transaction volume increases, agents often see their revenue only once a month, when commissions are paid. Another cost of liquidity management is the risk of robbery for agents holding large amounts of cash for payouts, which has been a problem for some Brazilian banking correspondents. This could be the case for the larger cities of Pakistan in the near future.

Liquidity is also an agent's most vexing logistical challenge. Most agents struggle to maintain enough cash or e-money to meet customer demand on peak days, like government paydays. And even on normal days, most agents must typically plan to send someone to the nearest "superagent" (that is, an intermediary agent—larger than others in the network—that helps the provider manage parts of the network and ensures that smaller agents can conveniently manage liquidity) or bank branch to rebalance cash and e-money. In some countries agents have an informal agreement with each to help out when they run out of cash or e-float.

Some of these timing issues have relatively simple solutions. For example, paying agents to sign up customers can help the agent earn some income before transaction volumes really kick in and lock them in from the temptation to jump ship and sell the competitions product. However, to ensure this does not become an incentive to sign up a large number of dormant customers, these commissions should be staggered, with parts becoming due, for example, at initial registration, first deposit, first financial transaction, and continued use. Providers should also consider up-front loans to high-potential agents. The key is to understand the full business case and design incentives, loans, and other financial aspects of the relationship appropriately. This thinking will help Pakistan agent management move from the panacea that is the ever-increasing, non-sustainable agent commission.

1.2.3.3 Invest in maintaining agent quality

Agent quality is critical for maintaining customers' faith in the system and distinguishing your product offering from the competition. The best agents maintain liquidity consistently, market mobile money effectively, educate customers in mobile- money use, and remember their training instructions. Such agents are an essential asset in mobile money, but acquiring them requires careful recruitment, training, and monitoring, with a particular emphasis on protecting customers from fraud. In our research almost none of the mobile money users indicated that they learned about mobile money from agents. This shows glaring deficiency in the use of agents to drive adoption and use of mobile money.

Mobile-network operators (MNOs) interested in launching mobile money have often tried to convert their prepaid airtime distribution network to a mobile-money network, but this strategy has not always worked. Airtime dealers are rightfully wary of cannibalization of their business by mobile money—once users adopt mobile money, what is to stop them from buying airtime over their handsets? This could kill the agents' airtime sales. This discrepancy in incentives between airtime sales and mobile money has been a major barrier to mobile-money growth for an MNO in Asia. And the switch to becoming a mobile-money agent does not initially appear lucrative, since commissions on mobile money are typically lower than commissions on airtime. Therefore, providers seeking to build a network may need to be choosy with respect to existing airtime sellers—recruiting only high-potential early adopters—and then branch out to different sources of high-quality talent, such as retail chains, or aggregators, such as super-agents.

In addition to recruiting effectively, providers must offer agents ongoing training services, especially at launch and when introducing new features. Because airtime dealers have high employee turnover, retraining agents by visiting each shop up to twice a year may be necessary.

> Safaricom has outsourced this successfully to the independent contractor Top Image. Other providers, including EKO in India, have managed training well in-house, choosing to outsource only the more day-to-day functions of agent management (liquidity balancing, for example).

Consistency, continuous follow-up, and in-shop training are all important. Our research revealed that agents do not prefer to send their employees off-site for training and that employees who receive off-site training typically do not retain what they have learned as well as those trained on-site.

Monitoring agents for fraud is also critical. Many customers do not understand how to use the technology and will depend on agents to perform the tasks involved in a transaction for them. Dishonest agents can easily send customers' money to themselves or to friends. Safaricom took a strong stand on this kind of behavior, firing 80 of its first 200 or so agents and taking away their airtime business. This sent a clear signal that Safaricom would not tolerate.

Already there is a high mistrust of mobile money in Pakistan. As indicated earlier this is basically due to the already existing phone and SMS scams in Pakistan. Also being a new technology and platform customers are naturally less trusting.

PTA has already instituted a hotline for SMS fraud; this could be tapped also as channel for reporting and escalating Mobile money fraud.

1.2.4 INNOVATIVE PRODUCT OFFERING

Thanks to the early success, OTC became the dominant model for the Pakistan market.

In markets where the Telco's' market share is balanced and customer registration for mobile accounts is complex, OTC can be successful for promoting the initial up- take of mobile money. But given its limitations, mobile money in Pakistan would benefit from evolving beyond OTC and offering a new suite of products.

Most experts consider a product (or suite of products) that generates two to two-and-a-half transactions per month per customer to be a commercial success. So, which products are most likely to achieve this level of transaction volume?

Recent mobile-money deployments have generally taken one of two approaches to product design. The first has been simply to copy M-Pesa's successful product in Kenya, focusing on person- to-person (P2P) transfers and echoing M-Pesa's value proposition: "Send money home." The second has been to launch a complete financial product line with the hope that one of the products or the package, as a whole will generate enough demand to achieve sustainability. Neither of these strategies has met with great success. Pakistan has a better chance with focusing first on identifying a "killer app" that would drive a high volume of transactions onto the platform, and then promoting this product through both above-the- line (ATL) marketing (which includes mass-market advertising channels such as television, radio, newspapers, magazines, and outdoor advertising) and below-the-line (BTL) marketing (which includes non-media marketing techniques such as direct mail or face-to-face sales). We believe that the most successful deployments will expand into other products only when a killer app gains traction.

The first step in designing a killer app is to conduct a detailed customer-needs assessment that maps the current behavior and pain points of the provider's most important customer segments, and then implement a service to address the needs identified.

The following diagram provides a visual overview to the steps involved in positioning mobile money killer to drive adoption and scale[12].

The major problem in Mobile Money the key players are all trying to compete on OTC and no one has done a competitive analysis and addresses a unique niche. What is the real competition for services offered on mobile money platforms? There are obvious direct competitors such as mobile money platforms offered by competing mobile network operators. But there are also less obvious indirect competitors, such as, when it comes to money transfer services:

- Remittance companies
- Bus companies or drivers
- Airtime transfer facilities
- Friends and family carrying cash

Indirect competitors often represent the most formidable competitive threat to mobile money. Understanding these competitors is the first step to effectively competing with them.

With a list of competitors in hand, it is possible to compare the product offerings available in a particular market. Looking specifically at money transfer services, for example, competitors can be evaluated along the following

Product features and process	**Service points**

■ Is registration required? If so, what are the requirements (including documentation) and how long does it take ■ Transfer time ■ Maximum and minimum transaction amounts ■ Ease of use ■ Proofs of transactions	■ Number ■ Distribution (are they in business districts? slums? rural areas?) ■ Quality (what level of service do agents offer?)
Price	**Consumer perceptions**
■ Cost for end-to-end transfer	■ Awareness levels ■ Reputation for safety of funds ■ Brand associations

This exercise can again be conducted for all mobile money services the operator plans to offer, such as bill payments, bulk payments and storage of value. It can be undertaken in house, or by a market research agency. Either way, a good competitive landscaping exercise includes not just desk research but also speaking to customers of each competitor and visiting service points.

Now armed with answers from this competitive landscaping, a service provider can design a killer app that will address the customer pain points instead of replicating what is the market.

2.0 OTC VS MOBILE WALLET MODELS

It is the position of this research and an agreement with the industry and regulators that for Pakistan to move fully towards financial inclusion and digital finance, the industry as whole should migrate from the OTC model to a more m-Wallet model. The next step is to move from being a “send money” home service only to having more mobile financial services product running on the platform.

First before suggesting ways to migrate, it’s imperative to understand what drove the market and early players to the OTC model. To understand this, we had questioned Easy Paisa, regulators and the general public.

Three main reasons were identified for the slow uptake of mWallets:

- **Ease of use:** The OTC customer experience was just too easy for the customers. Customers do not need to register to transfer money or pay a bill. They simply walk up to a neighborhood agent they already know and trust from purchasing airtime, and conduct a transaction instantaneously. They do not need to learn the USSD menu themselves and they receive assurance the transaction completed because the agent issues a receipt.
- **Product features:** The product offering of M-Wallet was practically the same as the OTC offering. Using the M-Wallet gave customers up to a 25% discount on certain products, but that was not a compelling enough incentive.
- **Registration points:** Because of the high upfront cost of registration equipment, the Easy Paisa channel team prioritized rolling out OTC transaction points over M-Wallet registration points. One year after launch, only 1,200 of the 8,000 Easy Paisa points of sale offered customers the option to sign up for M-Wallet.

According to the Financial Inclusion Tracker Survey of Pakistan (FITS), 87% of mobile money transactions in Pakistan were conducted over-the- counter rather than through an account. Easypaisa's OTC model has become the de facto standard for the Pakistan market; subsequent mobile money launches in Pakistan, such as UBL Omni, MobiCash (Waseela Microfinance Bank and Mobilink) and TimePey (Askari Bank and Zong), followed suit, launching both models but with a focus on OTC.

2.1 Limitations

Given OTC's dominant success, Mobile money service providers questioned to what extent the M-Wallet merited continued investment. **However, the OTC model has a number of limitations that, if not addressed, will significantly hamper the potential of mobile money in Pakistan:**

2.1.1 Limitations for the customer:

- **Limited product offering** – With the OTC model, products are limited to one-time transactional financial services, such as a bill payment or money transfer. Savings and credit, which require recurring transactions, cannot be seamlessly facilitated through OTC.

2.1.2 Limitations for mobile money providers:

- **Low customer loyalty** – Picture a scenario where a small corner stores offers four different OTC mobile money services. Why chose one provider over another? Assuming all services are equally reliable, it is actually not the customer who chooses. Cash is handed to the agent and it is the agent who decides which OTC provider to use.
- **Extensive cash management and agent compliance –** Since there is always cash involved in an OTC transaction, there is a heavy burden on the distribution network to collect cash from high cash-in locations

  and to ensure cash is available at high cash- out locations. Also, agents are involved in all money transfer and bill payment transactions in the OTC model, which require significant control mechanisms to ensure that agents comply with regulatory guidelines and processes.
- **Lower margins** – Every OTC transaction involves an agent, and therefore he needs to earn commission on every transaction. Mobile money providers in Pakistan pay out approximately 50% - 110% of transaction revenues to the channel in commissions. With a mobile account, customer-triggered transactions do not involve an agent, so the mobile money provider can retain the fees earned on those transactions.
- **Fewer indirect benefits** –Original objective in launching mobile money is to generate both direct revenues and indirect benefits i.e. increased market share and stickiness. However, OTC has limited indirect benefits for a GSM business. Additionally, a number of mobile money providers gain significant savings on airtime distribution through the mobile

account; this cannot be achieved through OTC.

2.1.3 Limitations for the market:

- **No ecosystem development –** Without a stored value account, cash is digitized only briefly. The opportunity therefore to offer mobile money merchant payments and integrate with other financial institutions is greatly reduced. A holistic and innovative mobile money ecosystem relying on digital payments cannot flourish using only OTC.

3.0 The way forward in Pakistan

OTC defined mobile money in Pakistan. The accessibility of the product coupled with high market demand resulted in impressive traction for mobile money. The State Bank of Pakistan reports that nearly 35 million branchless banking transactions worth PKR 151 billion were processed in Q4 2013[13]

However, mobile money should continue to innovate and evolve beyond OTC. A mobile account offering will provide richer products for the consumer, generate greater direct and indirect benefits for mobile money providers, and create a foundation for a digital payments ecosystem. More recent figures are encouraging, with 2.1 million mobile accounts as of December 2013, and a 20% growth over the previous quarter, but SBP notes “uptake and us- age in [branchless banking] accounts is still low as compared to OTC transactions.”

Mobile money service providers should consider the following to drive adoption of the mobile account:

- **Extend registration points for mobile accounts** – As long as the majority of mobile money agents are OTC agents without equipment to register customers for mobile accounts, OTC usage will be much higher. SBP data indicates that only 27% of agents across Pakistan can open accounts. With few registration points,

[13] State Bank of Pakistan Branchless Banking newsletter December 2013

customers will continue to associate mobile money in Pakistan with OTC and not switch to a mobile account.

- **Product offering and awareness** – A robust product and service offering on the mobile account would increase the perceived value it offers customers. The FITS results showed that 59% of OTC users did not open a mobile account because they did not think it was necessary to open one. Easy Paisa Khushaal, a savings product with insurance benefits available only through Easy Paisa M- Wallet, is an innovative way to increase the customer value proposition. Other innovative services are needed to drive usage of mobile accounts. Furthermore, mobile money providers will need to invest in awareness campaigns to help potential users understand the benefits of the mobile account.
- **Leverage Technology advancements and introduction of more affordable 3G/4G network services.** With the introduction of 3G /4G , Mobile money service providers are accorded a unique opportunity to move from the restrictive SIM based payment models to a more Telco agnostic model. This is being done my MCB and has seen its offering' uptake increase a lot. This also accords the service providers the opportunity to move away from USSD/ STK /SMS to Apps. Apps can be easily designed to use pictograms, which are more user-friendly.
- **Industry collaboration to overcome the registration barrier** – There may be an opportunity for mobile money providers to work together to simplify the registration process. Eliminating some of the steps would lower the cost of registration requirements and could increase the number of registration points. Reducing the fee to NADRA would also make it possible for players to run more aggressive recruitment campaigns for the mobile account.
- **Awareness should not only focus on on-boarding –** The awareness campaign should carry the thematic message on onboarding and moving the users through the customer journey from Awareness to Regular use!

4.0 Annexure/ Appendices

Section 1.01 Annex / Appendix-2 Troubleshooting adoption of mobile money[14]

Mobile money deployments hit a number of challenges as they try and bring the customer along the journey from awareness to regular use. The following diagnostic highlights the main challenges operators face and indicates possible causes.

Challenges with Building Awareness and Understanding

In a number of markets, operators have faced problems with low levels of customer awareness. This at times is a complete lack of awareness from the consumer, in the sense that they have never heard of the programme. Or they have heard about the mobile money service but they do not understand what it could be useful for. In both cases, these problems are apparent through market research with the target market

Possible causes	Diagnostic tools	Corrective actions	Reference section(s)
Wrong marketing mix for campaign	Analyze the audience of media employed: are marketing communications reaching the target market?	Redirect marketing spend to reach the target audience	Segmentation (p. 7) Marketing Communications (p. 14)
Customers don't understand why they should try mobile money / Communications messages are unclear	Elicit customer feedback on marketing communications: is the product's functionality and positioning clearly communicated? Does it resonate with the target market?	Revisit marketing communications to clarify messaging	Positioning (p. 13) Marketing Communications (p. 14)
Insufficient budget for marketing	If neither of the two culprits above apply, insufficient budget is likely the problem	Invest more aggressively in marketing communications	Budget and Effectiveness (p. 27)

14 MMU – driving mobile money usage for the unbanked

Barriers to Trial, including Education and Registration

If market research indicates that customers in the target market are aware of the service and understand how it is beneficial to them, but still do not sign up for the service, there are a number of possible issues around registration and trial to explore.

Possible causes	Diagnostic tools	Corrective actions	Reference section(s)
Customers don't understand how to perform a transaction	Mystery shop at agents: do they explain to users how to transact?	Employ more marketing tactics to educate consumers through field or transactional agents	Educating and Activating Customers (p. 19)
Customers struggle to find a registration agent	■ Seek customer feedback: have they tried to register, but could not find an agent? ■ Analyze the geographic distribution and density of registration agents: are they situated where customers in the target market live or work?	Optimize the number and location of registration agents	Transactional Agents (p. 20)
Mobile money does not meet the needs of customers better than existing alternatives	■ Analyze the competition: in what ways is mobile money better than alternatives? ■ Seek customer feedback: what do customers value about competitors' products over mobile money?	Revisit customer segments to identify the target market with the most potential for mobile money	Competitive Analysis (p. 5) Segmentation (p. 7)

Possible causes	Diagnostic tools	Corrective actions	Reference section(s)
Customers don't trust the operator's brand or its network	Seek customer feedback: how do customers perceive the operator's brand?		Branding (p. 18)
Onerous process for user registration	■ Seek customer feedback: have they tried to register, but been deterred by onerous requirements? ■ Benchmark the registration process with good practice globally: is KYC proportionate? ■ Assess the availability of required documentation (i.e., IDs) among the target market: is this a constraint?	Streamline customer registration process – engaging the regulatory authorities if necessary	
Agents find registering customers is more profitable than transacting with them – so they only do the former	■ Mystery shop at agents: are they promoting the service? ■ Seek customer feedback: are agents taking the time to show them how to transact? ■ Analyze the agent value proposition: are their incentives skewed toward registration rather than transactions? ■ Review agent e-money float balances: are agents able to facilitate cash-in transactions?	Analyze the agent value proposition and revamp commissions if necessary	Transactional Agents (p. 20)
There is a waiting period between registration and account activation, during which customers cannot transact	Benchmark the registration process with good practice globally: can customers begin to transact immediately?	Streamline customer registration process – engaging the regulatory authorities if necessary	
Different agents are responsible for registration and cash-in/cash-out transactions	Seek feedback from customers registered by registration agents: were they directed to a transactional agent? Are they likely users of the service?	Revamp the registration agent commission model to make commissions contingent on customers' transactions	Transactional Agents (p. 20)

Barriers to Regular Use

Finally, if the operator's database is showing that users are trying the service once and not transacting again, there are a number of possible issues that may be curbing regular use.

Possible causes	Diagnostic tools	Corrective actions	Reference section(s)
Customers are having unsatisfactory experiences at the retail level ■ Agents are illiquid or "too busy" to serve customers	■ Seek customer feedback: do they struggle to locate liquid agents? ■ Mystery shop at agents: are they liquid in cash? ■ Review agent e-money float balances: are they liquid in e-money?	■ Analyze the agent value proposition and revamp the commission model if necessary ■ Optimize the customer/ agent balance, at the local and system level	Transactional Agents (p. 20)
■ Agents are insufficiently trained	Mystery shop at agents: do agents demonstrate mastery of the service and competently explain the service and how it works to potential users?	Assess the effectiveness of agent training, monitoring, and disciplinary procedures	Transactional Agents (p. 20)
■ Agents are scarce	Analyze the geographic distribution and density of agents: are they situated where customers in the target market live or work?	Optimize the customer/agent balance, at the local and system level	Transactional Agents (p. 20)
■ Agents are unclearly branded/differentiated from ordinary airtime retailers	Review store branding guidelines and compliance: are mobile money agents clearly marked?	Revamp agent branding/ merchandising guidelines/ requirements	Transactional Agents (p. 20)
■ Agents are defrauding customers	Seek customer feedback: have they been defrauded?	Assess the effectiveness of, and revamp if necessary, agent training, monitoring, and disciplinary procedures	Transactional Agents (p. 20)
Customers are having unsatisfactory experiences with customer care	Seek customer feedback: did customer care resolve their issue in a timely way?	Improve existing customer service and/or launch dedicated mobile money customer service scheme	
Customers are having unsatisfactory experiences with the user interface	Seek customer feedback: do they find the user interface intuitive?	Improve the user interface based on feedback	

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List of people met and interviewed.

a. Abdul Samad Member (Compliance & Enforcement) PTA
b. Abrar Ahmed Mir , EVP & Group Head Branchless & E-banking , UBL
c. Ahmed Sumair , Deputy Director – Branchless Banking , State Bank of Pakistan
d. Amina Hassan, Head Retail , Khushali Bank
e. Anaar Naveed Ikhlas , Head of Branchless Banking , Bank Alfalah Limited.
f. Aqeel Hayat , Dy. Director Mobile Financial Services ZONG
g. Arif Sirhindi , Precident /CEO U Microfinance Bank Ltd
h. Attar Ur Rahman Mir , Senior Executive Marketing , Mobile financial services Ufone
i. Azfar Jamal , Deputy General Manager , Head of Branchless banking, HBL
j. Azim Ullah Khan , CIO , U Microfinance Bank Ltd
k. Farood Rashid , Head of Branchless banking , Waseela Microfinance bank.
l. Ghalib Nishtar , President , Khushali Bank
m. Kaber Naqvi , Chief of Staff , CFO & Company Secretary , Tameer Microfinance limited
n. Maliha Shahid , Dept. Head – Business development 1Link
o. Muhammad Khurram Waraich , Head of pricing and strategy , Mobile financial services
p. Muhammad Shah Zaman, AEVP/Head (Operations) Zarai Taraqiati Bank Ltd.
q. Muhammad Talib Dogar , Directo General (services) PTA
r. Qasif Shahid Head Digital Banking and Business development , MCB [Back of the Data Page]:
s. Qazi Shoaib Ahmad , Senior Joint Director State bank of Pakistan
t. Rajesh Raheja , Deputy Director , State Bank of Pakistan , Restructuring & Privatization Division , Banking policy and regulation department
u. Rouman Talat , Sr. Executive Mobile Financial services , ZONG
v. Shahid Mehmood , Manager Alliances , Khushali Bank
w. Tariq Sultan ,CMS . Member (finance) PTA
x. Wasi Ullah Khan, Director General (Coordination) PTA
y. Wsim Tauqir , Director General (Strategy and Development (PTA

z Yahya Khan , Chief Financial services Officer /VP Telenor
Faisal Ejaz Khan, Chief Executive Officer, 1LINK (Guarantee) Limited, Karachi, Pakistan

aa. Faisal Ejaz Khan, Chief Executive Officer, 1LINK (Guarantee) Limited, Karachi, Pakistan

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info@epfirms.com