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Cellphone banking transforms the unbanked into bankers

A lack of information is holding back the potential of mobile phone banking to expand access to financial services to the unbanked population.

This is one of the key conclusions of the FinScope™ Mobile Banking Pilot Survey, whose findings were released in Johannesburg today. The Consultative Group to Assist the Poor, the Vodafone Group Foundation and the United Nations Foundation developed and funded the survey and FinMark Trust contributed in developing the methodology for the survey.

The survey confirms that there is a market for cellphone banking among the poor. There are now more cellphone users in the developing world than in the developed world. More than 800-million mobile phones were sold in the developing world in the past three years.

South Africa has a high cellphone use among unbanked people: 31% of the unbanked have a pre-paid cellphone contract; a further 17% have access to the cellphone of a friend or family member, according to data from FinScope™ 2006.

However, 42% of the population has never heard of cellphone banking and a further 28% does not know what it would mean in practice. This highlights one of the bigger obstacles to extending mobile banking - on top of seeing the value of using a cellphone banking service, potential customers will need to become familiar with the possibilities of the technology.

The study concludes that these perceptions must be dispelled if cellphone banking is to be adopted by a broader base of low-income people.

"The use of cellphones to facilitate effective access to financial services is a key opportunity" said Jeremy Leach, Executive Director of FinMark Trust. "FinScope surveys clearly show just how deep cellphones penetrate into low-income markets - where 36% of the unbanked in Botswana have cellphones compared to the 31% of the unbanked in South Africa".

The aim was to find out which segment of the low-income market was using cellphone banking, why they chose to use it, what the barriers to use are, and to explore perceptions about banking, technology and cellphone banking in this market. The sample comprised 215 users, dubbed "talkies", customers of WIZZIT bank and 300 non-users, dubbed "walkies".

The survey found that although many customers of cellphone WIZZIT Bank were poor they were not among the poorest and tended to have more income and assets and be more financially and technologically sophisticated than other low-income South Africans.

Most of the non-users surveyed knew little or nothing about cellphone banking and perceived it as expensive and complicated. Some were unemployed and saw themselves as ineligible for any kind of bank account, cellphone or other. While some of the non-user group were banked, most (59%) were not and the reasons given were lack of money and need.

"Once people start using m-banking, though, they are enthusiastic about its value", said Mark Pickens, a Microfinance Analyst with CGAP and co-author of a report that drew on the findings. "Banking needs to be

affordable, convenient and trusted for poor people to access it. The study shows that for users, compared to bank branches and ATMs, m-banking is closest to their ideal way of banking. So there is clearly huge potential if we can just overcome the issue of perceptions and encourage wider adoption of cellphone banking by a broader base of low-income people.”

A number of similarities between users and non-users are highlighted. Both groups value some human interaction with their bank. Technology, and the fear of using it, is not skewed towards either users or non-users. The main cause of non-users rejecting the offering is not lack of technological sophistication - rather a lack of perception of the value proposition of mobile banking and also generally a lack of perceived need for any banking account/service.

At the time of the survey, a WIZZIT account was a third cheaper than an account at one of the big banks and reasons given by customers for using cellphone banking were:

Seen as cheaper	70%
Convenience	68%
Safety	69%
Easy access	58%
Saves time	44%
They live far away from banking services	19%

The survey found that WIZZIT customers conduct more transactions a month. Buying airtime, requesting a balance enquiry and money transfers between banks are transactions conducted most often with a cellphone. WIZZIT users still use ATMs and banks to withdraw.

Banked non-users conduct transactions less frequently and use ATMs most often.

The survey reveals that the trade-off between ATM and cellphone banking is complicated, highlighting the importance of convenience. “Awareness and education is needed to grow cellphone banking as well as to keep existing clients using it,” says Pickens.

The possibilities of mobile banking offer exciting market development opportunities; and effectively could turn anyone with available cash into a cash dispensing service for those with a cellphone based bank account - as one consumer could transfer electronically funds to another - who in turns dispenses cash to the transaction originator. Branchless banking at one’s ear?

Housed at the World Bank, the Consultative Group to Assist the Poor (CGAP) is a resource center for the microfinance industry, setting standards, offering technical and advisory services, training, and information on best practices, and incubating innovative projects. Earlier this year CGAP launched a major technology initiative with funding from the Bill and Melinda Gates Foundation. CGAP’s technology program will investigate business models and regulation of branchless banking, in order to unlock the potential of technology to expand access to finance(see www.cgap.org).

FinScope™ was launched in 2003 by the FinMark Trust. It was an attempt to establish credible benchmarks for the use of, and access to, financial services in South Africa. It was designed to highlight opportunities for innovation in products and delivery. The findings in 2003 and subsequent years have identified barriers to access for low income people and provided insights for policymakers, in both the public and private sectors, who wish to remove or reduce the barriers. A small business pilot was also introduced in 2006 (see www.finscope.co.za and www.finmark.org.za).

The UN Foundation (www.unfoundation.org) builds and implements public-private partnerships to address the world’s most pressing problems, and also works to broaden support for the UN through advocacy and public outreach.

The Vodafone Group Foundation was created by Vodafone in 2001 to support charitable and community work by all Vodafone companies and their Foundations as well as funding selected global initiatives.

Research Surveys, recently acquired by TNS Global, executed the survey on behalf of the stakeholders.

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