

What are Digital Bulk Payments?

One-to-many payments made by an organization into the mobile money wallet of its payees

Bulk payments are a gateway to digital financial services (DFS)

Bulk Payers are:

- ▶ Firms paying salaries
- ▶ Governments paying social benefits
- ▶ NGOs disbursing benefits



The bulk payer transfers funds to its digital bulk payments service provider

Service Providers are:

- ▶ Mobile Network Operators (MNOs) and payment aggregators who facilitate bulk payments



MOBILE NETWORK INFRASTRUCTURE

The service provider transfers funds into the mobile wallets of the individuals being paid



Payees are:

- ▶ Recipients of funds whom receive money into their **mobile money wallets**, creating an entry point to digital financial services.



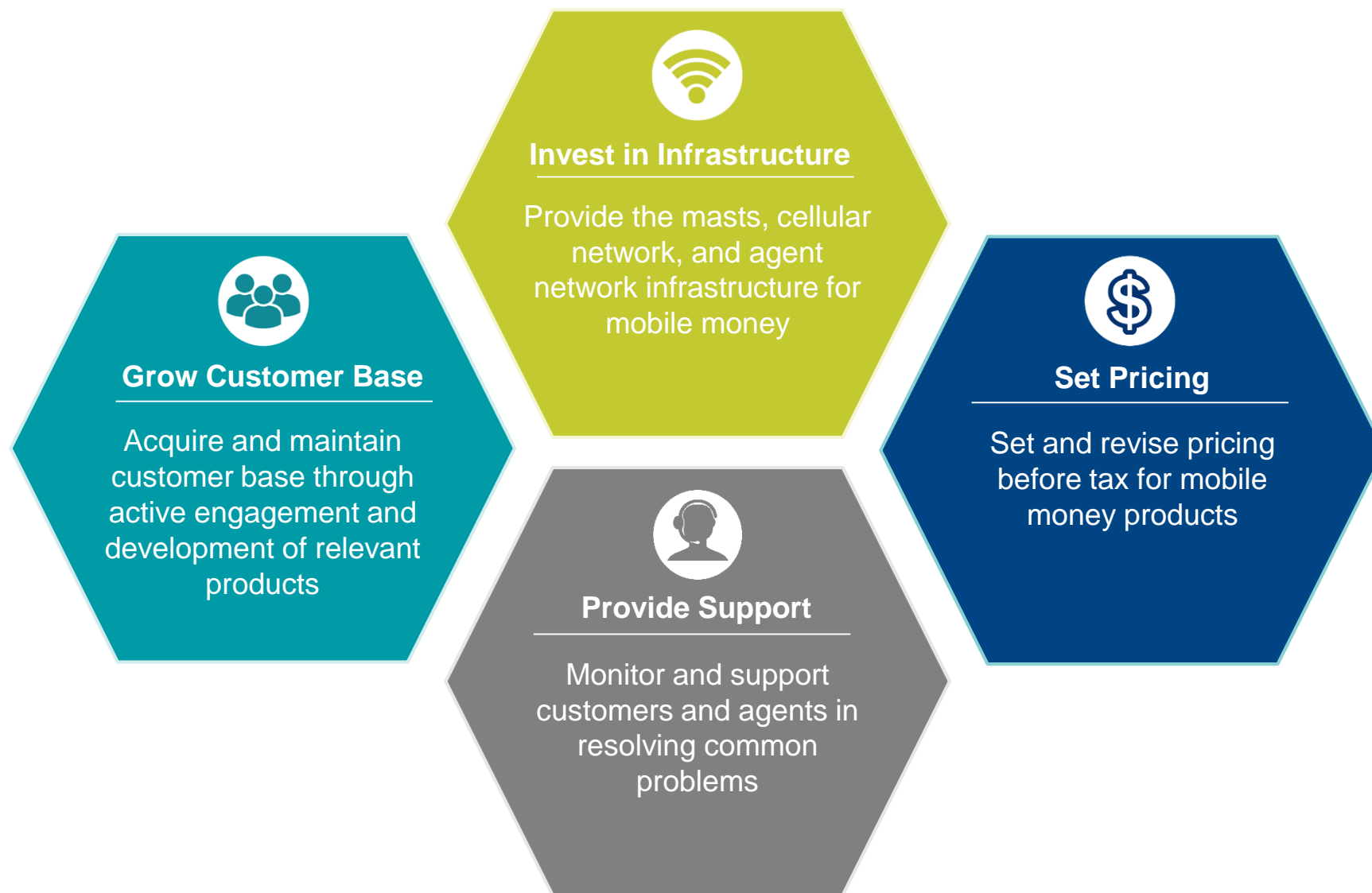
Mobile Money Wallet: A financial account that can be accessed and used for making and receiving transactions from a mobile phone.

Players in the Bulk Payment Value Chain

	 MNOs	 Aggregators	 Bulk Payers	 Payees	 Agents
Example: Ugandan Players	<ul style="list-style-type: none"> ▶ MTN ▶ Airtel ▶ Africell ▶ UTL 	Payment providers who provide platform integration and value-added services	Largest bulk payers: <ul style="list-style-type: none"> ▶ Agriculture value chains ▶ NGOs ▶ Government 	Salaried workers: <ul style="list-style-type: none"> ▶ NGO beneficiaries ▶ Agricultural workers ▶ SAGE beneficiaries 	<ul style="list-style-type: none"> ▶ Agents, particularly in rural areas
Role Played and Services Provided	<ul style="list-style-type: none"> ▶ Telecom infrastructure ▶ Agent network ▶ Mobile money services 	<ul style="list-style-type: none"> ▶ Interoperable bulk payments platforms ▶ Customizable solutions, such as custom reports or features ▶ Enhanced customer service 	<ul style="list-style-type: none"> ▶ Agriculture: Largest employer of low-income rural workers ▶ NGOs: Support payments nationwide ▶ Government: Multiple programs 	<ul style="list-style-type: none"> ▶ Prime consumers of mobile money services ▶ Must have access to mobile money wallet 	<ul style="list-style-type: none"> ▶ Provide cash out services ▶ Play key role in signing up payees ▶ Face of MNO in locality
Strength	<ul style="list-style-type: none"> ▶ Ability to reach large section of population ▶ Infrastructure, especially in urban and peri-urban areas ▶ Partnerships with value-added service providers 	<ul style="list-style-type: none"> ▶ Interoperability ▶ Customer-focused ▶ Solid technical capabilities ▶ Complementary enterprise products and services 	<ul style="list-style-type: none"> ▶ Ability to reach large percentage of low-income Ugandan population 	<ul style="list-style-type: none"> ▶ Ideal mobile money customers due to challenges receiving and using cash (security, lack of access to financial services, need to pay remittances) 	<ul style="list-style-type: none"> ▶ Local knowledge and language capability
Challenges	<ul style="list-style-type: none"> ▶ Rural infrastructure and agent networks ▶ Size of operations and lengthy business processes limit ability to provide rapid and specialized customer service 	<ul style="list-style-type: none"> ▶ High customer acquisition costs and low profitability of rural payers 	<ul style="list-style-type: none"> ▶ Price sensitivity ▶ Varying ability to collect and maintain accurate payee data ▶ Reading and computer literacy of workforce making payments varies ▶ Infrastructure at payment locations varies 	<ul style="list-style-type: none"> ▶ Price sensitivity ▶ Potentially low phone ownership/access rates ▶ Varying literacy ▶ Incomplete trust in mobile money ▶ Ability to access agents varies ▶ Possession of KYC documents varies 	<ul style="list-style-type: none"> ▶ Liquidity often inadequate

Role of Mobile Network Operators (MNOs)

MNOs are telecom providers and play four major roles in the mobile money ecosystem.



Why Bulk Payments Make Sense for MNOs

Bulk payments represent a large growth opportunity for MNOs

Subscriber Acquisition:

Process of acquiring new mobile money subscribers

Bulk payers drive the entry of new users into the mobile money ecosystem, reducing the cost of acquisition for MNOs

Increase Volume:

The number of transactions being made

Bulk payments drive up the volume of mobile money transacted

Increase Value:

The actual amount being transacted

Bulk payments provide a net benefit to MNOs by putting money into the mobile money ecosystem without an associated agent cash-in commission

Value Added Services:

Additional mobile money services (e.g., savings and loans, insurance, airtime, bill pay)

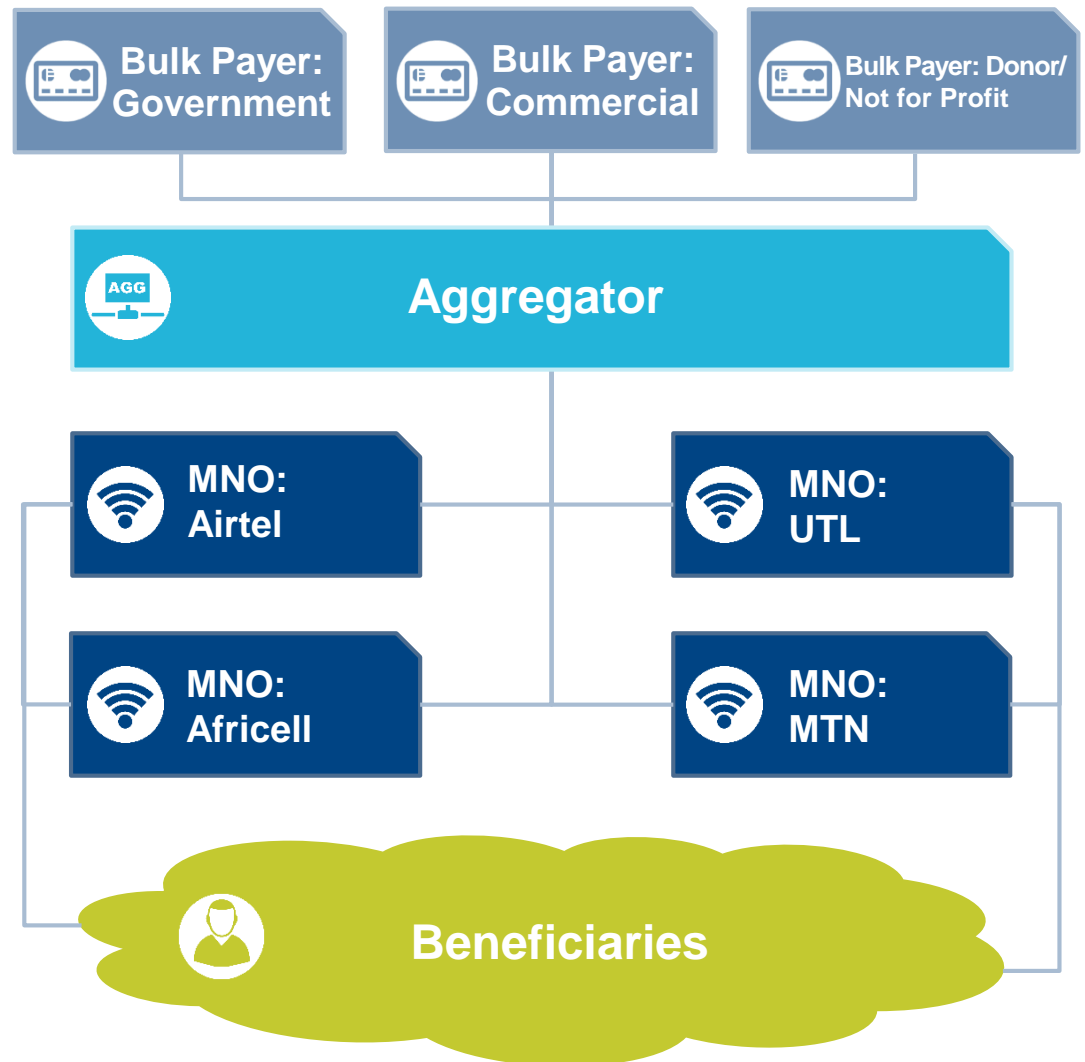
Bulk payments encourage the use of additional mobile money services by payers and payees

The Role of Payment Aggregators in Bulk Payments

- ▶ Aggregators play a key role in simulating payment interoperability making them critical partners in the delivery of digital financial services.

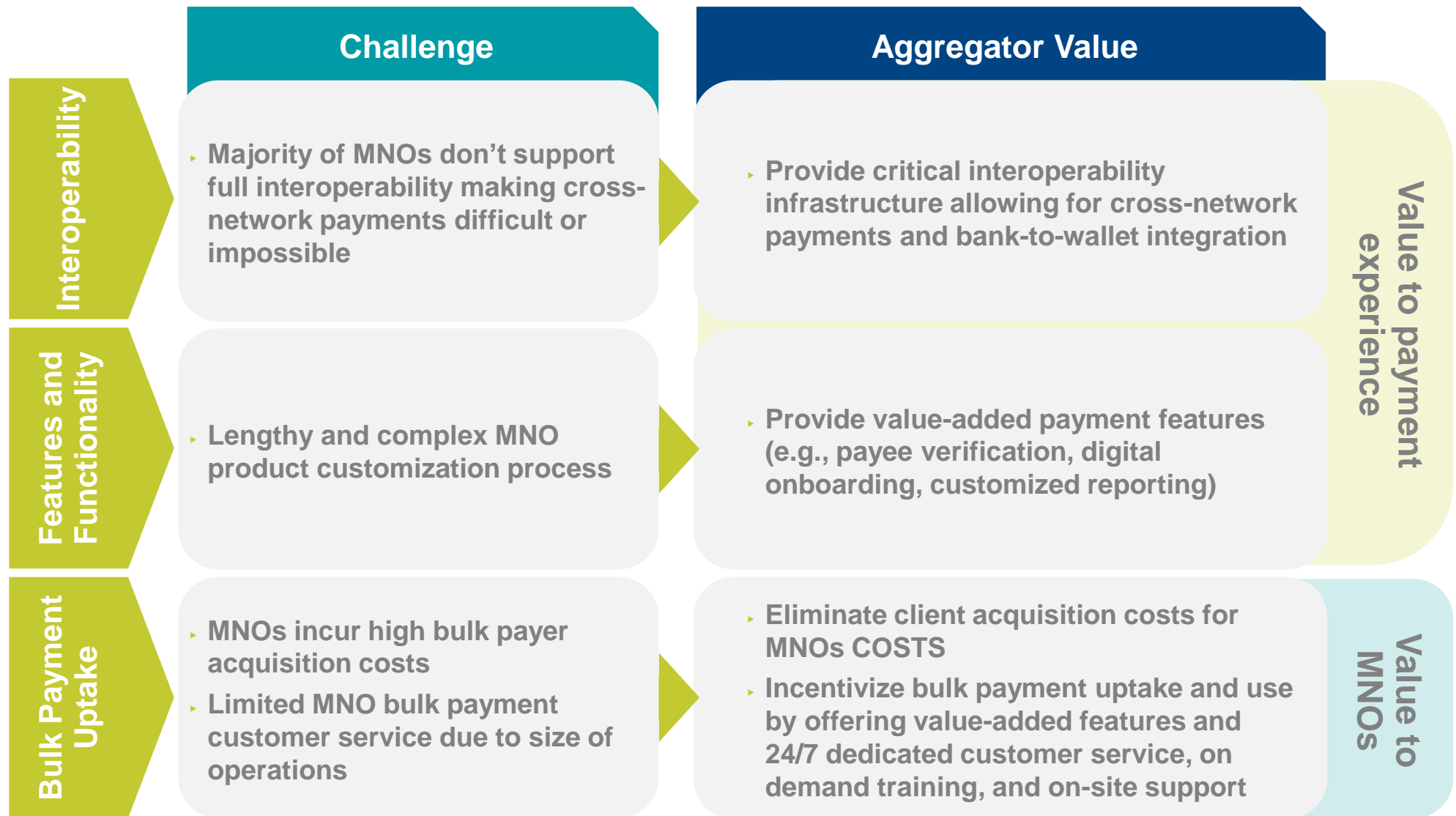
What are Aggregators?

- ▶ Aggregators are technology providers who perform the dual functions of platform integration and value-added services (VAS) provision
- ▶ They offer an alternative for organizations using bulk payment services by acting as intermediaries between clients and MNOs
- ▶ Aggregators extend the traditional capabilities of MNOs by providing cross-network payments and value added services for their consumer and enterprise clientele



Aggregators: Key Partners to Making Bulk Payments Work

- ▶ Aggregators contribute relevant payment features and increased volume



Providers: Price Drivers for Value Chain Players

Goals for aggregators and MNOs differ, but pricing power remains with MNOs.

Goals for Service Provider

Internal Costs

External Costs

Price Implications



- ▶ Drive mobile money transaction and user volume
- ▶ Keep money in the system
- ▶ Minimize high cost activities including cash in/cash out and customer acquisition cost

High cost of infrastructure investment and personnel

Various costs including managing an agent network, vendor licenses, integration costs, transaction fees, and taxes

Similar rates across MNOs with majority charging flat fees with no volume discount



- ▶ Drive user volume
- ▶ Minimize customer acquisition and onboarding costs
- ▶ Eliminate manual processes in all areas
- ▶ Charge for customization
- ▶ Generate follow on business

Relatively low overhead and personnel costs but high cost of customer onboarding and infrastructure

Transaction fees and taxes

Rates vary by aggregator but generally lower than MNO fees



- ▶ Drive transaction volume and value
- ▶ Ability to price competitively despite higher overhead, potentially through use of agency banking

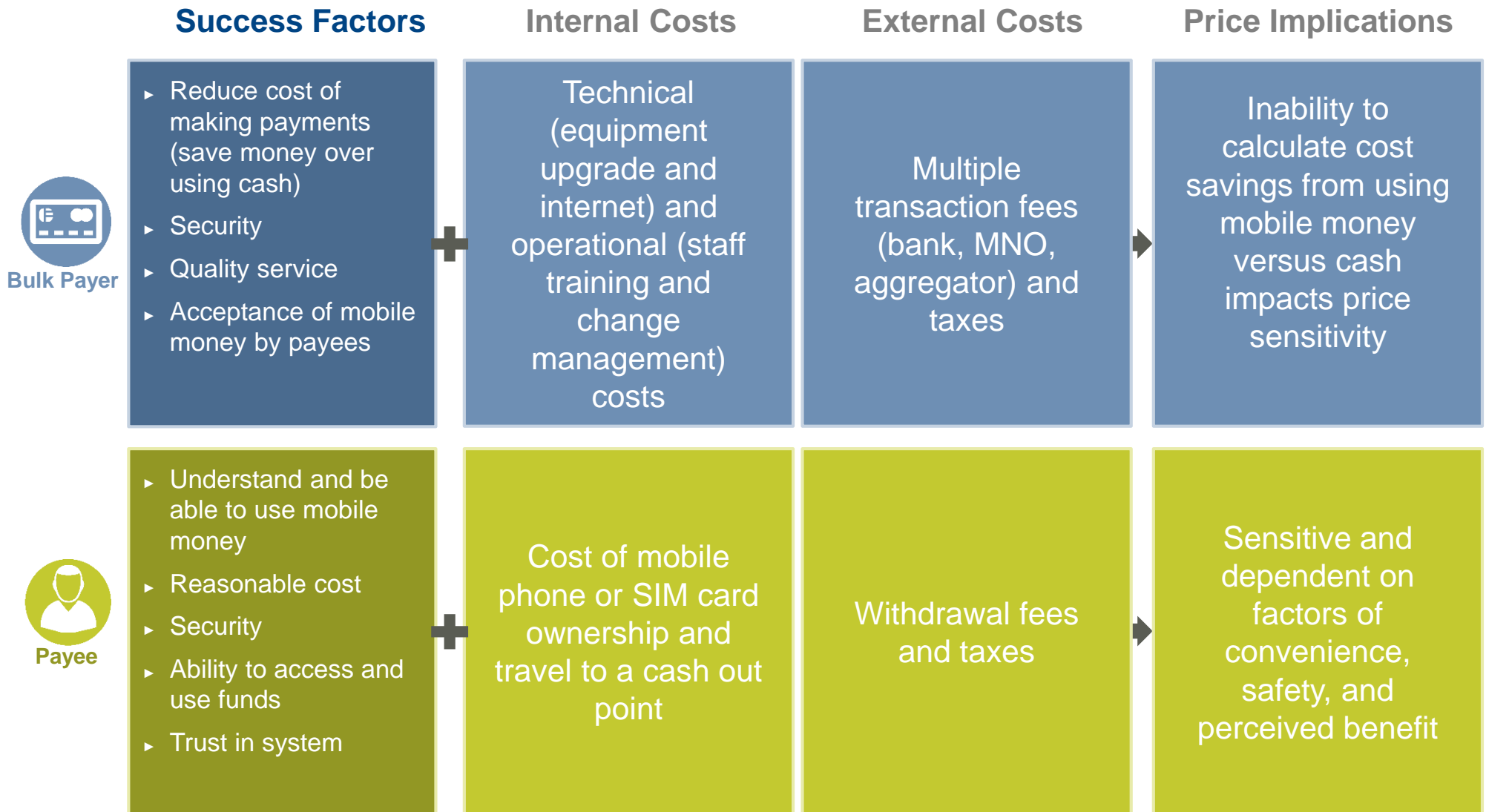
Relatively high overhead and infrastructure investment costs

Transaction fees and taxes

Flat fee transfer costs, withdrawal and deposit fees

Users: Price Drivers for Value Chain Players

The difficulty of calculating the true cost of cash to include risk, leakage, and staff time drives up price sensitivity among payers and payees.



Mobile Money Fraud Impacts Stakeholder Behavior

- ▶ Innovation can be hindered by risk-oriented approach to mobile money; enabling risk-taking while lowering risk within the ecosystem is key to scale.

RESPONSES TO FRAUD



PROVIDERS

- ▶ Internal and external forms of fraud is a risk for MNOs
- ▶ Agents and other employees are both victims and perpetrators of fraud
- ▶ Limited fraud management and tools and mechanisms exist
- ▶ Compliance and risk management govern MNO activity
- ▶ Available legal tools to combat fraud, such as court orders, can be slow
- ▶ Fear of fraud and regulatory sanctions impact innovation and adoption of new services



USERS

- ▶ Recognition growing among payers and payees that mobile money can reduce risk of theft, but many users still fear use of mobile money
- ▶ Fears impact willingness to both accept and hold money in mobile wallets
- ▶ Lack of aggregator regulatory certainty increases perception of risk for bulk payers, many of whom are unwilling to hold large funds in aggregator accounts for long periods of time