

## Interoperability of mobile money services

Increased competition and the wide spread adoption of mobile money in emerging markets are driving a push to interoperability

Interoperability will play a key role in the continued expansion of mobile money. We have reached a position where it is no longer a question of 'if' interoperability will occur but 'when'. The GSMA MMU reports that in 2013 there were at least 52 markets in which two or more mobile money services were in operation.

It remains to be seen who will facilitate this interoperability. How will it be managed? And how will it be monetised? Currently there are several different models in existence, each with their advantages and drawbacks. In some countries, the central bank is leading the way, as in Indonesia, while in other countries not-for-profit organisations are taking the first step, such as the Bill & Melinda Gates Foundation in Tanzania with the support of the local regulator. The other option is for an independent provider to operate this type of service as a business. In this model the crucial factor is that the service remains economical for the end-user.

At present most mobile money deployments operate as a 'walled garden', meaning that transactions can only be performed between users of the same system, i.e. a user can only transfer electronic money to another user of the same mobile money deployment. A lack of interoperability has been highlighted as a major barrier to the development of the mobile money market. The strongest reason for enabling interoperability is the dramatic increase in mobile money transactions that will result. Transaction volume in any network is proportional to and driven by the number of interconnections possible between subscribers.<sup>1</sup>

	Market share %	Mobile Wallets (000s)	Interconnections within network (000s)	Interconnections with interoperability (000s)
Operator A	50	5,000	25,000,000	1,000,000,000
Operator B	30	3,000	9,000,000	1,000,000,000
Operator C	20	2,000	4,000,000	1,000,000,000
Total market	100	10,000	38,000,000	1,000,000,000

Interoperability would give mobile money service providers the opportunity to increase the volume of digital transactions, improve the sustainability of mobile money services and contribute to an open digital financial ecosystem which promotes financial inclusion.

1. Ovum Research, Mobile Money in Emerging Markets, 2010



### GSMA's Mobile Money Interoperability Programme

Interoperability has been highlighted by the GSMA as a key objective in the development of mobile financial services. To support this objective, in 2014 the Mobile Money Interoperability Programme was launched to identify commercially and technically viable options for enabling mobile money transactions beyond the bounds of a single operator scheme, thereby growing the addressable market and significantly increasing the volume of mobile money transactions.

Their first focus area is Account-to-Account (A2A) interoperability. *A2A interoperability in mobile money may create strong positive network effects; there is a wide body of research that investigates interoperability in payments systems and assesses the opportunity for participants that is created through network effects. Studies have found empirical evidence that demonstrates the positive network effects of A2A interoperability between banks, which could be expected to apply also for mobile money.*<sup>2</sup>

The GSMA highlights the key functional requirements for A2A interoperability as the ability to:

- Directly transact between wallet accounts at different MMOs;
- Directly transact between mobile money accounts and bank accounts;
- Settle the funds for transactions across schemes and between schemes and banks;
- Implement common risk management practices that preserve the integrity of the individual mobile money schemes

2. [http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2014/03/A2A-interoperability\\_Online.pdf](http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2014/03/A2A-interoperability_Online.pdf)

## Solutions

The GSMA Mobile Money Interoperability program has listed different models to support mobile money interoperability. In the countries where interoperability is already in place, interoperability only interconnects mobile money service providers, not banks, in the first phase of the interoperability.

- Bilateral agreements between mobile money schemes and banks;
- Neutral processor between mobile money schemes and with banks;
- Commercial processor between mobile money schemes and with banks;
- Using a bank and a national ACH to interface with other banks;
- Direct connectivity to national ACH for all mobile money schemes and banks;
- A mix of commercial processor for bank interface, bilateral between mobile money schemes.

There are several possible models for facilitating interoperability. In the case of an independent provider operating this type of service as a business, the crucial factor is that the service remains economical for the end-user. The set-up cost for this kind of solution is certainly expensive but sharing the interoperability infrastructure even across countries by using a hub model would drive the costs down for all the stakeholders.

At eServGlobal, we promote interoperability through HomeSend, our joint-venture with MasterCard and BICS. HomeSend is an open and neutral hub enabling any type of payment or money transfer across service providers, industries and across borders. Connection for service providers is rapid, opening their service to receive money not just from other domestic services, but from the significant global diaspora. We feel this is the best option for a long-term solution as it benefits all players in the ecosystem. End-users benefit from an affordable, safe and quick money transfer service and service providers benefit by connecting once to reach the world.

## Dominant player markets

In some countries, where there is a clear dominant player, this service provider may be reluctant to support interoperability. As the leading mobile money scheme, they may not be keen to open their solutions to others and make their services accessible to customers who are not registered as their mobile money subscribers. In this case, we have seen the introduction of the Over-The-Counter money transfer offerings, which enable customers who are not registered to a mobile money scheme to send and receive money by relying on the agents network.

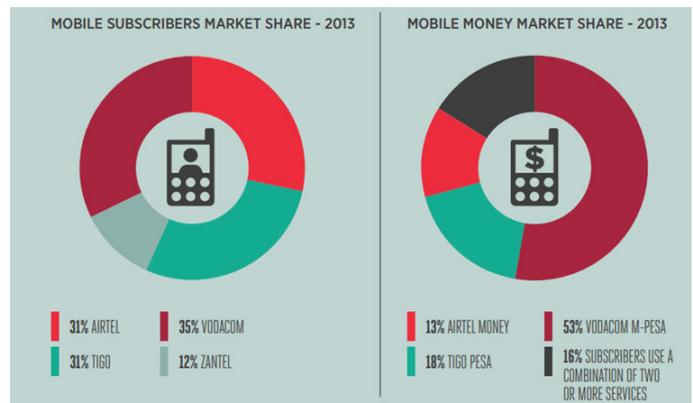
This can be compared to the evolution of ATM networks, which originally started as private networks before coming together into 'networks of networks'. The banks with larger proprietary networks, and who made the biggest investments were found to be slower to join with other network providers. While banks with smaller networks were the first to join up to interoperable networks.



## Tanzania, the ideal conditions for mobile money interoperability

Today, Tanzania is a mobile money and digital financial inclusion success story. The market conditions in this country are ideal for interoperability:

- In December 2013 there were more than 11 million active mobile money accounts and approximately 153,369 agents in Tanzania across four deployments.
- In the same month, mobile money deployments performed transactions worth more than TZS 3 trillion (US\$1.8 billion). The number and value of transactions is growing very fast, and today the Tanzania market is performing close to Kenya.
- 35% of households in Tanzania have at least one mobile money user; 33% of households have at least one registered mobile money user.
- No dominant mobile money players



<http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2014/03/Tanzania-Enabling-Mobile-Money-Policies.pdf>

## About eServGlobal

eServGlobal (LSE: ESG, ASX: ESV) offers mobile money solutions which put feature-rich services at the fingertips of users worldwide, covering the full spectrum of mobile financial services, mobile wallet, mobile commerce, recharge, promotions and agent management features. eServGlobal invests heavily in product development, using carrier-grade, next-generation technology and aligning with the requirements customers worldwide.

Together with MasterCard and BICS, eServGlobal is a joint venture partner of the HomeSend global payment hub, a market leading solution based on eServGlobal technology and enabling cross-border money transfer between mobile money accounts, payment cards, bank accounts or cash outlets from anywhere in the world regardless of the users location.

eServGlobal also builds on its extensive experience in the telco domain to offer a comprehensive suite of sophisticated, revenue generating Value-Added Services to engage subscribers in a dynamic manner. eServGlobal has been a source of innovative solutions for mobile and financial service providers for 30 years