

# Interoperability the key to financial inclusion

*Srinivas Nidugondi, Sr., VP & Head of Mobile Financial Solutions at Mahindra Comviva, explains how interoperability can bring about many benefits by helping both platforms and ecosystem members to achieve reduced costs, greater customer value and an increased choice for end customers.*

The proliferation of mobile devices has increased in the past decade. There is no doubt that they are now moving beyond their role as a simple communication channel and becoming enablers for a wide range of functionalities, ranging from entertainment to commerce.

We are progressively moving towards a “mobile first” world where the first time consumer will access financial services and digital commerce through a mobile phone. Increasingly, consumers are becoming more comfortable using mobiles for payment and the emerging world seems to be setting the benchmark when it comes to digital financial services. Africa’s payment landscape is touted globally as a case for mobile, as it is the only channel that is available for users to access financial services.

## New wave of growth

Mobile payments are set for a new wave of growth, but disruption is also increasing because there is a blurring of the industry’s landscape. Sporadic innovations have been occurring over

the last decade to suit local scenarios and disruptive innovation inevitably involves a degree of fragmentation, especially in the short term. A move towards interoperability between different platforms may help to solve the current confusion and complexity in the mobile payment platforms landscape.

Interoperability will fuel the next wave of growth in mobile money service. In broad terms, it is the interconnection of mobile money services with external parties, and its aim is to create value for both customers and commercial players alike. Viewed as a “silver bullet” for greater financial inclusion, it is increasingly cited as a solution that will both increase transaction volumes and extend the range of financial products that are offered through the mobile phone.

## Creating values for customers and service providers

Opportunities for interoperability arise where interconnections with external parties can create greater value for

customers and service providers than a single mobile money service provider can create alone. Once an opportunity for interoperability has been identified, it needs to be strategically or financially compelling for all the parties involved to be able to jointly pursue it. Thus, interoperability can bring about many benefits, helping platforms and ecosystem members to achieve reduced costs, greater customer value through enhanced functionality and convenience, and ultimately an increased choice for end customers.

To assess the opportunity, it is important to define what services fall within this category, as well as those that are adjacent to it. The universe of these services is expanding rapidly as a result of the growing desire to connect a pure mobile money network with other money transfer networks as boundaries blur between payments. When it comes to mobile money transfer, it is important to view interoperability in the following three ways:

- Domestic interoperability – the abil-

**Mahindra**  
COMVIVA

## Mobile Money in Tanzania

While Kenya has been at the forefront in the mobile money market, Tanzania has recently seen a significant surge in mobile money

**44%**  
of adults are registered for mobile money in Tanzania as against 38% in Kenya

mobiqumy® Money powers **2 OUT OF 5** mobile money services in Tanzania.

In one of the deployments, mobiqumy® Money processes more than **3 million** transactions in a day

In 2014 (between January and November), mobiqumy® Money processed more than **700 million** transactions.

Source: GSMA and Mahindra Comviva



ity to transfer money between two different mobile money services in the same region. With the industry working together to join the dots in the global mobile money ecosystem, systems are changing in some regions. Tanzania’s experience in 2014 is a good example. It became the first country in Africa to successfully develop and implement domestic interoperability. Its three mobile money heavyweights – Airtel, Tigo and Zantel – signed an inter-

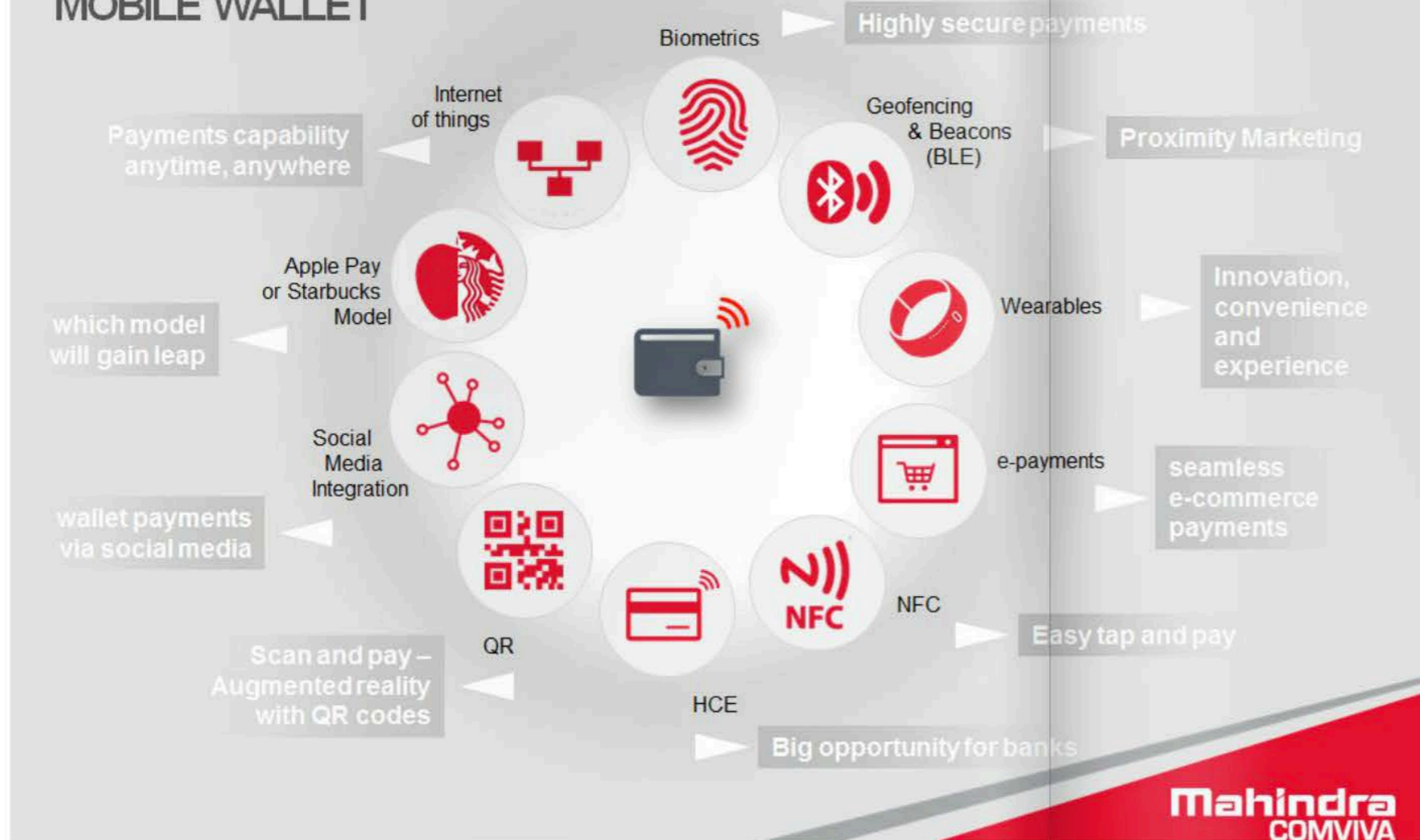
operability agreement, enabling users of their respective Airtel Money, Tigo M-Pesa and Zantel’s EzyPesa services to send money to each other from their handsets.

The hopes of over 16 million mobile money customers in Tanzania were pinned on this service. For the first time in this space, mobile money platforms run by telecom operators were seen to be taking a collaborative approach – which was both account-to-account or wallet-to-

wallet and in real-time – to send and receive money directly between the mobile money accounts of these two service providers. The service simplified off-net money transfers and enabled recipients to make transactions through the convenience of their own mobile phone without cashing out. Tanzania is just the tip of the iceberg, however. We are now likely to see a number of markets jumping onto the interoperability bandwagon. Facilitating International-



## 2015 TRENDS TO WATCH MOBILE WALLET



al remittance by interconnecting with a third party – this involves a partnership between an operator and MTO or a remittance hub. Users send money to another country via companies like Western Union and recipients receive it in their mobile money account and collect it from the mobile money agent. A good example is Econet Wireless Services

in Zimbabwe, which is facilitating inward remittance via a partnership with WorldRemit and Western Union to enable anyone around the world to transfer money to an Eco-Cash wallet.

- Interoperability with cross-border mobile money providers. Another aspect of international money transfers is the direct account-to-account

transfer of money between mobile money services in neighbouring countries or countries within the same region. For example, Bharti Airtel and MTN agreed last April to partner in order to provide an international remittance service between Burkina Faso and Côte d'Ivoire. As a result, MTN Mobile Money customers in Côte d'Ivoire can send

interlink various mobile money services and third-party payment networks. For example, a multi-country operator in Africa has implemented a switch that enables direct money transfer between the mobile money accounts of its customers in different countries.

With competition intensifying, banks do not want to be left behind in the race and are collaborating with mobile money service providers to provide an interconnection between mobile money accounts and bank accounts, which enables banked customers to transfer money between the two accounts.

### Seamless interoperability

Mobile money providers are also investing in order to interconnect with card networks to provide a seamless interoperability with heterogeneous systems and services, bringing convenient and integrated solutions to consumers. For merchants to capitalise on an uptake in payments and revenues, it is imperative to devise solutions that enable the acceptance of payments from mobile money accounts. In turn, this places emphasis on compelling consumers to use mobile money for everyday payments. However, the merchant network of current mobile money services is limited.

Customers can pay only via mobile money to merchants who are registered with the mobile money service provider. We have to move beyond the closed loop systems and embrace an open-loop merchant payment approach. To enable open-loop payments, mobile money providers are integrating with global card networks like MasterCard and Visa to issue companion cards that are linked to mobile money accounts. These can be used for payment at any MasterCard and Visa powered POS machine, both nationally and internationally. The open-loop approach exponentially increases the merchant acceptance network for mobile money. Even virtual cards that

are linked to mobile money account can be issued for making online transactions.

### Success story

The mobile money space is now something of a success story in terms of adoption rates. According to the GSMA's State of the Industry 2014 report, active mobile money accounts stand at 103 million as of December 2014 (up from 73 million in 2013) and an increasing number of mobile money services were available in most emerging markets.

To continue the growth of this momentum, we need to tackle the challenges in the ecosystem. The biggest of these is the lack of interoperability between mobile money services. All of the various stakeholders in the mobile money ecosystem now stand to benefit from improved interoperability. This includes operators, who would benefit because it will provide customers with more flexible payment options that could increase the number of transactions and the velocity and volume of money in the ecosystem. It is also an opportunity for regulators to draw more cash into formal financial systems, and the improved interconnections mean the establishment of secure, real-time connectivity between service providers. Customers will also benefit as it promises more accessible and flexible services, as well as greater financial inclusion, which is expected to receive a significant boost.

These trailblazing initiatives in Africa have helped to demystify the concept of interoperability. We now need to continue providing customers with a reason to move to mobile payments that combine ease of use, interoperability and added value.

**Mahindra  
COMVIVA**

money directly to Airtel Money customers in Burkina Faso. Similarly, customers of Airtel Money Zambia, Rwanda and DRC can transfer money directly to each other.

Switching are another upcoming trend in mobile money interoperability. Mobile money service providers are investing in switch-like infrastructure that will