

# Mobile Banking and Payments

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- **Money transfer services** for subscriber-to-subscriber financial transactions within and between countries.
- **Mobile banking services** for banked populations in the Western world and unbanked populations in emerging markets.
- **NFC** as an enabling technology, fusing the mobile handset and the credit card into a unified payment device.
- **The ecosystem** required for providing financial transaction services in the mobile environment.



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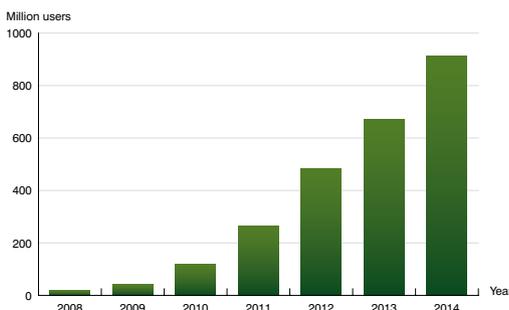


## What role will mobile handsets play in future payment and banking systems?

Mobile financial services include a range of various applications and usage areas. Most of these services could be classified as mobile banking, mobile payments or mobile money transfer. Through premium SMS, the mobile is now established as a means for payments in certain niches such as digital services and ticketing. Berg Insight believes that this type of applications will continue to grow with WAP billing and credit card payments gradually increasing their market shares. Mobile money transfer is expected to achieve a market breakthrough in the near future, generating revenues in the range of US\$ 170–640 million in 2014. Berg Insight also anticipates that mobile banking will become highly popular among existing Internet bank users and also become the main digital channel for retail banks on emerging markets. As a result the number of active users of mobile banking and related financial services worldwide is forecasted to increase from 20 million in 2008 to 913 million in 2014.

Mobile payments refer to the utilization of mobile handsets for making purchases. Traditionally mobile payments have focused on purchasing mobile content, but over time the application area has diversified to include goods and services. Initially premium SMS was the vehicle for payments as it offered unmatched reach and a simple process familiar to the vast majority of the subscribers. As the number of people using their phones for data services increases a range of alternative methods opens up. Today many content providers are moving over to WAP billing, which offers practical advantages and higher payout rates. Furthermore the mobile devices are converging with PCs and a natural step is to utilize the payment methods already established for the Internet, which offer better payout rates and do not rely on operators. These methods are primarily transactional networks and credit cards. In a long term perspective the mobile handset has also been identified as a vehicle for delivering contact-less payments using NFC technology.

The money transfer market has grown rapidly over the past years, however the current global economic downturn will constrain the remittance volumes. Still remittance is a growing market in a long term perspective, driven by a number of factors such as migration, globalization and also urbanization from a national perspective. Many mobile banking and payment providers are glancing at the US\$ 500 billion flowing every year to developing countries, which generates about US\$ 50 billion in remittance service revenues. There are over 4 billion mobile subscribers in the world and extensive networks of airtime agents are ►



Active users of mobile banking and related financial services (Worldwide 2008–2014)

► built up giving the mobile technology unmatched reach and it has been identified as a vehicle for remittance. Today there are a number of international mobile remittance services available in the US, Europe and the Gulf states. Yet money transfer networks such as Western Union and informal value transfer systems still dominate the market.

Mobile banking is an evolution of telephone and Internet banking that provides mobile subscribers with access to standard banking services such as account information and payments. There is a major difference between mobile banking for the banked population in the US and Europe compared to the unbanked population in Asia, Africa and Latin America. The services differ significantly as they fill different needs and builds upon different business models. In Europe the service is at the initial stage and is seen as a convenience service that does not generate revenues, but more a service to build value-added applications upon. In emerging markets the service targets unbanked or under-banked people that do not have access to other official banking systems.

There is a wide range of players of every size in the mobile banking and payments industry. Since the different services are strongly interconnected most firms dedicated to developing platforms for mobile commerce offer a wide range of services. Many platforms comprise for example banking services, over the air payments, proximity payments (NFC), remittance, airtime top-up as well as other functions such as marketing and vouchers. In addition to these players there are also large IT firms with the capabilities of delivering tailored solutions to operators or financial institutions that integrate with the current systems. Large banks such as Citigroup or Bank of America have the competence to develop mobile banking and payment schemes in-house. There have also been initiatives from the international card payment giants Visa and MasterCard.

### This report answers the following questions:

- How will mobile payments evolve beyond premium SMS?
- Why are public transport organisations adopting mobile ticketing technology?
- What is the current status for network independent WAP billing?
- What will be the future role for transactional networks and credit cards in mobile payments?
- When will NFC allow integration of payment cards in mobile handsets?
- What are the business opportunities for mobile operators in international money transfer?
- How can mobile technology be applied to extend the reach of today's online banks?
- What is the true potential for providing mobile financial services to the unbanked population in emerging markets?
- Who are the most important players to watch in the mobile banking and payments ecosystem?

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## Glossary



## About the Author

**Marcus Persson** is a Telecom Analyst with a Masters degree in Electrical Engineering from Chalmers University of Technology. He joined Berg Insight in 2008 and his areas of expertise include Mobile Value Added Services and the market for mobile broadband.

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