



Mobile Transactions (MT)

The Challenge

Access to financial services in Zambia is both scarce and expensive. Close to 10 million Zambians, 80% of the population, do not have bank accounts. As most Zambians live in rural areas, distance and transportation factors hinder access to available financial services. In addition, providing such services to a widely dispersed population has a high cost—establishing a bank branch costs about \$250,000, and setting up an ATM costs at least \$10,000.



At the same time, access to finance is crucial for Zambian economic growth and development. Because many Zambians have a high risk profile due to low salaries and unemployment, financial

institutions are reluctant to provide them with access to financial services. Those who do have access to traditional banking services face high transaction costs, high interest rates on loans, and limited returns on savings. This lack of connectivity affects the entire supply chain, from companies needing to meet payroll to individuals wishing to send money to family members.

MT's Solution

One solution is in sight: the use of mobile phones to execute financial transactions for those without access to traditional banking services. More than 800 million mobile phones were sold in developing countries between 2003 and 2006, making the device the first communications technology with more users in developing countries than in developed ones. This technology bridges the gap: it costs around \$1,000 to equip and setup a mobile money agent, a small business that executes money transfer services. Financial services can then be delivered at a greatly reduced cost to millions previously excluded from the banking system. Zambians will be able to transfer money, pay bills, manage payroll, and even pay for goods and services such as taxis and food using only their phone.

MT offers three major mobile transaction services:

Money Transfers: Individuals can transfer money electronically to one another via a third-party agent. Customers deposit cash at one MT agent and the recipient withdraws it at another.

Payment Services: Businesses pay employees and vendors by transferring credit to their phones and notifying them that they can get the cash from a local agent.

Voucher Services: Organizations of all sizes can issue electronic vouchers with cash value to be redeemed for goods, such as food or agricultural inputs, at local retail shops.

MT's services are 25–40% cheaper than their formal competitors (Western Union, post office). In addition, MT's agent network gives unbanked customers more locations to cash in and cash out than any other player in the market. It is also the only company that aggressively targets the unbanked.

Mobile Transactions (MT) specializes in low-cost payment and financial transaction services by propagating an open-network, nationwide technology using small business agents. MT is targeting financially prudent Zambians, in particular the 80% of Zambians without bank accounts.

MT is transforming lives through safer, quicker payments and increased access to information. The company launched its mobile financial services platform in 2007 and completed a successful pilot project with an international cotton distributor, Dunavant Cotton. MT is facilitating payments to several hundred farmers and is targeting 10,000 in 2010. In April 2009, MT rolled out its Money Transfer service (a Western Union style money transfer) and facilitated over \$1.5 million in money transfers from 100 agents within the first year. MT is also seeing considerable traction with its electronic voucher product, with more than 30,000 vouchers already redeemed and additional 200,000 targeted with the World Food Programme by the end of 2010.

MT's Impact

Mobile Transactions services impact three main stakeholder groups:

Customers benefit from reduced money transfer costs, an increased ability to save, greater travel safety, and a better chance of landing a job, since having a bank account (in this case, a transaction account) is often a Zambian employer requirement.

Smallholder farmers profit from increased yields through improved access to inputs and information, reduced cost of receiving cash, and larger markets due to lower buyer-transaction costs.

Agents earn incremental revenue in the form of fees based on how much money they transfer and benefit from increased foot traffic as a result of MT signage, advertising, and services. Agents also earn retail margin on voucher redemptions.

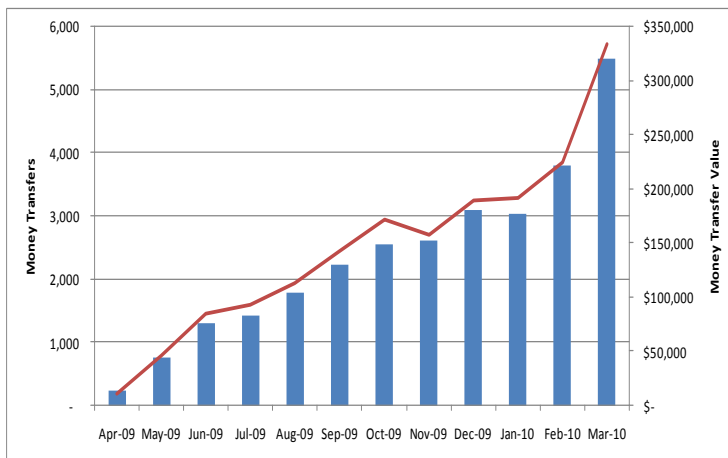
Social Return on Investment

MT has an SROI of 13:1, meaning that each dollar invested in MT generates \$13 in value for its agents.

Partnership with GBF

The **Grassroots Business Fund** gave MT early financing to prove the model and generate the revenue needed to raise the next round of financing. MT has grown rapidly, and GBF is now working closely with MT to bring in new investors for a follow-on round of equity funding.

Money Transfers per Month, March 2009–March 2010



GBF is also providing technical assistance to strengthen MT's financial and operational management. MT was initially targeting person-to-person transfers, but based on early findings and work with GBF, MT has developed a more effective business model focused on corporate payments and electronic voucher programs, which will give the company a more competitive position in the market.

With GBF's assistance, MT is planning to expand to other countries in Sub-Saharan Africa within the next three years. Providing MT meets specific

milestones and performance targets, GBF may invest additional funds to help the company scale up and replicate its model.