

# MicroSave Briefing Note # 70

## Pilot and Rollout Issues for Mobile Phone Banking Services

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During a CGAP-*MicroSave* workshop on mobile phone banking services held in Nepal in August 2008, participants shared the challenges in pilot testing and rolling out mobile phone banking services. They noted that during the pilot test, a number of factors have to be taken into account including: institutional issues, regulatory and compliance issues; monitoring and feedback from customers and merchants during pilot test and rollout; partnership support and coordination.

### Institutional Issues

**Frontline Staff:** Introducing mobile financial services usually requires quite a bit of training for existing staff especially in small banks or MFIs where multi-tasking is often the norm. Many institutions also initiated their mobile phone banking services by getting their own employees to pilot test the new service and provide feedback. Several rural banks in the Philippines actually decided to require all of their staff to accept their salary and/or allowances via the banks' new mobile payroll service that used the GCASH platform and allowed the bank to test all cash-in and cash-out services. This effectively served to ensure staff members were properly trained in all front line procedures, as well as become accustomed to using mobile money and thus could effectively promote the services to others.

In addition, staff members can be an important resource for pilot testing, especially where there are large numbers of staff that can provide feedback to the institution. Equity Bank's pilot lasted many weeks and staff raised several issues that needed to be addressed over a longer pilot testing period.<sup>1</sup>

In addition, specialised marketing staff may be required, especially in the early stages of offering the new service, in order to promote and educate clients about how to register and use of mobile phone banking services. These may be contractual agents, as in the case of WIZZIT, which hired and trained specialised "Wizz Kids", focused on recruiting and promoting the mobile phone banking services offered by the bank.

**Marketing and Call Centres:** As mobile phone banking services move from a pilot test to rollout stage, the marketing and publicity strategy needs to be properly planned out. Aligning closely with Mobile Network Operators (MNOs) can offer unique mass marketing opportunities that financial institutions would be unable to achieve on their own (i.e. MTN Banking and SMART Money).

Also, institutions will need to either set up a call centre, or coordinate with an existing service, to ensure that customers' and merchants' questions can be properly dealt with and handled. In the case of the Philippines, rural banks using the GCASH platform were able to effectively coordinate and use Globe's own GCASH call centre to answer basic questions about some of the services being offered by the bank. In addition, a website was set up so that bank frontline staff could easily go online to access up-to-date information on frequently asked questions.

**Back Office:** Institutions must also develop appropriate operations and procedures manuals that document each and every step of the mobile phone banking process. These procedures should be carefully tested during the pilot test and then modified before the rollout. Careful checklists and step-by-step flow charts for each and every product or service are useful to ensure that the new procedures are easily understood by new and existing staff.

**Systems Development:** In almost all cases, institutions will require some amount of strengthening of their back office systems. This is especially the case for larger banks where mobile phone banking services are directly linked into the back-end systems of the institution (as is the case in Equity Bank, XAC Bank, Tameer Bank).<sup>2</sup> However, it should be noted that as the use of mobile money expands in several countries as a payment option, smaller banks and MFIs may find that they only need to prepare simple procedures and accounting entries to make use of mobile money for loan disbursements, payments or micro remittances.

### Regulatory Compliance Issues

The Basle Risk Management Principles for Electronic Banking also apply to mobile phone banking services and should be understood by small financial institutions planning to offer these services to their clients.<sup>3</sup>

In the Philippines, the Central Bank (Bangko Sentral ng Pilipinas (BSP)) issued their own guidelines for electronic banking - circulars 240 & 269 (2000), which are a useful resource and guideline for other countries and institutions to follow. In 2006, the BSP went a step further with the issuance of circular 542 that focussed on consumer protection issues. The BSP also set up a specialised department, the Core Information Technology Supervisory Group that focussed on reviewing electronic banking applications. The close working relationship that this group established with MNOs as well as financial

<sup>1</sup> CGAP-*MicroSave* M-banking Dialogue Deliberations, September 2008.

<sup>2</sup> Mas, Ignacio and Kabir Kumar, *Banking on Mobiles, Why, How, For Whom?*, CGCAP Focus Note 48, June 2008

<sup>3</sup> Bank for International Settlement (2003)

institutions is an exemplary model for other regulators dealing with a similar issue in their countries<sup>4</sup>. A case in point, was the approach taken by Rural Bankers Association of the Philippines (RBAP), which was able to assist rural banks with speeding up the application process since the BSP was able to review and approve standardised e-banking procedures for rural banks that had been developed with the support of RBAP and its USAID-supported Microenterprise Access to Banking Services (MABS) program. Once standardised operating procedures were reviewed and approved, the BSP was able to quickly review and approve over 45 separate rural bank applications for mobile phone banking services using the GCASH platform.

### Pilot Testing and Monitoring

Proper pilot testing includes an initial beta test or user acceptance test phase as well as field-testing the product with staff, clients, and merchants (especially when agent-merchants are utilized) to monitor their response and behaviour; assess how the system performs in different locations; test the validity of third party business cases; and test the entire support and procedures from the frontline staff to the back office operations.

During the pilot testing of mobile phone banking services in the Philippines, it became apparent that the distribution network of cash-in/cash-out agents to facilitate easier access to mobile money needed to be approached differently. The initial strategy of focusing on airtime top-up agents was not a viable due to much higher commissions associated with loading airtime, so the banks shifted to encouraging their own client base to promote cash-in and cash-out services that was made possible by adding the *Text-A-Deposit* and *Text-A-Withdrawal* services whereby larger merchants could easily deposit or withdraw mobile money remotely from their bank accounts making access to GCASH much easier. In another pilot test of using M-PESA for microfinance loan payments, a local MFI, Faulu, quickly discovered that the system was not appropriate for group-based lending systems.

One commonly reported challenge for pilot-tests and rollouts of mobile phone-based systems is that after the beta-test, if the system is successful, it is very difficult to keep the number of subscribers low and thus run a neatly controlled test. Several m-banking systems that have met a real market need, report being overwhelmed in a variety of manners (IT systems, call centre management, agent/liquidity management etc.) as the product takes off and is accepted. Thus service providers often find themselves struggling to keep up with, and respond to, the

changing needs and emerging challenges presented by the burgeoning business. Telenor reached up to two million customers in the weeks after the launch of their new service. Given the difficulty in stress testing systems, it is extremely important to ensure systems can handle considerably more demand than is anticipated<sup>5</sup>.

### Partnership Support and Coordination

Except for larger banks, creating greater access to financial services via a mobile phone will require a partnership approach to achieve economies of scale. This means that smaller banks and MFIs will need to coordinate with MNOs, banks, merchants and others. Support from specialised third-party service providers (for example Eko) or networks (MABS, *PlaNNet Finance*, *MicroSave*, *ACCION*) can assist member banks, credit cooperatives, or MFIs to develop proper standards and procedures that make developing, pilot testing, and rolling out mobile financial services much easier than would be possible if they attempted to develop a similar service on their own. In negotiating with MNOs, small individual banks or MFIs generally need to consider sharing a mobile payment platform and establish a single negotiation with the operator(s)<sup>6</sup>. The pilot test phase also offer an opportunity to test partnerships, this was especially the case between MNOs and MFIs such as *Globe-RBAP-MABS-Rural Banks*, *M-PAISA-First Microfinance Bank*, and *M-PESA-Faulu* and third-party agents such as *Eko India*. The pilot test phase also allows all parties to analyse the business case for each partner to ensure that each is benefiting from the partnership.

### In Conclusion

The experience to date is that traditional pilot testing and incremental entry for mobile phone banking services is difficult and quite unique from testing and rolling out other financial services and products due to the newness of the technology, new partner relationships, and regulatory challenges. Institutional issues include significant training for frontline and back office staff. New technologies also require changes in systems and procedures. Regulatory compliance issues must also be addressed and it is important to get the regulators on board early. Pilot testing mobile phone banking applications can also be challenging due to the potential for exponential uptake which may make controlled pilot tests more difficult so most institutions at least start with their staff and selected clients in the beginning. Testing partner relationships whether they are between banks, MFIs, MNOs, or third party service providers, or combinations of all four, are important. Smaller MFIs will most likely need to group together or work through networks in order to offer mobile phone banking solutions.

<sup>4</sup> [Philippine Regulatory Approach provides exemplary m-banking model](#), Nokia Expanding Horizons, Q1 2008

<sup>5</sup> CGAP-*MicroSave M-banking Dialogue* Deliberations, September 2008.

<sup>6</sup> Mas, Ignacio and Kabir Kumar, *Banking on Mobiles, Why, How, For Whom?*, CGCAP Focus Note 48, June 2008