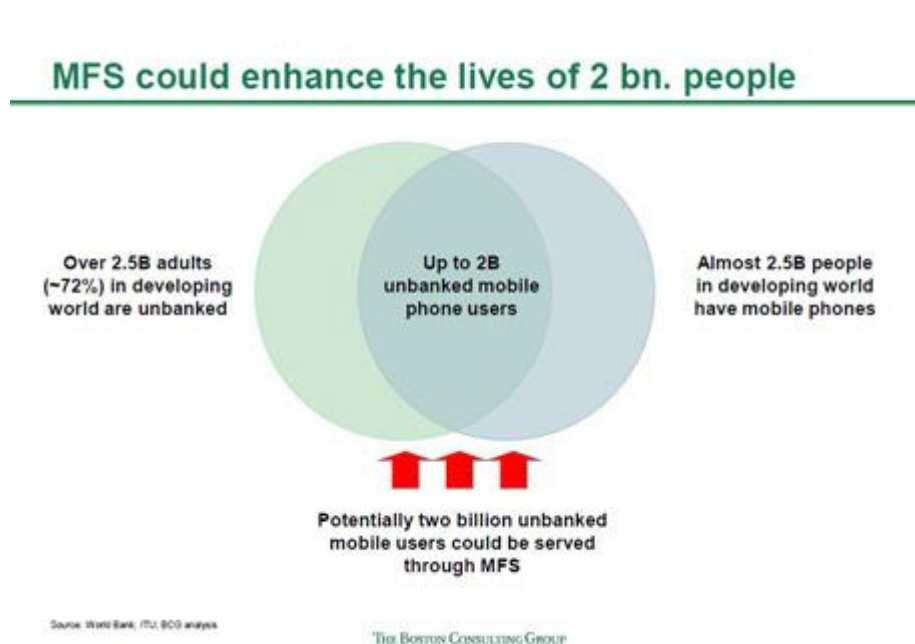




Banking the unbanked: Mobile financial services may improve the lives of 2 bn

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Mobile financial services may reduce the number of unbanked in Pakistan by 20 per cent by 2020. In India the number of people with formal savings accounts could increase by 142 million. In Bangladesh it could increase tax revenues with US\$500 million. And in Serbia it could lead to 23,000 new jobs being created. These are some of the findings in a new study, carried out by Boston Consulting Group on behalf of Telenor Group, exploring the effects of mobile financial services in five markets over the next decade.



The study named “Socio-economic impact of mobile financial services” also shows that economic inequality in Malaysia could be reduced by 5 percent and become roughly equivalent to that of Canada today. In the developing world, more than 2.5 billion adults - or approximately 72 percent of the population - are unbanked, meaning they have no access to traditional financial services like banks. At the same time, nearly 2.5 billion people in these same emerging economies have mobile phones. This means that there could be up to 2 billion mobile phone users who are currently unbanked that could be served through mobile financial services. Overall in the five countries covered in the study, mobile financial services has the potential to reduce financial exclusion by 5 to 20 percent through 2020 and increase GDP by up to 5 percent.

The mobile phone - bringing financial services to the unbanked

“The mobile phone is emerging as a key tool for bringing financial services to unbanked populations. It allows users to complete basic payments and remittances via the mobile phone, and have easier access to savings, credit and insurance products,” said Jon Fredrik Baksaas, President and CEO of Telenor Group. “As we have seen with our service EasyPaisa in Pakistan, now covering more than 10 million people after a little more than one year of operation, companies like Telenor have a unique advantage in bringing mobile financial services to the unbanked. We have a pre-established relationship with the customers, who already have mobile devices in their hands. And we are a trusted and established brand in the regions we operate, with a large and secure distribution network.”

What are the causes of financial exclusion?

Financial exclusion is often a result of lack of credit history, overly complicated financial products, limited access to banks and little trust in the existing financial institutions. Another main reason for low financial inclusion is that banks tend to ignore the “long-tail” customers, who they are unable to serve profitably. For banks, the top 20 percent of customers can contribute up to 80 percent of the profits. The 2.5 billion unbanked people manage to work around the system by borrowing or lending from friends and family, obtaining short-term credit from employers, forming savings clubs or seeking out moneylenders, for example. These options are often risky, costly and with indeterminate results.

A tool for societal change

The study specifically explored the financial burdens experienced by families during times of disaster, looking into how mobile financial services could provide some relief. Financial inclusion and access to financial services is vital when unexpected negative events occur.

“As a global telecommunications operator, we have a unique role to play in the development and expansion of mobile financial services. We believe that mobile financial services will be one of the key drivers for financial inclusion going forward and thus has the potential to be the most powerful tool for economic and social development in emerging economies,” said Jon Fredrik Baksaas, President and CEO of Telenor.

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