

# Connecting the Unconnected

Telecommunication Services, Interoperability, and Financial Inclusion

# FINTECHMZ

ASSOCIAÇÃO DAS FINTECHS DE MOÇAMBIQUE



ITU Workshop on "Telecommunication Service Quality"

Maputo, Mozambique, 4-5 March 2024

## Connecting the Unconnected

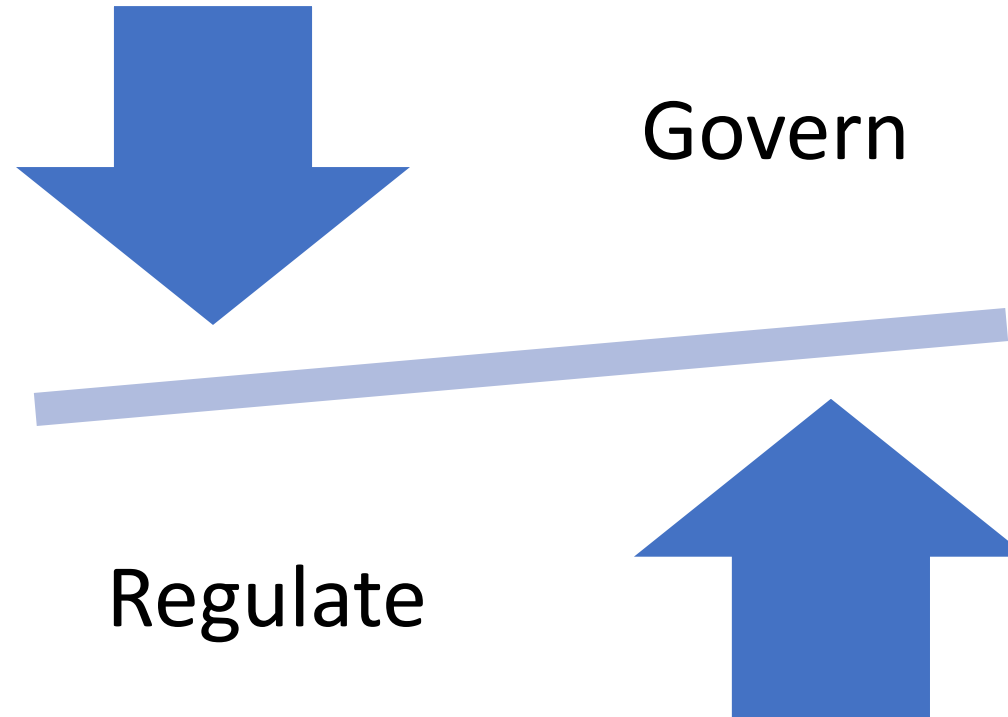
### Telecommunication Services, Interoperability, and Financial Inclusion

The Fintechs' point of view for the development of digital financial services. Realities and challenges.

- Internet regulation?
- Telecom versus Fintech
- Market Opportunity
- A2A Interoperability
- OpenBanking and Cloud services
- Government Digital Payments
- Telecommunication evolution

# To Govern and Regulate

Internet must be a open resource !



***Just as innovation should not be regulated to avoid hindering the disruptive development of new services and business models, governments should also not impose rules that limit access or the use of services available globally on the Internet, as this could hinder the personal, social, and economic development of the country.***

# Telecommunication Services and Fintechs

**Telecommunication services are crucial for driving the adoption and expansion of DFS, serving as the backbone for delivering these services to users, including those in remote and underserved areas.**

**Telecommunication infrastructure**, like mobile networks, enables people to access DFS on their phones, crucial for reaching unbanked and underbanked populations, offering a convenient way to manage finances.

**Innovation by telecommunication** companies, such as the introduction of 4G and 5G networks, expands the reach and capabilities of DFS, improving data speeds for easier access to applications and services.

**Mobile money services**, relying on telecommunication networks, have transformed financial transactions in Africa, allowing users to send and receive money, pay bills, and access services using their mobile phones, even where banking infrastructure is limited.

**Digital connectivity**, including broadband internet, is essential for expanding DFS, enabling faster and more reliable transactions, and enhancing the user experience.

***Fintech companies are leveraging telecommunication services to offer innovative digital financial solutions.***

## Fintech Services Driving Inclusion:

**Mobile Money:** Services like M-Pesa have revolutionized access to payments, remittances, savings, and microloans in many African countries.

**Digital Lending:** Fintech platforms use alternative data and credit scoring models to extend small loans to underserved individuals and businesses.

**Neobanks and Digital Banks:** Emerging in Africa, these entirely digital banks offer accessible and affordable services without brick-and-mortar branches.



*Use of transactional data for consumer lending*  
Uses telecom data, (airtime tops and P2P transactions) for credit scoring.

## Impact on Specific Populations and Regions

- Fintech enhances financial access for women and MSMEs, driving economic empowerment.
- Digital financial services also bridge the gap between rural communities and financial inclusion.

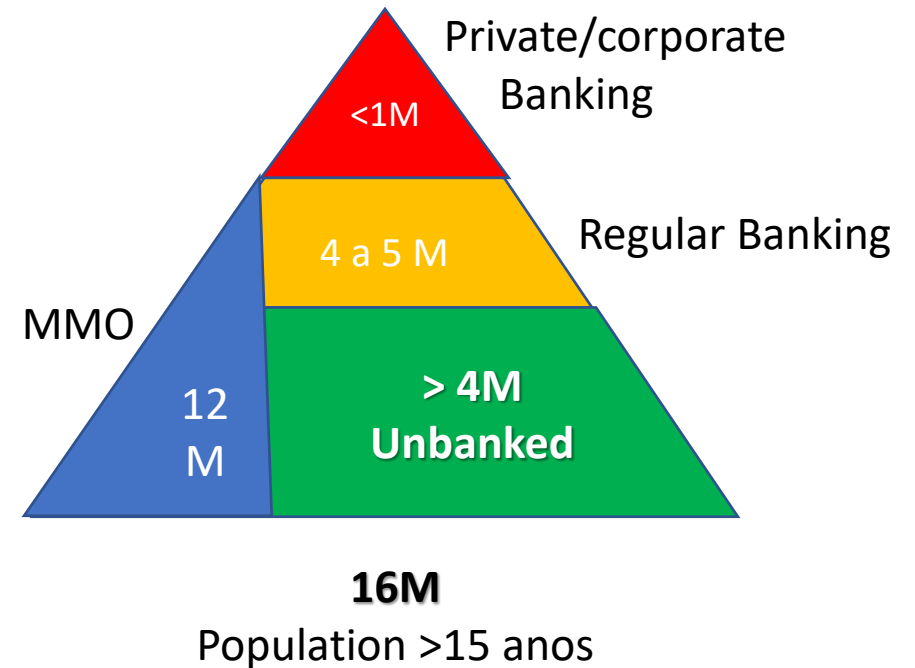
## Expanding Financial Access

- Fintech has boosted account ownership in Africa, notably in Nigeria where financial inclusion rose from 39.7% in 2016 to 45.3% in 2021.
- Mobile money adoption has surged, with over 621 million active accounts in sub-Saharan Africa as of 2022.
- Fintech is effectively serving the unbanked and underbanked, integrating many into the formal financial sector.

# Market Opportunity

**The solutions developed by Mozambican startups must be scalable and have great growth potential. They should be easy to understand and focused on addressing the real needs of users.**

- ✓ Great growth potential: It is estimated that there are more than **4 million people** without access to any financial service (unbanked) and more than **8 million** of those who are formally served (Bank or MMO) do not make regular use of digital financial services. (underbanked).
- ✓ On the other hand, we have more than **20,000,000 SIM** records. Synergies between the telecommunications and banking and insurance sectors are important for the launch of new services with great potential for adoption.
- ✓ **Centralized Digital Identification** is essential to accelerate and optimize KYC processes and digital customer onboarding.
- ✓ Important to look at **Blockchain** technology, and the revolution that **AI** can bring to digital and financial literacy.



# Regulation challenges

**Central  
Bank**

Financial Services  
Regulation



**Insurance  
Supervision**



INSTITUTO DE SUPERVISÃO DE SEGUROS  
DE MOÇAMBIQUE

**National IT  
Institute**  
Digital Platforms  
Regulation



**Telecommunication  
regulation authority**

# Regulatory environment

We have the basic law for PSPs and the regulations for services and capital, but we need more laws, revisions of old ones and clarifying processes. Examples:

- Speed up **Financial Services** licensing
- Clear access and **integration with SimoRede**, the national switch
- **Tiered KYC** and **Digital ID** for customer digital onboard
- **Cloud Computing** usage for Digital Financial Services
- **OpenBanking** API's and Effective Interoperability
- Specific **Telecommunication Tariffs** for DFS



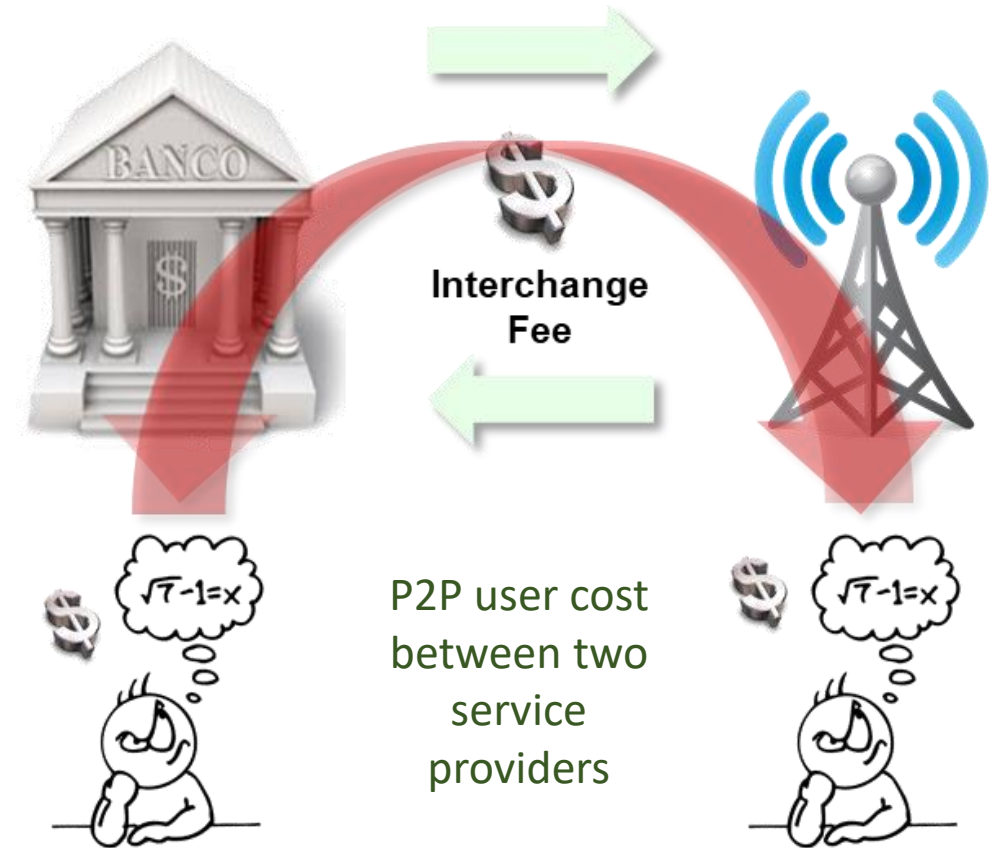
***Regulators should think of a regulatory model more proportional to the risk that Fintechs represent, less complex and demanding in terms of compliance so that it does not limit innovation.***



# Account-to-Account effective interoperability

The business model and any service fees should adhere to the following principles:

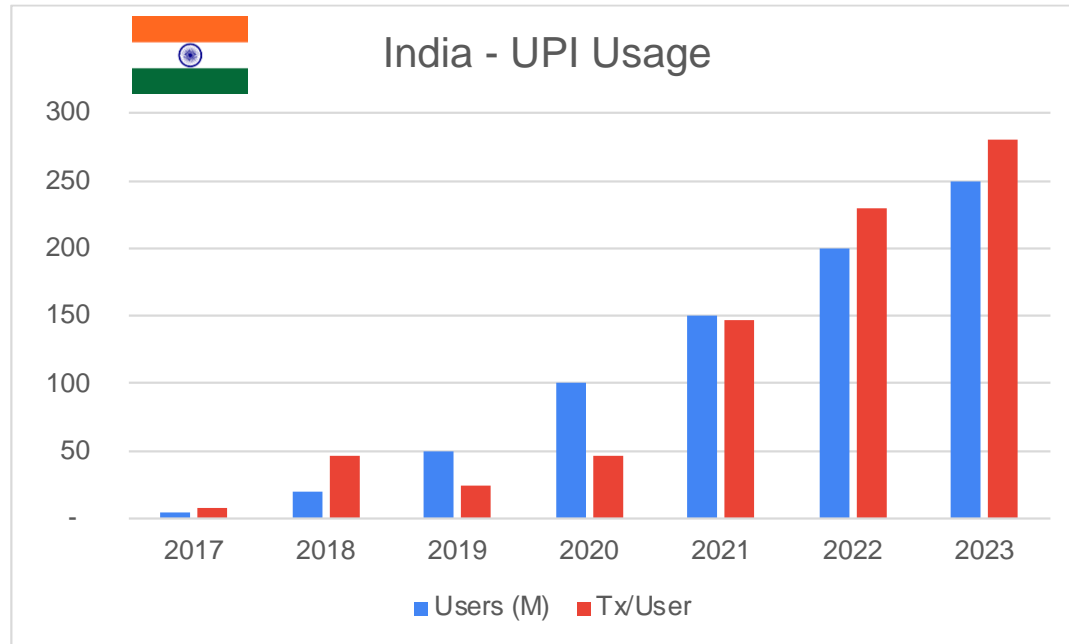
- Rules and commercial agreements are in place to enable the interoperability of Digital Financial Services (DFS).
- The **pricing** and interconnection fees agreed upon by participants are at a level that **does not discourage** any participant (DFS providers, agents, subscribers) from conducting or supporting transactions between different networks.
- There is technical capacity to enable **real-time transactions**.
- Pricing agreements should be **symmetric** between DFS providers.



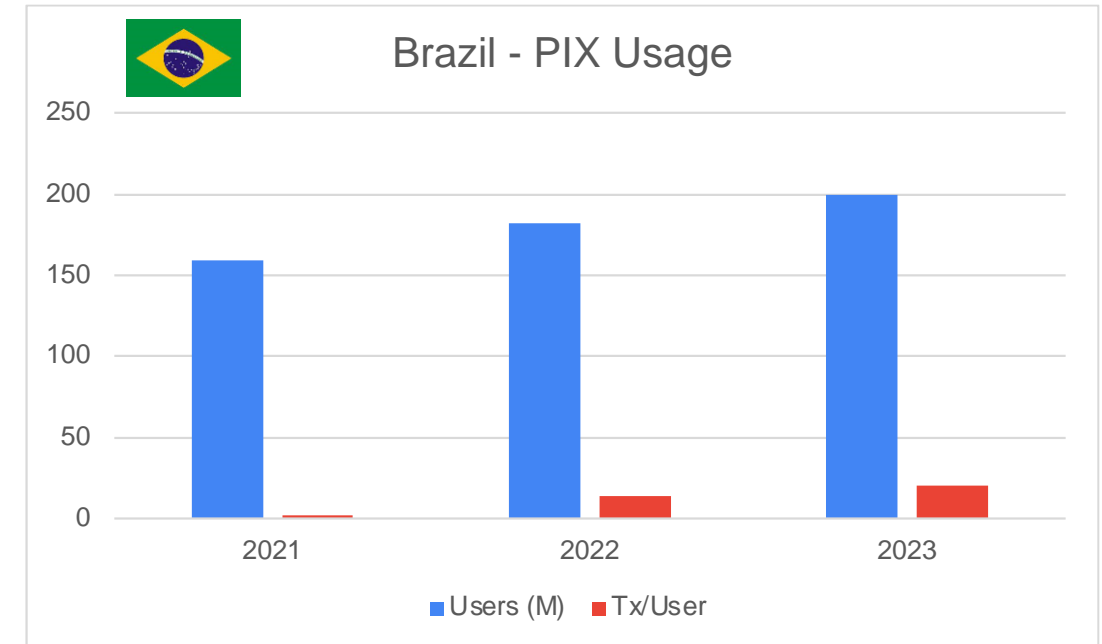
***We consider interoperability should be mandatory among all financial service providers.***

# Account-to-Account effective interoperability

## India UPI and Brazil PIX numbers



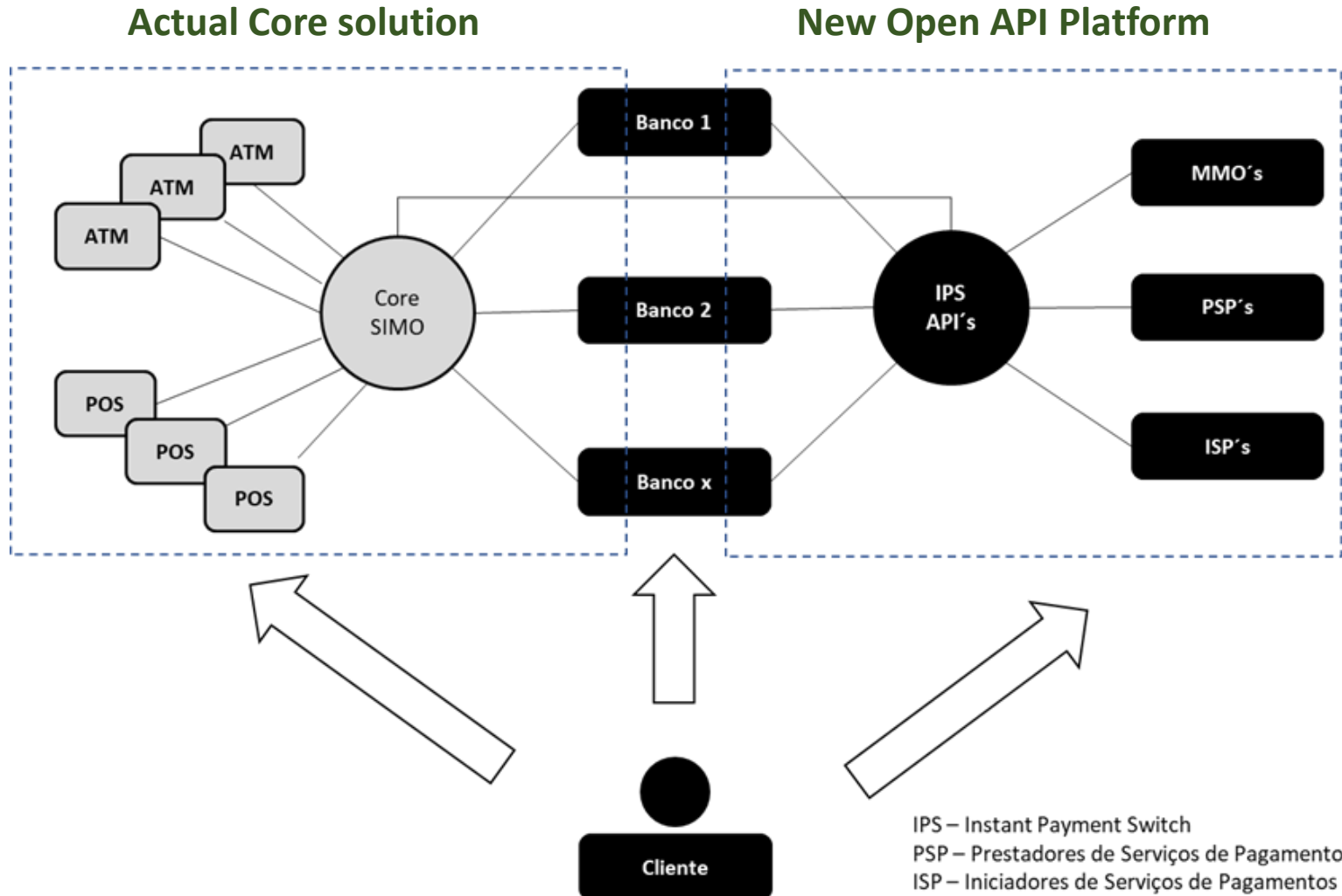
- Both the number of users and the volume of transactions have shown **consistent upward trends** since UPI's launch.
- An increasing trend of **adoption in rural and semi-urban areas** is observed, indicating wider financial inclusion.



- Pix has **improved financial access** for low-income individuals and **boosted formal bank account usage**.
- It has also **facilitated entrepreneurship growth** by making payments easier for small businesses. Overall, **Pix has increased financial activity** in Brazil.

# OpenBank Data API's

## Potential model for an Instant Payments Switch

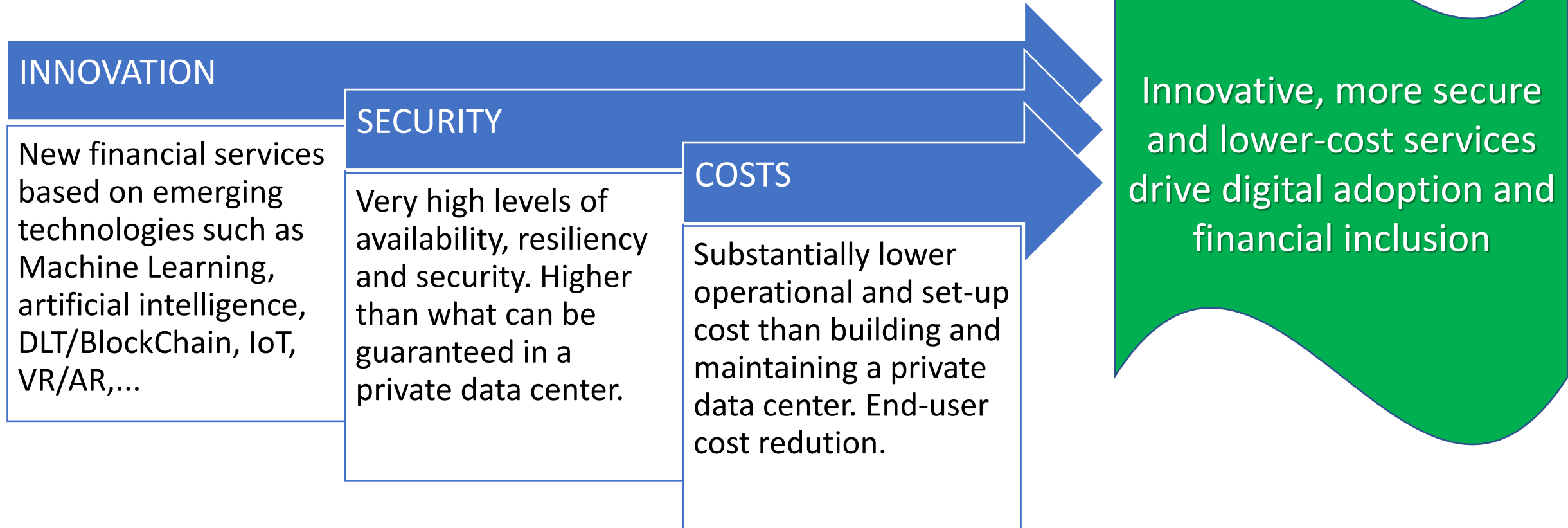


It is necessary to define and regulate:

- Consensus mechanisms and procedures
- Strong user authentication

Banks and other financial institutions form a **collaborative ecosystem** where customers give consent to share data through secure APIs, opening up the potential for innovative services and consequent increases in financial inclusion.

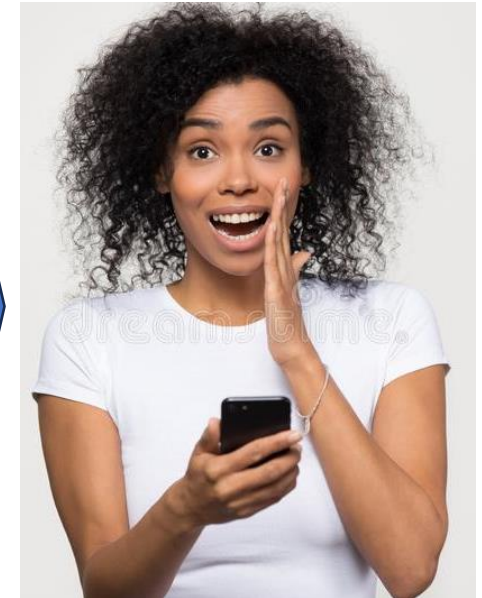
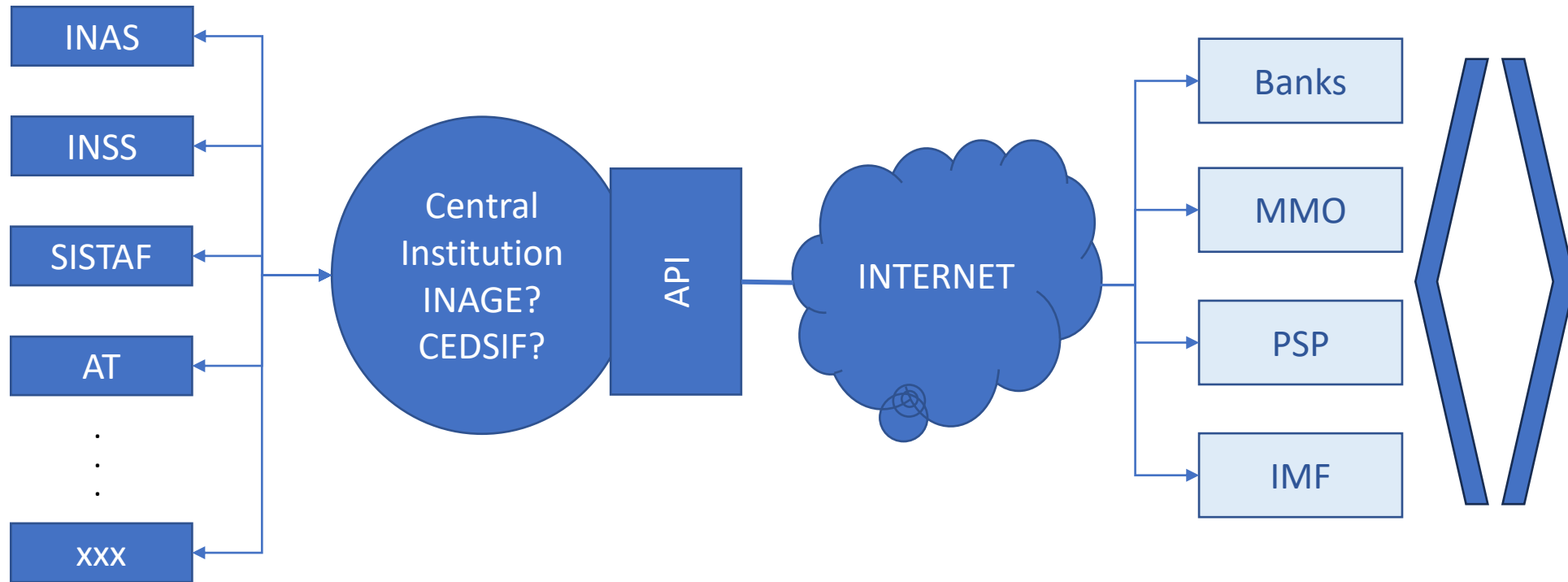
## 3 Factors Conditioning DFS promotion and usage



# Digital Government - Electronic Payments

**Current:** INAS, INSS, SISTAF, MCNET, ... with standalone, disconnected projects and restricted access.

**Desired :** Central OpenApi with clear rules and made available to all financial institutions, banks, mobile wallets, and payment service providers under equal access and cost conditions. (G2P and P2G)



# Availability and accessibility of the access network

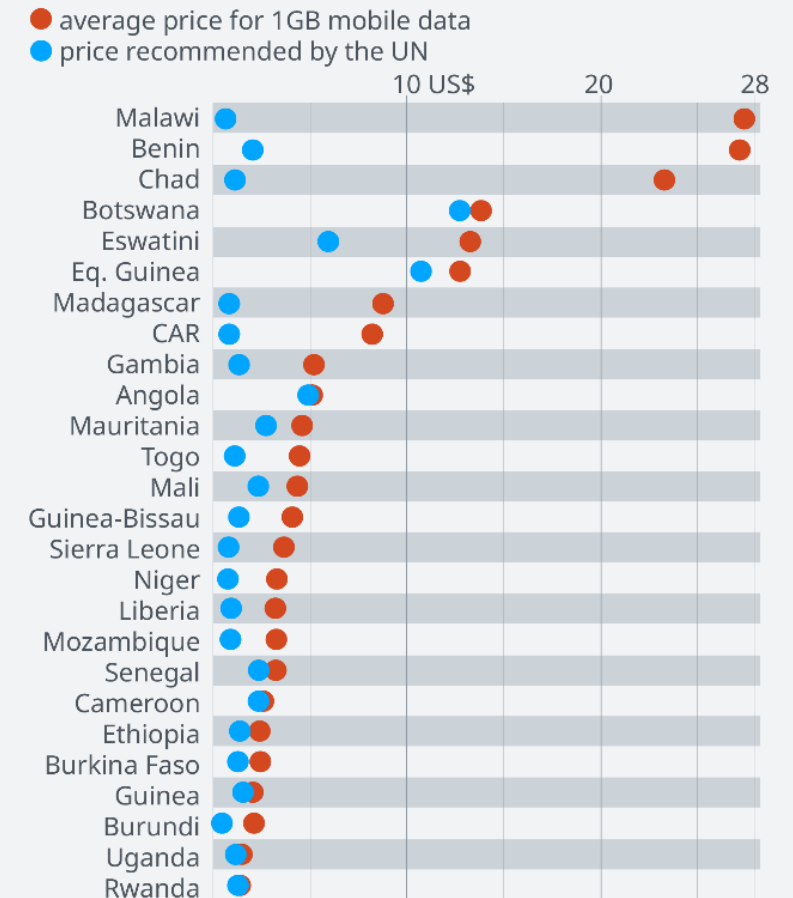
In Mozambique there are no specific tariffs for 3G/4G data packages or USSD sessions for financial services access.

	Por Mb MT *	Pacote mensal		Por Mb MT
<b>TMCcell</b>	3,50	1,5 Gb	160 MT	0,11
<b>Vodacom</b>	2,50	2,5 Gb	300 MT	0,12
<b>Movitel</b>	1,00	2 Gb	200 MT	0,10

## Proposition

- 1. Specific 3G tariff for financial service providers** with lower rates per megabyte, taking into account the low volume of data of a financial transaction and the fact that the traffic is only domestic.
- 2. Homogeneous USSD tariff** between the 3 telecommunications service providers and with a fixed cost per transaction regardless of the navigation time.
- 3. A single point of interface** with telecom operators to connect DFS providers.

## Huge gap between affordable and real prices



# Conclusion summary

1. There is no doubt that there are **opportunities** for Fintechs in Mozambique.
2. Telecommunications are the **basic pillar** for the provision of new digital financial services.
3. The financial services regulator has acted, but more needs to be done in **new laws** and, above all, in the **enforcement of current ones** by all actors.
4. **Proportional regulatory models** and supervision for Fintechs, enabling their development and innovation through access to new technologies.
5. Importance of establishing **effective interoperability** and **real-time transactions**.
6. ATTENTION to tariffs and new taxes that are being imposed on the sector. They can condition the adoption of services by the population and compromise financial inclusion and development of DFS.
7. There is a need for **specific telecommunication tariffs** for financial services and uniformity of access to MNO's and services.

# Obrigado !

# FINTECHMZ

ASSOCIAÇÃO DAS FINTECHS DE MOÇAMBIQUE



João Gaspar

[jgaspar@fintech.org.mz](mailto:jgaspar@fintech.org.mz)

4 March 2024