

## FIJI SUN ARTICLE



*Welcome to this Public Awareness article, prepared by the Reserve Bank of Fiji (RBF). An inclusive financial system is one where everyone has the opportunity to access appropriate and affordable financial services and products. This is very important because it means the poor and low-income clients are also provided with affordable financial services tailored to their needs. Access to financial services is critical for both economic growth and human development. The Fiji Financial Services Sector Assessment 2010, indicated that approximately 35 – 40 percent of the population in Fiji, do not have access to basic financial services. This article introduces **Mobile Money** and how it contributes to a more inclusive financial system for all.*

### MOBILE MONEY

A few years back, the mobile phone was a luxury and only the rich could afford one. This has changed with time and right now everyone has a cell phone which can do more than just make a call or send a text message.

#### ***What is Mobile Money?***

***Mobile Money*** refers to the use of mobile phones to facilitate financial transactions such as making deposits and withdrawals, money transfers or making payments to companies'. In Fiji we are already witnessing the use of mobile phones as a means of sending money and making payments for example electricity and water bills, etc. Mobile money is an innovative and effective service that can generate and support economic activities not only in areas where financial services are easily accessible but more so in locations where there are limited financial services available. In Fiji, it is estimated that the local mobile phone network operators have more than 90 percent coverage of Fiji's geographical location, with an estimated 700,000 people

having access to mobile phones. This presents the opportunity to reach, communities living in remote locations and who do not have access to banking services.

### ***How does mobile money work***

To use the service, a customer needs to register for the service with a mobile network operator, either with Vodafone Fiji Ltd, Innk Mobile Fiji Ltd or Digicel Fiji Ltd. Once registered, the customer effectively has an electronic wallet (e-wallet) on his/her phone. An e-wallet is an electronic account stored on your mobile phone, almost like a bank account. Customers can make transactions on their phone at any time. They can either withdraw money (cash out) or make deposits (cash in) through an authorised mobile money agent of one of the mobile network operators. The agent, a small rural shop, bank, business in a shopping center or a mobile phone retail agent, will have a signage on their business premises clearly indicating that they offer mobile money services for a particular mobile operator. As of 31<sup>st</sup> December 2011, there were currently 521 active agents located around Fiji.

When an agent receives the deposit from a registered customer, the agent forwards the equivalent electronic value to the customers' mobile phone number. The customer receives a sms (short message or (messaging) service) message, confirming the transaction. To access the funds stored in the mobile wallet, each customer is required to have a Personal Identification Number (PIN), similar to an ATM card. This PIN is a security measure to safeguard against any unauthorised transaction.

A customer can select from a number of options on their mobile phone on how to they wish to access funds in their e-wallet. These options include sending/transferring money to another person, to pay bills, direct recharge from their phones, or just store the money in their e - wallet. The customer can check their e - wallet balance at any time.

There is no expiry date on the amount in the e – wallet of a registered customer. A registered customer can withdraw (cash out) at any authorised agent at any time. The mobile money service works on any kind of mobile phones that can send or receive text messages and are registered with the mobile money service providers.

## *The benefits of Mobile Money*

### **1. Convenience of transferring of funds**

Mobile Money allows for the convenient, secure and affordable transfer of funds. For example a farmer in Savusavu can send money to his son studying in Suva, or someone working in Lautoka can send money to his family in any other part of Fiji. Also a person living in Australia or New Zealand can send money to a person living in Fiji. Similarly a buyer in Suva can pay a fisherman in Kadavu for his fish.

In the capital markets, both the unit trust of Fiji and the Fijian Holdings Unit Trust are using mobile money services to pay dividends and receive money from customers to top up their investments.

A number of Government departments have approved the use of mobile money, for example, child maintenance support and court fines have been approved to be made through Vodafone's M-PAiSA. Single mothers who receive child support payments do not need to come to the court house each month to collect their payments. Instead they can go to the nearest agent in their locality as the payment would have been made to their phone. Government and other agencies can also use the mobile money service to make payments, for example pay salaries and wages to their employees in remote areas.

### **2. Convenience of payments for goods and services**

The need to carry cash is reduced as mobile money would provide the convenience for payments of goods and services. There is greater safety of handling and keeping cash as customers can keep their money in the e-wallet and transfer money directly to the vendor without the need for handling cash. In addition, funds can only be accessed using the PIN number, so even if the mobile phone is lost, it would not be possible to access the funds in the e-wallet without the PIN.

### **3. Storage of money for savings**

Mobile money has the potential to be a savings mechanism. Increased savings can help reduce people's vulnerability to financial shocks and increases their ability to invest in income-generating activities. A customer can choose to use his e-wallet as a savings mechanism by simply loading money into his e-wallet using a mobile money agent.

### ***RBF facilitating role in this development***

As the regulator of Fiji's financial system, the RBF ensured that both Vodafone Fiji Limited and Digicel Fiji Limited, complied with a number of requirements before they could start offering mobile money services in Fiji. The safety of customers' funds was a priority, including the protection of consumer rights and the IT system to be out in place needed to be safe. The RBF ensured that Vodafone and Digicel also complied with existing relevant laws and requirements. In designing the regulatory requirements, the RBF was mindful that the policies were balanced and provided an enabling environment for development of Fiji's financial system. In September 2011, the RBF approved the extension of mobile money services to include inward international remittances.

The Financial Intelligence Unit (FIU) within the Reserve Bank also worked closely with the two mobile companies in the early stages of the international inward transfer project to ensure that the requirements on anti-money laundering (AML), as set out in the Financial Transactions Reporting Act, were met. The FIU provided advice to both Digicel and Vodafone on how best to comply with these AML requirements. These included identifying and verifying its customers at registration. By complying with the AML requirements, the two mobile companies are able to minimise the risk of their services being abused for money laundering purposes.

### ***International Development***

Fiji, although first in the Pacific region, is not alone when it comes to mobile money development. Many countries have witnessed firsthand, the benefits of mobile money to their people and most importantly to their economy. Below is a snap shot of the effects of Mobile Money in Kenya.

*M-PESA in Kenya is by far the most successful mobile money deployment. Since its commercial launch in March 2007, it has been adopted by 11.9 million customers*

*(corresponding to 54% of Kenya's adult population and 73% of Safaricom's subscriber base) and processes more transactions domestically than Western Union does globally. In addition, US \$415 million per month is transacted in person-to-person transfers, equal to 17% of Kenya's 2009 GDP on an annualized basis.*

(Mas and Dan Radcliffe (2010), Scaling Mobile Money, Bill & Melinda Gates Foundation)

Closer to home, here in the Pacific, mobile money is quickly making an impact on the lives of people in Papua New Guinea and Tonga. Other Pacific island countries are quickly working towards allowing mobile money usage into their island countries. This will transform the way we conduct basic financial services in the Pacific

### ***Looking forward***

The RBF supports the development of mobile money services as it contributes to the RBF's goal of "financial inclusion for all". This service allows people who cannot access traditional banking services in Fiji to send and receive funds and also to make payments using electronic money, to cash-out or to save.

The RBF understands that mobile money services have the potential to change the lives of those who do not have access to banking facilities. It can bring genuine and immediate benefits by helping many people carry out daily transactions and remittances and can also be an affordable means to help small businesses manage the sale and purchase of their goods. The onus is on each one of us to be aware of this excellent opportunity and utilise it to better our livelihoods.

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