

# Potential for Mobile Money Services in Peru

October, 2014

# About

- The GSMA's Mobile Money for the Unbanked unit commissioned InterMedia to conduct a qualitative study that identifies the key pain points that Peruvians experience when sending, receiving and storing money.
- The study comprises two separate, but complimentary components.
  1. Focus groups with Peruvian consumers
  2. In-depth interviews with participants of the *Juntos* conditional cash transfer program

# Peruvian Landscape

- Total population: 30.1 million
- Connections: 32.1 million
- Percent active: 92%
- Percent prepaid: 70%
- Unique subscribers: 15.8 million
- Penetration subscribers: 51%
- **Unbanked and under-banked adults: nearly 17 million**
- **Of these – 70% own a mobile phone**

Sources:

<https://www.cia.gov/library/publications/the-world-factbook/geos/pe.html>

GSMA Intelligence Country Overview Peru: February 2014

# Research Methodology

## Consumer Focus Groups

- 18 focus groups across 4 regions of Peru: Lima, Junin, Cusco & Piuria
- Participants were screened for:
  - ages 18 to 65
  - Rural, urban - banked and unbanked
  - users of different mobile service providers (Movistar, Claro, Nextel)
  - pre-paid and post-paid plans,
  - Socio-economic groups B to D\*

## Juntos Beneficiaries

- 25 in-depth interviews were conducted in 3 regions of Peru: Junin, Cusco & Piuria
- Participants were:
  - aged 32 to 53
  - 22 women 3 men (representing their family)
  - Reported participation for between 5 months and 6 years

# Cash Dominates Transactions

Large segment (SEC C and D) are:

- Self-employed and/or running micro-enterprises
- Gaining income through agriculture and livestock
- Many women report income dependency on husband
- Majority of regular transactions are made in cash
- Few receive remittance payments from family

Preference for cash gives flexibility and control

Regular income more common amongst higher SEC B participants

- Salary paid directly into bank account.
- Salary paid by check and deposited into bank account

Many withdraw funds to conduct regular transactions in cash

## **PAIN POINTS**

**Personal security and safety concerns** are top of mind when receiving cash in public places and when depositing and withdrawing cash from banks and banking agents.

Concerns expressed over receiving **counterfeit notes and checks**

“Prefiero tenerlo en el banco por mi seguridad y la de mi familia.” *(Female, SEC B, Urban, Lima)*

“Prefiero efectivo, pero el miedo seria que ahora ya te andan viendo si recibes dinero o no y te empiezan a seguir para asaltarte.” *(Male, Rural, SEC C/D, Piura)*

# Bank Branches and Bank Accounts

- Perceptions that banks manage money effectively
- Varying levels of trust mainly related to fees charged
- SEC B more commonly save with a bank
- Account opening often requirement of employer or government to receive wages and social payments

“Antes cuando escuchabas la palabra banco y te imaginabas las largas colas.” (Male, SEC C, Urban, Piura)

## PAIN POINTS

**Time and cost** traveling to a bank branch

**Long queues** often experienced at bank branches

**Confusion over fees and charges** levied by banks

**Preferential service for account holders**



# Banking Agents

Many Peruvians are experienced using banking agent services

Banking agents:

- Established agent networks readily accessible across all SEC groups
- Used between once and four times a month
- Used to deposit and withdraw cash and pay bills
- Lower agent awareness in rural areas

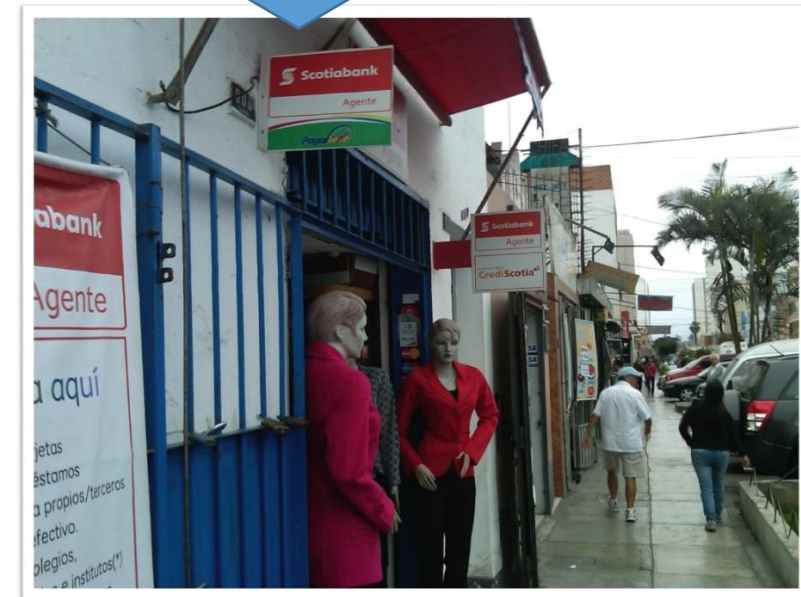
## PAIN POINTS

**Confusion over fees and charges** for agent services

**Agent liquidity and system stability**

**Low transaction limits (SEC B)**

“El agente esta menos congestionado.” (Male, SEC C, Urban, Piura)



# Expenses and Saving

## Expenses:

- Regular: Rent, groceries, utility bills and school fees
- Infrequent: Healthcare, clothing and sending remittance
- Investments into small business enterprise
- Majority of expense payments made in cash

Travel between 5 minutes and 3 hours to pay bills – cost up to S/. 25

## Saving:

- Widely reported culture to save
- SEC B commonly saving at bank
- Lower SEC (C and D) more likely to save at home
- Infrequent and variable income requires effective money management
- Rural women using village saving groups

“Yo el dinero que recibo se lo doy a mi esposa para que invierta en la tienda y luego los gastos ya pagamos de ahí mismo.” (Male, SEC C, Urban Piura)

“Yo guardo en mi casa porque en el banco se paga comisión.” (Male, SEC D, Rural, Piura)

## PAIN POINTS

**Time and travel costs** making regular expense payments

**Security risks and no return** saving money at home



# Juntos Beneficiaries



Juntos beneficiaries living in poverty and fall within lowest SEC group E

Mobile accessible to all but:

- Low literacy levels limit SMS use
- Limited knowledge and confidence to use value add services

“No se cómo utilizar el celular para el mensaje, me enseñaron mis hijos.” (Female, Juntos, Junin)

Accessing payments:

- Payments reported as received monthly or every two months
- All confident in understanding how to access funds
- Widely reported use of ATM for withdrawal
- Some travel to bank branch to withdraw funds

“Cuando íbamos al banco de la Nación en Morropon, demorábamos casi más de medio día por las colas.” (Female, Juntos, Piura)

## PAIN POINTS

**ATM liquidity** and reports of **card retention**

**Time and travel costs** making withdrawal – particularly from bank branches

**Difficulties seeking support** if PIN forgotten



# Juntos Beneficiaries



## Meeting expenses:

- Juntos payment withdrawn to spend in cash
- Children's needs prioritized for Juntos payment
- Many report irregular income through agriculture and micro enterprise
- Costs meeting basic needs prioritized – food, electricity, water, school fees
  
- Some save payment to withdraw as a lump sum
- Infrequent and variable income requires effective money management
- No bank saving activity

“Experiencia no tanto porque el apoyo es de 100 soles mensuales y se va al toque también.” (Female, Juntos, Junin)

“Al mes nos pagan 100 soles pero nosotros lo recogemos dentro de 5 meses para sí comprar algo más, porque usted sabe señorita que cien soles al mes no alcanza.” (Female, Juntos, Junin)

## PAIN POINTS

**Utility payments** in remote areas

**Cash payments to teachers** for school costs

**Managing sporadic income**

# Concluding comments: Pain Points

- Mobile access and ownership high – limited knowledge/use of functions and value add
- Bank clients mainly from upper SEC groups – most others are unbanked and under-banked
- Cash transactions dominate – safety concerns depositing and withdrawing funds are high
- Established bank agent networks used by many – liquidity and system stability a concern
- Direct and in-direct costs (time and travel) accessing funds are significant for many
- Charges for bank and agent services confuse and deter
- Queuing at bank branches is common
  
- Small business and micro-enterprise segment is large (SEC C, D, E) – mainly transact in cash
- Expense payments (e.g. groceries, utility bills, school fees) - made in cash
- Saving is important - for many is cash at home. SEC E unable to save.
- Juntos beneficiaries cash out - some delay withdrawal for lump sum

# Concluding Comments: Potential Use Cases

- **Remittance** – infrequent mentions but not conclusive and requires further research
- **P2P** within small business supply chain to replace cash (e.g. supplier, employee)
- **Bill Pay** – competitive and convenient to beat alternatives but rural need
- **School Fees** – cash payment not a problem but presents opportunity to further understand
- **Money Management Wallet** – for sporadic income and potential link to retaining value and saving

Thank you

