

Sada Reddy: E-Money Fiji Project

Statement by Mr Sada Reddy, Governor of the Reserve Bank of Fiji, at the launch of the E-Money Fiji Project, Suva, 9 June 2010.

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Distinguished Guests, ladies and gentlemen,

Let me thank you for accepting our invitation to be part of the launch of the E-Money Project for Fiji.

Introduction

Some of you may be wondering what E-Money is about. Well, for our purpose today, it is money which can be transferred electronically from one person to another, one company to another, or from a person to a company or from Government to a person or company.

A popular E-Money device or instrument, now used in developing countries, is the mobile phone, commonly known as “mobile money”.

Ladies and gentlemen, one of the RBF’s Missions is to develop an internationally reputable financial system. The extension of financial services to Fiji’s population is a critical element of this Mission. For this reason, we have been working towards the introduction of mobile money services in Fiji since 2009. A National Financial Inclusion Taskforce, comprising representatives of the public and private sector, was formed early this year to drive initiatives such as this E-Money Project.

Financial exclusion has been a problem for Fiji. Some recent studies indicate that access to financial services in Fiji is approximately 35–40 percent. In other words, most of the poor and rural and maritime dwellers do not have adequate financial services.

Benefits of mobile money

As proven in other parts of the world, mobile money is seen as the new way of providing financial services using mobile phone technology and network. It is a form of branchless banking. This means that you do not necessarily have to build a bank in the remote areas for banking transactions. Basic banking transactions can also now be done through the mobile phone.

There are other benefits. For example, a farmer in the interior of Vitilevu, where there is mobile coverage, can sell his produce from the middle of his dalo plantation without having to travel to Suva. The buyer collects the produce from the farmer after transferring funds into his mobile account, which the farmer can cash out at an established agent of the mobile phone company in their region. The cash in/cash out agents could include the village store, the Post Office, the supermarkets, the service station and other retail outlets.

This will make life easier for our farmers, fisherman, handicraft makers, small and medium enterprises and micro-schemes as it will greatly reduce their operational costs, in particular travelling. Of course, with proper funds management, their savings should similarly increase. Some mobile service providers are linked up with banks in partnership, hence availing main stream banking services to all. There will be the possibility of withdrawing and depositing money linked to bank accounts.

There are more benefits ladies and gentlemen. Through mobile money, there can be transfer of funds between persons. It means that a “Bubu” in Lau can receive funds from her grandchild working in Rakiraki. Likewise, Government and other agencies can use the mobile

phone to pay salaries and wages to their employees in the remote areas. And, you can pay your electricity, water, and other utility bills from the comfort of your living room or whilst out fishing.

The need to carry cash will be reduced as you can equally pay for goods and services through your mobile phone. Therefore, this also increases safety of handling and keeping cash. Where for instance, theft of cash from tills etc is taking place, the customer can transfer money directly to the seller without the need for sales persons to handle cash.

Role of the RBF

The RBF's commitment to the E-Money Fiji Project is because we realize the great potential this development will have in extending financial services to the unreached areas. More importantly, that in the process, there will be greater economic activity in the remote and maritime areas. Overall, it will improve the lives of our people in these regions.

We have been working closely with the two mobile phone companies in Fiji to roll out this service. Following a provisional licence provided by the RBF early this year, mobile phone network operators have completed their pilot test phase on mobile money services and are now at the final stages of preparation for their commercial launch.

It is important to note, that international remittances outward is not approved at this stage. Inward remittances from abroad however can be transacted using mobile phones, but this service will be available down the road. This, we hope, will further increase remittances into Fiji.

I also wish to mention here that we would expect the mobile network providers to have their mobile money systems inter-operable as soon as possible. That is, a client of Vodafone for example should be able to send and receive funds from a Digicel handset without any restrictions.

The role of agents is very critical in the mobile money. It is the agents who provide cash when a person takes his mobile phone to receive cash. If the agent does not have money, then the system will breakdown. Therefore, I wish to emphasise here that the selection of agents by the mobile phone companies will have to be done thoroughly and properly to ensure that consumers' interests are protected

In order to facilitate rural people to participate in the mobile money, the Financial Intelligence Unit (FIU) reduced the requirements for opening of accounts. It means that, apart from birth certificates and passport, a letter from the village elder or church Pastor could be used in the remote areas to ID customers.

The Reserve Bank is currently working on a best practice Payment Systems Legislation, to licence and regulate all providers of the E-Money services in Fiji. The legislation will be based on four general principles:

- i. safety (comprising safety of the electronic instrument and the IT-based processing system, as well as prudent behavior of the issuers);
- ii. efficiency at the national level (the instrument will have to conform to a certain industry-approved standard);
- iii. equitable access to all users; and
- iv. consumer protection.

Having said this, we felt it appropriate to adopt a more flexible approach in our regulation of this particular payment system at these early stages to allow this initiative to develop and thrive. We will build up regulatory oversight as the market develops.

Country experiences

The launching of E-Money Project in Fiji is timely as developing countries such as Kenya, Uganda, Pakistan, and the Philippines have embraced E-Money initiatives to extend financial services to the unbanked, which are mostly poor. It is being acknowledged globally as an effective tool for tackling poverty, thus attracting the attention of donors and multilateral institutions alike.

In some of these developing countries, penetration and uptake of mobile phone, ranges from 45–60% across the population, which includes unbanked users.

In Kenya, as of January this year, mobile money users were approximately 9 million, which is 23% of Kenya's population using the M-Pesa services, with approximately US\$3.6 billion transfers being conducted. In the Philippines, at the same period, there were approximately 9.2 million mobile money users or 9% of its population with transaction volumes totaling approximately US\$3.3 billion. This trend in Kenya and Philippines continues to grow as we speak. From this penetration rate and volume of transfers, we can only imagine the huge possibilities and positive impacts that mobile money services will have in our country.

In Fiji, our interest in the capabilities of mobile phones is exactly this. Penetration or coverage rates of our local mobile phone network operators have been estimated to range from 80–90% of the population. Initially though, the mobile money services by the two companies will be introduced in phases. Whilst the main regions like Suva, Nausori, Nadi, Lautoka and Labasa will be covered at the early stages, it is expected that services will be extended to remote and outer islands gradually and to cover the whole region by the end of next year.

Concluding remarks

In summing up ladies and gentlemen, I wish to acknowledge the vital support that we have received from the Pacific Financial Inclusion Programme (PFIP). The PFIP is a Pacific-wide programme helping to provide sustainable financial services to low income households. It is funded by the United Nations Capital Development Fund (UNCDF), the Australian Agency for International Development (AusAID), the European Union and the United Nations Development Programme (UNDP) and operates from the UNDP Pacific Centre.

Recently, I was fortunate to be sponsored by PFIP to attend the GSMA Mobile Money Summit in Rio De Janeiro, Brazil where over 640 leaders around the world in the mobile money industry, comprising mobile network operators, regulators, academics, financiers and donors met to network and learn about the latest international developments in the industry. I have benefited greatly from the attendance at this Summit.

The support of other agencies, such as the Alliance for Financial Inclusion (AFI), in developing mobile money services in Fiji is also acknowledged.

I also commend the initiative and efforts of the mobile phone companies and their partner financial institutions. I hope that they would offer less costly and easily available financial and payment services to our people.

We believe that technological advancements and developments such as E-Money, provide the ideal vehicle to reach the poor and less privileged in society.

We want this development to be sustainable and have therefore established a High level Taskforce in the RBF to ensure that proper guidance and support is provided in terms of policy development that will reduce transaction costs for use of this facility, encourage development, mitigate risks and ensure consumer protection. This Taskforce is Chaired by Mr. Inia Naiyaga, Senior Adviser in my office.

We have an exciting development before us and I am certain that the people of Fiji will welcome this great initiative. We may be the first country in the South Pacific region to launch mobile money.

With these words ladies and gentlemen, it is my privilege to officially launch the E-Money Fiji Project and wish the mobile network operators every success in the commercial launch of their financial service product in the near future.

Thank you.