



PYMNTS



December 2022

Telecoms' Emerging Role In The Payments And Banking Field

The Telecommunications Payments Tracker® Series

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The Banking-As-A-Service Opportunity Report
May 2022

MAY 2022
Banking-As-A-Service Opportunity Report

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Need To Know

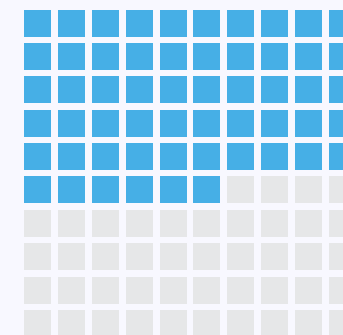
Achieving Financial Inclusion: The Telecom Opportunity

The digital banking renaissance has laid out a golden opportunity for telecommunications companies.

Although states have largely eased their pandemic restrictions over the past year, many of the habits that consumers picked up during this time are here to stay, including eCommerce and digital payments. This unprecedented shift has brought a large number of new players into a payments industry traditionally dominated by established financial institutions (FIs), such as banks and credit unions. One of the most intriguing new players is the telecommunications industry, which has taken the payments field by storm.

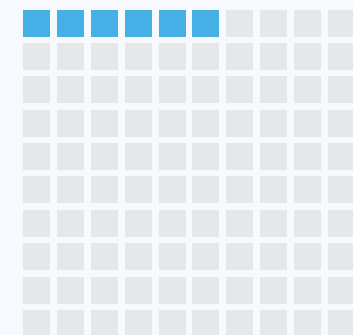
Telecoms and FinTechs have collaborated for years, with the latter providing the former with useful data that helped them build their business. Key partnerships with card companies, FinTechs or FIs could also allow telecommunications companies — and mobile network operators (MNOs), in particular — to transform access to financial services through innovation and improve financial inclusion globally.

Mobile and digital banking are the wave of the future, spelling a golden opportunity for telecom companies.



56%

Portion of digital banking users who plan to continue to use mobile and online channels in a post-pandemic future



6%

Share of digital banking users who plan to return to brick-and-mortar FIs

Need To Know

Telecom payments are particularly valuable for unbanked and underbanked households.

MNOs have an immense accessibility advantage over banks, especially when it comes to rural and remote areas. According to the industry's leading body, GSMA, today there are 1.35 billion registered mobile money accounts [processing](#) \$1 trillion in transactions annually, or nearly \$2 million every minute.

Telecom customers can use their phones to conduct vital functions, such as paying bills or rent, even if they lack access to a checking account or other banking services. Telecoms, in turn, profit via processing fees, currency conversion and geo-targeted ads that leverage users' locations and other relevant details accessed through their phones.

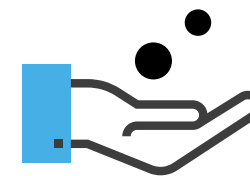


A significant proportion of the U.S. population is unbanked or underbanked, a prime use case for telecom payments.



16%

Share of U.S. adults who are underbanked



8%

Portion of U.S. households that are entirely unbanked

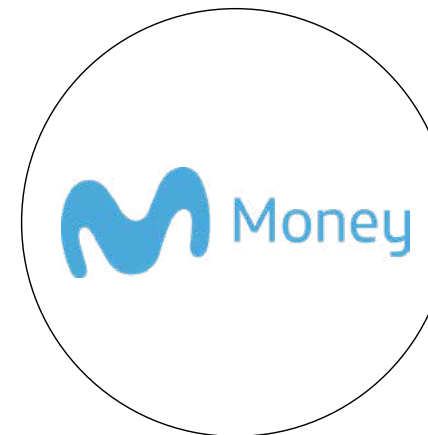
Need To Know

Telecom providers are working to implement payments in regions with high unbanked populations.

Mobile payment service M-Pesa [serves](#) nearly 25 million customers in Kenya, for example, and is accepted in more than 173,000 different outlets. Its services include an eWallet for customers' health expenses and consumer credit overdraft facility for customers who have insufficient credit to complete a transaction.

Another new entry in the telecom payments industry is Movistar Money in Spain, which offers customers the ability to obtain credit of up to €3,000 (\$2,928 USD) in less than 48 hours without documentation or initial fees. Paycell in Turkey, meanwhile, is a mobile payments service that offers both in-person and online shopping processes, including bill payments, car fuel purchases, mobile money transfers and payments via QR codes.

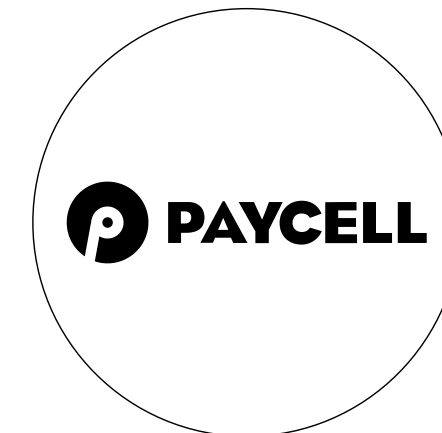
Emerging Players In The Telecom Payments Industry



Movistar Money



M-Pesa



Paycell

News And Trends

Banks And Telecoms Compete For Financial Services

Telecom-enabled payments are growing popular in Nigeria, where they are [competing](#) with commercial banks and FinTechs in an attempt to wrest control of an increasingly digitally savvy market. Several major telecoms in the country have already secured banking licenses and are leveraging their existing assets to reach communities that have phone access but are traditionally underbanked.

This growth in telecom banking was made possible only by a nationwide embrace of cashless payments. Nigeria saw N117 trillion (\$270 billion USD) in digital transactions during the first four months of 2022, with millennial and Generation Z Nigerians leading the charge in eschewing cash.

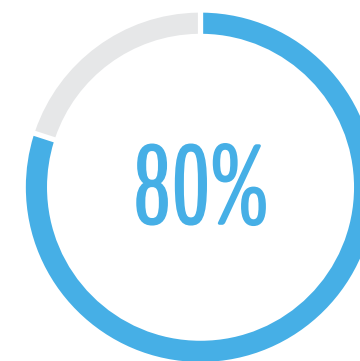


News And Trends

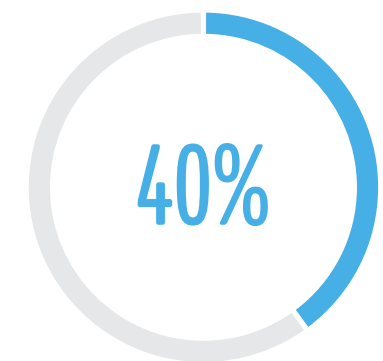
Telecoms must enhance personalization of services, study finds

Telecom payments could be extremely valuable for unbanked customers, but the reality of the implementation is often falling short of expectations. A recent [survey](#) found that while 80% of operators feel they are offering a personalized experience, just 40% of consumers concur. In particular, customers feel that telecoms should offer personalized promotional offers, have better data privacy and ask consent for various choices.

Telecoms are currently failing in a number of different personalization metrics. Almost half of telecoms do not even use customers' names in correspondence, and 58% do not offer anything past the most rudimentary customization. Seventy-three percent of consumers said they would be happy to consent to data scraping to obtain personalized experiences.



**Share of telecoms
that feel they offer
a personalized
customer experience**



**Share of
consumers
who agree**

News And Trends

Singaporean telecom ordered to pay restitution after data breach

Telecoms looking to enter the banking world must be mindful of keeping their massive quantities of customer data safe. The Singaporean government recently [punished](#) telecom MyRepublic for failing to do so after a data breach that resulted in 80,000 customer accounts being leaked. The fine clocked in at S\$60,000 (\$41,799 USD) — a light penalty, considering the scale of the breach.

The breach was most likely caused by an external fraudster gaining an access key, according to the country's Personal Data Protection Commission. The information breached included work pass cards and government-issued identity information, which were stored in the cloud. Telecoms entering the financial space will need to ensure that their systems are more secure or else fraudsters could easily gain access to sensitive financial information.

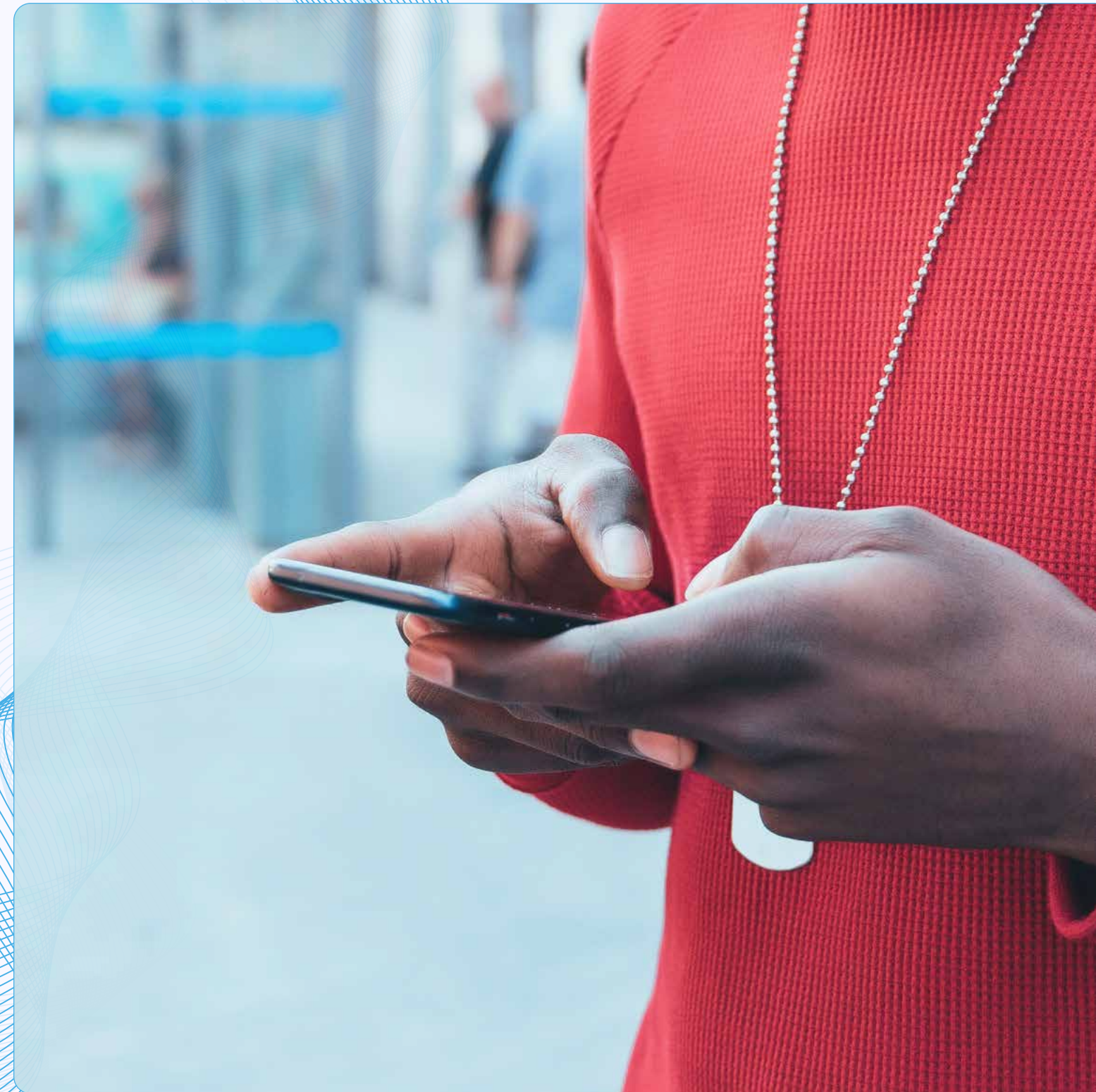


PYMNTS Intelligence

How Telecoms Expand Digital Payments' Reach

Being underbanked or unbanked is a significant disadvantage in modern society, as this locks households out of personal loans, direct deposits, many types of credit payments and a host of other functionalities that much of the world takes for granted. There are currently 1.7 billion unbanked adults around the world, according to the [World Bank](#).

Expanding banking and payment services to the underbanked, typically low-income individuals from minority populations, will be crucial to bolstering their economic status. In the United States, 35% of households making less than \$40,000 annually are underbanked, and only half of Black householders have access to financial services, according to the [Federal Reserve](#). Telecommunications-based banking and payments could be a crucial tool for reaching these households and improving their economic potential.



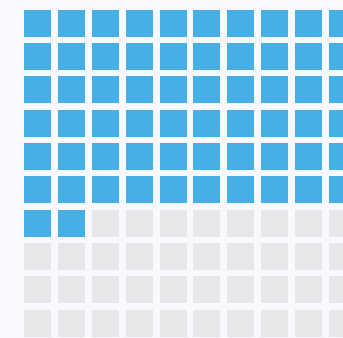
PYMNTS Intelligence

Being underbanked has a variety of causes.

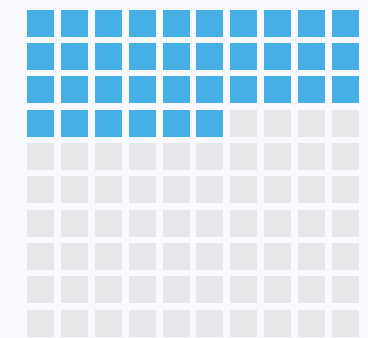
More than half of the world's unbanked adults [live](#) in just seven countries, largely concentrated in Asia and Africa, with India claiming the largest global share of unbanked individuals at 17% of the world total. The U.S. is also no stranger to unbanked households, with 16% of the population [considered](#) to be underbanked and 8% having no bank account at all.

There are many reasons for households to remain unbanked, but financial difficulties are the most prominent factor. More than 60% of unbanked individuals [said](#) lack of money was a reason for not opening a financial account, and slightly less than 40% said that financial services are too expensive. Another 27% cited lack of proper documentation to obtain a financial account.

Top [Reasons](#) For Being Unbanked Or Underbanked



62%
Lack of money



36%
**Financial services
are too expensive**

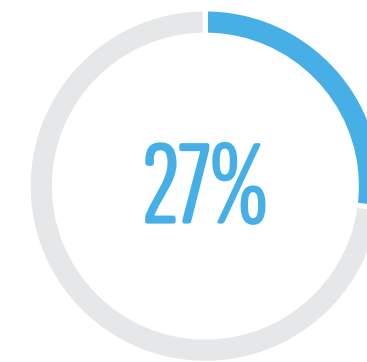
Telecommunications payments can be a valuable tool in enabling financial access for underbanked individuals by linking directly to customers' devices without requiring the middleman of an FI. In almost all the countries with the largest proportions of unbanked households, individuals with mobile phones [outnumber](#) those with bank accounts, so offering banking through their phones is an easy way to expand financial access.

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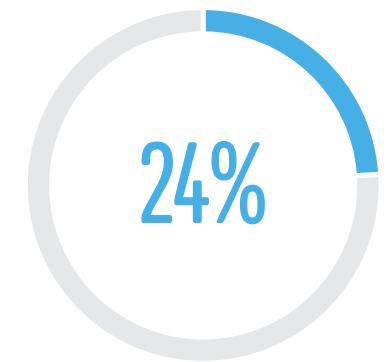
Telecom payments can utilize consumer data to drive customer experiences.

Telecom companies not only can provide banking services to underbanked individuals but also can partner with FinTechs to improve their digital offerings. FinTechs have traditionally used cookies to track customer habits and provide personalized experiences, but many are [planning](#) to phase out cookies by next year due to evolving data privacy regulations.

Personalizing experiences could be crucial to improving consumer participation in online-only banks. Currently, just seven out of 100 consumers [use](#) an online-only FI as their primary bank, despite huge interest in digital banking services. Leveraging telecom data in partnership with FinTechs could be the key to filling this participation gap, especially among older generations and other cohorts who are reluctant to bank with a digital-only FI or one run by a telecom.



Share of consumers currently [interested](#) in using banking services from telecoms



Portion of consumers [interested](#) in using banking provided by cable and utility companies

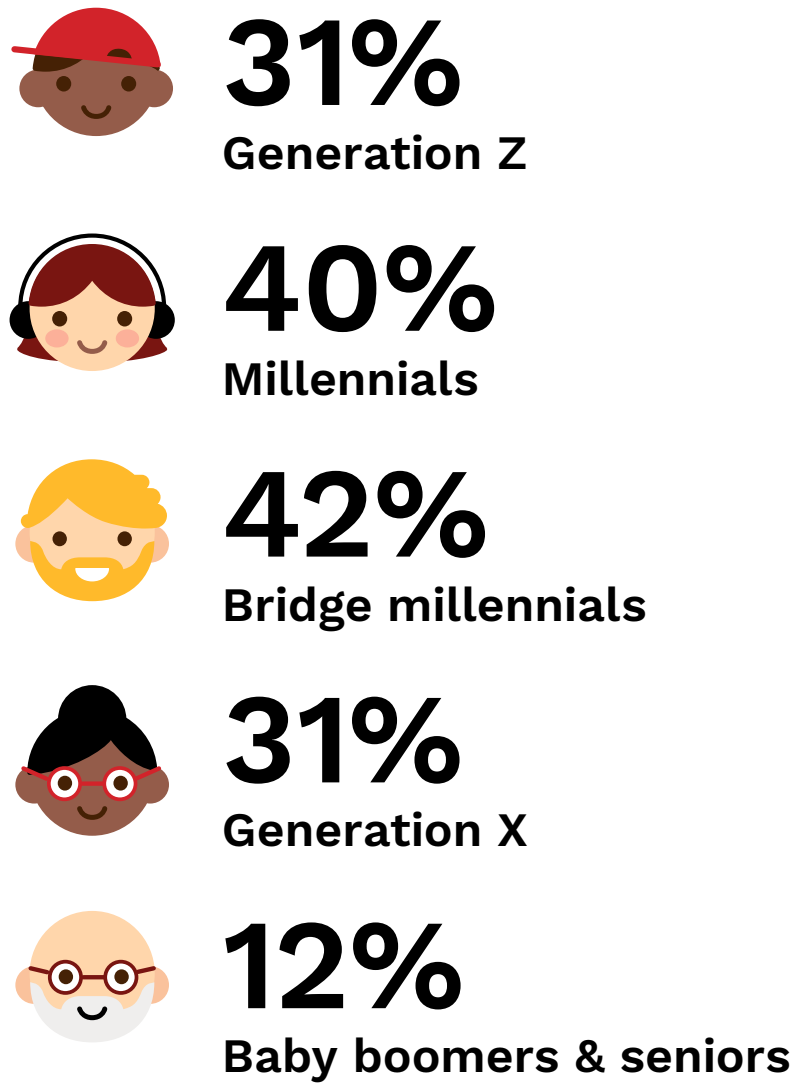
Chart Of The Month

Younger Generations More Willing To Embrace Telecom Payments

Younger generations are typically more willing than their older counterparts to embrace alternative banking options, and the same holds true for telecom payments. A recent PYMNTS [study](#) found that 42% of bridge millennials, 40% of millennials and 31% of Generations Z and X said they were interested in telecom banking, as opposed to just 12% of baby boomers and seniors. Telecom providers looking to expand their banking services could be well-served in targeting younger consumers.

Consumer interest in digital-only banking services from mobile phone companies

Share of consumers who are very or extremely interested in using telecom banking services, by generation



Source: PYMNTS
Digital Banking: The Brewing Battle For Where We Will Bank,
September 2021
N = 2,225: U.S. consumers, fielded July 1, 2021 – July 7, 2021

Insider POV

T-Mobile Explains How Telecom Payments Make Banking More Accessible

One of the key issues that many households in financial straits face is a lack of access to traditional banking services.

They may have neither enough savings to open an account at many traditional banks nor the means to visit these banks in person to apply for loans or access other services. This may be especially true for households in which English is not the primary language.

“The pandemic worsened the situation for millions who live paycheck to paycheck, and rising inflation has only made things worse, causing many to dip into savings for everyday expenses. Language can also be a barrier to traditional financial services: Hispanic households are more than twice as likely as the average U.S. household to be unbanked.”

“Most traditional banks aren’t mobile-first, and they’re definitely not customer-first.”

KEVIN McLAUGHLIN
SENIOR VICE PRESIDENT
CONSUMER GROUP



T Mobile

Telecom banking allows consumers to access financial services from anywhere, and its digital nature makes switching to other languages much easier. While many traditional banks have deployed mobile apps for these purposes, they still largely rely on in-person visits for many functions.

Insider POV

Boost Mobile On How Telecom Banking Can Meet Underbanked Households Where They Are

Telecom payments are critical for improving access to valuable banking services for households that currently lack them. Often, it is physically onerous for these families to access bank branches, and once there, they might find these services too expensive.

“In traditional banking, there are costs associated with account ownership. For example, in rural communities, people may need to travel a great distance to reach the nearest brick-and-mortar branch. Not only does mobile banking provide remote access to financial products, but the elimination of in-store and other overhead expenses drastically reduces the cost of entry for the consumer.”

With the proliferation of mobile banking apps, traditional banks certainly have the ability to reach these underbanked households, but they often decline to do so. Banks have often viewed providing

“Almost everyone has a mobile device, but there are 60 million underbanked Americans — many of whom are Boost Mobile customers — paying their bills in cash.”

STEPHEN STOKOLS
CEO



access to underbanked populations as a high-risk proposition, choosing instead to pursue customers with a higher likelihood of a positive return on investment. Telecom banking has much lower upfront costs than traditional banking, so these companies are much better suited to providing banking services to underserved households.

Insider POV

Verizon On Telecoms' Relationship Advantage In Providing Payment Capabilities To Customers



LANCE KOENDERS
VICE PRESIDENT OF
MOBILE PRODUCT
MANAGEMENT



“Younger generations today have a very different kind of credit profile than older generations. It’s not because they’re bad people, but because things have changed a lot. My hope is that [telecom banking] can help close some of the financial gap that seems to exist between some of the generations right now.”

Telecoms have an inherent banking advantage over traditional banks based on the nature of their relationship with their customers. Banks might interact with consumers only when they deposit or withdraw money or check the value of their accounts, but telecoms interact with their customers every time they make a call or send a text.

“It comes down to the strength of the relationship with the telecom. In many value segments, customers may not have strong relationships with banks and, in many cases, they have very negative relationships with banks, whereas they have a positive relationship with their wireless provider.”

This relationship base allows telecoms to construct a highly personalized kind of banking with their customers. Many consumers have no need for certain services traditional banks provide, such as large-scale loans or enterprise banking. Telecoms can instead focus more on the day-to-day transactions that consumers use most, such as payments and credit, and harness the data they collect from customers to tailor their experiences.

Insider POV

BEYON Money On Leveraging Telecom Payments To Help The Underbanked



ROBERTO MANCONE
CEO



“Telcos normally have a 40% to 50% market share in certain countries. It seems relatively easy to leverage the existing client base to offer financial services. In fact, it’s easy to say, but not so easy to do.”

Underbanked individuals face vast institutional difficulties, especially considering their likelihood of being in dire financial straits. It is crucial for these unbanked households to have an easy time of onboarding for telecom payments, or else they could find themselves locked out of telecom banking just as they were locked out of traditional financial options.

“We wanted to make sure that clients can onboard in less than two minutes just with face ID recognition. The ID scan technologies can also verify if the face is the real one from their ID documents, which allows you to have a seamless journey and ensure that the clients are onboarding really fast.”

Easy onboarding is not the be-all and end-all of telecom payments, however. Mancone pointed out that current regulations in many countries do not standardize data transmission, so telecoms in these regions often lack the quality of customer data that banks can harness to provide targeted services to their customers. World governments will need to step up their regulation to allow telecom payments to help citizens to their fullest potential.

Companies To Watch

Ethiopia Poised As A Pioneer In Telecom Payments



Ethio telecom, Ethiopia's state-owned telecom provider, recently [disclosed](#) that telebirr, its mobile money service solution, has more than 21 million subscribers. The solution was first introduced in 2021 and has quickly expanded to process 25.67 billion Ethiopian birr (\$490 million USD) since its introduction. Customers can use it in several new use cases, including purchasing tickets on Ethiopian Airlines and making utility payments. This quick success of telecom payments bodes well for the future of the industry, especially in regions such as Africa that historically have had high numbers of underbanked consumers.



What's Next

‘Underbanked’ Meaning Could Change As Alternative FIs Grow

Underbanked and unbanked individuals are prime targets for alternative banking systems, but the terms themselves are quickly [becoming](#) obsolete as new banking technologies grow more commonplace. New nonbank financial systems such as telecommunications payments are swiftly replacing banks in many consumers' lives, meaning that the “unbanked” designation is often only a technical one. As alternative systems such as telecom payments grow, however, the number of unbanked households could rise but could mean something quite different about the modern economy, as it might no longer consist primarily of low-income families.

According to i2c Inc.'s Jim McCarthy, the mobile money landscape in emerging markets is moving beyond peer-to-peer transfers and cash-in/cash-out transactions and toward closed-loop-to-open-loop and newer, more value-creating use cases such as credit, savings and insurance.

“Investing in the partnerships that build out these ecosystems is key to their growth. Affordability and building trust in these systems among new merchants and consumers as well as governments and nongovernmental organizations is critical.”

JIM McCARTHY
PRESIDENT



About

PYMNTS [PYMNTS](#) is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.



i2c is a global provider of highly configurable payment and banking solutions. Using i2c’s proprietary “building block” technology, clients can easily create and manage a comprehensive set of solutions for credit, debit, prepaid, lending and more, both quickly and cost-effectively. i2c delivers unparalleled flexibility, agility, security and reliability from a single global SaaS platform. Founded in 2001 and headquartered in Silicon Valley, i2c’s next-generation technology supports millions of users in more than 200 countries/territories and across all time zones. For more information, visit www.i2cinc.com and follow us on LinkedIn at [@i2cinc](https://www.linkedin.com/company/i2cinc).

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