CASH OUT Vs PREPAID

30th Mar 2012
FLOW

- Customer Profile
  - Customer segment – India
  - Sending Pattern

- International Money Transfer Cash-In Cash-Out Model

- International Money Transfer Flow

- New Cash In – Cash Out Models

- Points to Ponder
Customer Profile - India
Typical Money Transfer Customer
Customer Profile

- **Rambilas**
  - Village Guthni near Siwan, collects his transaction from Siwan
  - His Avg transaction value – Rs 12000 pm – Elder brother remits
  - Does not even have a bank account so prefers receiving money through Money Transfer Services
  - Money is utilized for meeting the monthly expenses
Customer Profile

- Umra Bano

- Travels around 40km every month to receive her transaction

- Husband is working with a construction company in the Gulf. Sends money on monthly basis for household expenses

- Avg Txn Rs 20000

- Has two school going daughters and a son

- Major expenses are on groceries, education, medicines etc
Customer Segment

- Customer sending money through Cash
  - Domestic Help / Nurse
  - Construction Workers
  - Contract Workers
  - Farmers
  - Other Blue Collar workers

Population (2011)

- Rich: 70MN
- Middle-class: 280 MN
- Poor and relatively poor: 860 MN

Bottom of Pyramid
Spending Pattern of Money Transfer Consumer

To summarize on the expense pattern:

- Utility Bills
- Festival Spending
- Education Expenses
- Medical Expenses
- Groceries
- Savings & Investments
- Home improvements
- Rent Payments
- Regular/ day-to-day support items
Few Agent locations
Few Agent locations
International Money Transfer
Cash In – Cash Out Model
International Money Transfer Processing

1. Regulatory KYC requirements
   • Identification
   • Record keeping /reporting
   • Individuals allowed to conduct KYC
   • Methods of verification

2. Available methods cash in
   • Cash - Agent
   • Card – Phone, agent, web
   • e-Transfer – Web, smart-phone based applications

3. Counterparty settlement risk
   • Settlement after disbursement: risk incurred by sending bank/entity
   • Settlement prior to disbursement: risk incurred by receiving bank/entity

4. Settlement processing
   Settlement processed through:
   • Intra-bank clearing & Bilateral clearing
   • Third party clearance arrangements
   • Multilateral clearance arrangements

SOURCE: Dalberg
International Money Transfer Processing...

5. Automation & technology
   • Proprietary vs. outsourced provision
   • Degree and scope of automation
   • Degree of integration with banks

6. Agent settlement
   • MTC/Bank internal liquidity management arrangements and processes
International Money Transfer Flow

**CASH IN**
- Cash Debit Prepaid card
- Bank Account
- In Person Online
- M-wallet
- MTC
- M-wallet
- Agent

**IMT Processing**

**CASH OUT**
- Traditional Distribution Methods
- MTC, Agent POS
- New Distribution Methods
- Personal M-wallet
- Agent POS
- Agent M-wallet
- Cards

**SOURCE:** Dalberg
New Cash Out Model using m-wallet

**Cash in via m-wallet**

- Customers in remitting countries use m-wallet to send remittance
- Customers can use agents or bank association to load m-wallet
- m-Wallet can be used to store e-Cash

**m-wallet cash-out**

- Customers’ m-wallet is credited with e-cash
- Customers can withdraw cash at POS, or purchase through M-Money enabled vendor
- m-Wallet can be used to store e-Cash

**SOURCE:** Dalberg
New Cash Out Model using m-wallet/Prepaid...

- Agents with m-wallet widen network beyond POS
- Customer prepaid card is credited
- Customers can withdraw cash at agent POS and purchase through a vendor that accepts cards
- Cards can be used to store e-Cash
Points to Ponder on to........

- Cash out Vs. Prepaid – Risk & Acceptability
- Model needs to keep in mind the customer segments & customer preferences
- Can reduce the need for physical presence
- Convenience of storing e-cash and avoid risk of carrying cash
  - Part cash-out possible
- Better regulatory compliance
- Acceptability & availability of M-Wallet by the customers & merchants
Thank you!