Title

Lessons Learned from a Mobile Payment Pilot Project in Brazil (IMTFI Blog)

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Lessons Learned from a Mobile Payment Pilot Project in Brazil

By IMTFI researchers Eduardo Henrique Diniz and Adrian Kemmer Cernev

Inspired by cases of success in Africa and Asia, in 2011 a Brazilian public bank, an international credit card company and a mobile operator organized a joint project designed to explore the emergent field of mobile payment systems in Brazil. This was not the first mobile payment project in the country and ended up being unsuccessful. Nevertheless, it was well documented and could provide important lessons to be learned in future mobile payment implementations.

As this project was designed to promote financial inclusion, the partnership was extended to a Microfinance institution, the Banco Palmas, that since 1998 operated in Conjunto Palmeira, a poor neighborhood with more than 40 thousands inhabitants located 22 kilometers away from the most developed areas in the city of Fortaleza, northeastern of Brazil.

Banco Palmas already had a large portfolio of financial services oriented to the poor, including microcredit, and special financial support for women, and has operated as a bank agent (i.e. correspondent banking) for commercial banks in the community. But one of its most remarkable initiatives was the creation and management of a local, alternative social currency called “Palma”, which circulates side-by-side with the official Brazilian currency (the Real), and is accepted by the local merchants and it is good only within the boundaries of the neighborhood.

An important expectation of this project was the digitalization and replacement of the printed social currency: as local merchants largely accept the “Palma”, it was expected that people living in that community would easily adopt its mobile version. And despite it was first designed to be a mobile payment service for users of bank accounts, it could be easily converted into the first Brazilian digital social currency.

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But in fact neither occurred, and some lessons have been learned:

1. Definitions on governance of a partnership involving companies from different industries, with objectives and expectations not always convergent, should not be postponed to the implementation phase of the project. Especially when the opportunity is enticing, as are the innovations in financial inclusion supported by technology.
2. Top-down projects deployments of new financial services supported by technology may find more difficulties than those initially built from the users' experience, and this is also true at the local level: a successful mobile financial service in a territory may not be suitable for another, even if the socioeconomic context is similar.
3. Closed platforms to offer new financial services supported by technology often encounter restrictions on adoption, regulatory, technological and interoperability issues. Closed platforms commonly are interesting for entrepreneurs, and may cause significant local impact. However, from the point of view of replicability and interoperability (both technical and operational), open platforms tend to provide more benefits to users.
4. The adoption of new financial services supported by technology doesn't mean its effective use. The personal motivators to adoption of innovations may not be those that will influence the effective use of individuals, and again it also depends on local community factors.
5. This project never positioned itself clearly to your potential users, and even for the partners: It was a mobile banking service for users of bank accounts; it was also explained as a mobile payments system; and often was presented as the digitalization of the printed social currency.
6. Mobile payments may mean very different things for the partners. The lack of a prior alignment, as well as critical issues relating to governance, concealed the different perspectives and expectations that each had for the same project. This was clearly perceived by the researchers, but not all the partners knew the motivations and intentions of others, and this hindered the decision-making process during the execution of the project.

Other factors also have contributed to the abandonment of this pilot project during 2013, on unknown date because it was never formally ended. The final report of this project can be found at: Mobile Payment for Financial Inclusion: Investigation of a Pilot Project in Brazil.

Even though it was not a successful case, this pilot project sparked the expectation of the heads of many other community banks in Brazil: the transformation of the printed social currency into a digital social money could enhance their operation and improve the users experience, because of the problems experienced with the printed social currency (fragility, durability, falsification); the profile of potential users (especially young people from poor communities) and the extent of the scope with the mobilization. An interesting video was compiled with such expectations:

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Hyperlink: http://www.youtube.com/watch?v=-YAiv5EFtoo

By the end of 2013 the Brazilian Central Bank finally launched the new regulation for mobile payments in the country that may promote the emergence of a new ecosystem, aiming exactly the financial inclusion. In this new phase, many of the organizations involved in this pilot project are already developing new mobile payments and mobile money projects in Brazil.

You can download their final report here.

Posted by Nathan Dobson at 2:25 PM

Labels: Banco palmas, Brazil, mobile money, payments

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