3 Bim: the Peruvian mobile wallet for the unbanked

A new digital platform promises real financial inclusion in Peru

Bim, the Peruvian mobile wallet, has the potential to become the trigger for real financial inclusion by incorporating scale economies. As a part of the Peru Model for the unbanked, behind Bim there is a comprehensive ecosystem of actors and financial services interacting in a single architecture.

Bim and the Peru Model for financial inclusion

Bim is the brand of the new mobile wallet (*billetera móvil*) in Peru, which has a comprehensive public-private support system behind it. This digital platform aspires to become the flagship for financial inclusion in the Andean country, in which according to the World Bank, only 29% of adults have a bank account. Bim is the financial product, which is part of the Peru Model national strategy led by the association of financial institutions in coordination with the Peruvian government, regulators, mobile network operators and other relevant stakeholders.

Because of this collective negotiation among different actors, consumers now have the possibility of getting in touch with a very convenient single point of entry to the financial system and, at the same time, financial institutions can for the first time count on a financially viable way to do business with small clients. This single point of entry is reached by using a very basic mobile phone that does not require a data service tariff. The penetration of mobile phones in Peru is close to 80%.

Scale economies and network externalities

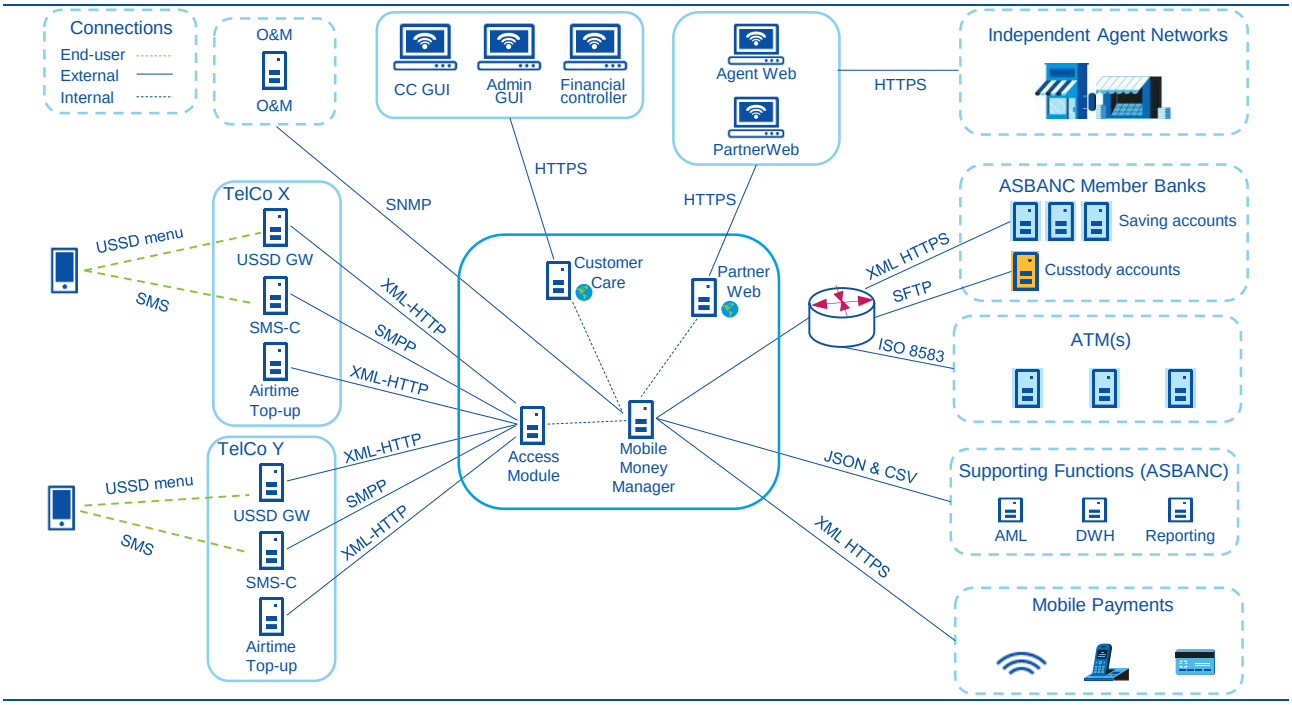
Bim's goal is to generate scale economies through the use of technology. Scale economies could also provide positive "network externalities" because of the greater economic utility generated by a product or service when it is used by more people. Direct benefits could be obtained from the interaction among users, while indirect benefits could be derived from financial firms, which are motivated by scale economies that allow them to create new products and services, which are compatible with the digital platform. A big financial ecosystem guarantees greater incentives and, therefore, the interoperability of this single financial platform could be capable of spurring financial inclusion.

Bim does not require that potential users have a bank account. By using their cell phones, clients only need to introduce their national ID number the first time to create their Bim account; but if they only want to receive a money transfer, it is enough to dial *838#. If clients want to deposit cash in their e-money account, they can do it by visiting one of the extended network of correspondent agents in rural and urban areas.

Bim architecture and interoperability

According to Digital Peruvian Payments (*Pagos Digitales Peruanos*), the firm in charge of Bim, its interoperability is assured thanks to the participation of all mobile network carriers that allow airtime and comprehensive automatic on-boarding through cell phones. Based on this, the model has the potential to incorporate all financial institutions wishing to participate (banks, microfinance firms and the recently created money issuers called EEDEs), each one with its own custody account and under the scrutiny of the national financial regulator. All stakeholders interact within a single digital architecture that has the potential to allow multiple financial services (see figure below).

Figure 3.1
BIM´s Architecture for Financial inclusion



Source: Trivelli (2015). "Peru Model: Interoperability by design" Presentation - ITU Workshop on Digital Financial Services and Financial Inclusion, Geneva (Switzerland). December

Capillarity is obtained because of the potential for having and sharing more than ten thousand correspondent agents. Beyond that, another highlighted feature of BIM is that it is managed under a common brand (Bim), a centralized contact centre and a web page, and it has standardized paperwork and a common menu display. There are 9 financial institutions currently operating, but this number could potentially increase to 40 in the short term.

How does this model help to unblock structural barriers to financial inclusion?

BIM has the enormous challenge of having to confronting some of the most important structural barriers that block financial inclusion in Peru, such as distances to a financial branches, service costs, trust in the system and complicated requirements on opening a bank account. For example, this digital solution is very convenient as it solves geographical problems by bringing banks to everyone's palm and easily interconnecting all telecom carriers and complementing this with an extended network of correspondent agents for cash-in and cash-out. Costs are more moderate than those associated with domestic remittance firms and other expensive alternatives, (e.g., around US$ 0.10 for transactions under US$30; US$0.40 for transactions between US$31 and US$ 140; and US$ 0.,60 for transactions higher than US$140). The barrier of excessive documentation is solved by simplified financial regulation, which only requires people to introduce their national ID number to open their account by using their cell phone. Also; and finally, the barrier of trust could be overcome by taking advantage of the familiarity that people already have with their very basic mobile devices (80% mobile penetration) as well as the information and financial inclusion campaign that the government and other stakeholders will put in place.

According to BBVA Research estimates, using the Bayes' Theorem, the Bim-Peru Model has the potential to focus on approximately 10 million people. The capacity of this platform's on-boarding will depend on how fast network economies can be unfolded in the following years. According to Asbanc (the Peruvian Banking Association), BIM could reach close to 3.5 million clients in four years. We think that this is a very feasible and achievable target.

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