

Mobile banking in Mexico as a mechanism for financial inclusion: recent developments and a closer look into the potential market

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Abstract

The low levels of banking penetration in the Mexican population, as compared to other Latin American countries, present the challenge of increasing the range of financial services towards new markets through the use of technological advances and innovative channels. Mobile phones are an attractive way to promote that range, given their extensive presence in the population and their capacity to rapidly and securely connect to carry out a transaction. In recent years, regulatory changes in Mexico have enabled us to establish favorable conditions for the development of the market for mobile banking: a regimen of simplified accounts, an extensive network of banking correspondents and specific regulations for mobile accounts. This new regulation, in some ways, followed in the steps of other international experiences in which the models based on a range of financial services through mobile telephony led to significant advances for the financial inclusion of the population without access to banking services. Against this backdrop, in 2012, several banks launched mobile banking products. Though they were generally well-received by the population, the use of a cell phone for carrying out transactions in the bank's payment system is still low as a percentage of the whole. In this paper, following a review of the recent developments and the regulatory framework, we will present a market quantification for the development of mobile banking, while taking supply and demand aspects into consideration. In our study, we found that the total potential demand gap for mobile banking could stand near 40%, which corresponds to the difference between the number of current bank accounts and possession of mobile phones, with the latter being understood as a channel to access the financial system. By gender, it was found that males have a greater number of accounts than females, and that the demand gap with respect to possession of a mobile phone is lower. In terms of level of education, the demand gap of the population is greater in those with secondary education. Finally, when carrying out the segmentation by age into 6 five-year interval groups, starting from the age of twenty-five, the demand gaps found were fairly similar. Extensive room for mobile banking development was observed in the country. Our study identified the existence of geographic and social-demographic characteristics associated to the Mexican case that could catalyze a greater level of adherence to mobile financial services, which would strengthen its viability and capacity to provide access to the population not covered by the traditional channels.

Keywords: Financial inclusion, mobile banking, banking penetration.

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