

Mobile money complexity can hurt operator bottom line

The complexity of relationships and transactions opens the door to more mistakes and illicit activity.

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Mobile payments would seem to offer a great potential revenue source for mobile operators, but the complexity of the mobile money value chain is full of “leakage points” of which carriers need to be aware.

Those problem points are due to the sheer number of participants involved in the transfer of mobile money—the mobile operator, the bank or other financial institution; the donor; and the participant user. “You have so many parties involved in these transactions...before the money ever reaches its target,” said Moshe Zolotov, senior revenue management consultant for cVidya, which recently launched a solution addressing fraud and revenue problems in the area of Mobile Money.

With so many parties involved, pieces of the transactions can often get corrupted or lost—especially because of the real-time nature of mobile payments.

There’s also an increased opportunity for fraud with mobile wallets, which Zolotov refers to as “green pasture” for fraudsters looking to steal from banks or mobile operators. “Whether used for vending machines or parking, or more sophisticated transactions like remittances or salary payments for the unbanked in some cultures, there is more opportunity to engage in fraudulent activity,” said Zolotov.

Criminals also abuse mobile payments to assist in money laundering or other illicit activities. For these types of activities, mobile money is compelling because of the many cracks through which evidence can fall.

As the risks grow, the question becomes which parties are liable for losses or criminal activity due to mobile payments abuses?

“In Africa and Europe,” said Zolotov, “the operators are themselves becoming more like banks. Orange in Austria for example (<http://www.moseskemibaro.com/2010/11/09/orange-money-is-launched-in-kenya>). So they can have more control over how money is transferred.” In such situations, operators either mitigate their risk by cutting out the middle man or increase it by becoming the financial institution responsible for the loss, he notes.

Regardless of the model, mobile money increases the need for monitoring revenue leakage, fraud and regulatory requirements—all of which can put pressure on operator margins. With so many opportunities for losses, operators need to be more diligent in employing solutions that address the risks. “Sophisticated engines for fraud and revenue management should offer tools to manage and monitor the full service cycle,” said Zolotov. “Failing to effectively do so may lead to loss of money like out of pocket spending, overpayment to agents and lost reputation, and more.”

(Please find the link to the original article: http://connectedplanetonline.com/bss_oss/news/mobile-money-complexity-can-hurt-operator-bottom-line-0210)