



**Euronet Software Solutions**

*A Division of Euronet Worldwide*

Powerful Payment Solutions that Bring Currency to Life

*A Euronet Software Solutions White Paper*

# **Reaching the Unreached**

*A Solution Approach to Payment Inclusion*

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## Executive Summary

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To have a clear understanding of financial inclusion, it is important to look at the driving forces behind the creation of solutions for various audiences. This then leads to how financial inclusion is enabled, and exactly who are the target markets. Providing access to financial services and being included are opportunities not just for the cardholder but for the financial institution as well.

This paper is a review and discussion of the strategies and solutions that can address financial inclusion, and how financial institutions can provide options for this market.

## Solutions and Markets

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### Chip, Contactless and Mobile

Starting with Europe, financial institutions, continent by continent, motivated by governments and mandates by the international networks have moved to chip technology (EMV as well as other chip specifications like NSICCS in Indonesia, DINA in Serbia and the Common US Debit AID). The driving force for this movement was the increase of card fraud.



Euronet's first chip project was in 2003, and we are also responsible for the first chip acquirer and issuer solution in the English speaking Caribbean in 2010. In 2013, the United States of America started its move toward chip; cards were piloted to business travelers by the major banks and general card database replacement of credit cards has started. Depending on which announcement you read, total conversion dates will be sometime in 2015.

The success of chip paved the way for contactless. Contactless is enabled when the mag-stripe or chip card has an antenna that allows small ticket payments initiated by the cardholder by tapping the card as opposed to swiping the card.

An unprecedented rollout of contactless-ready point of sale (POS) terminals apparently without paralleled rollout of cards seems to have been the initial hiccup of this strategy which resulted in a lot of terminals in the market but not enough cards issued to drive frequent use of the terminals. This reduced the effectiveness and success of contactless.

But what if the intent might not have been the use of cards? What if the intent was for contactless to pave the way for Near Field Communication (NFC) and enable payments with the mobile phone by getting cardholders acquainted with the behavior of tapping instead of swiping?

These days, the bait in the inclusion strategy seems to be the mobile phone. Starting in 2011, more and more mobile phones with NFC capability are being introduced as the markets watch to see if this will indeed be the next payment instrument.

What better way to include someone or even a demographic than by leveraging the mobile phone – a tool that is familiar and used daily? It really seems that there needs to be another name for the mobile phone, an instrument that allows you to listen to music, get directions, play games, read documents, get email, surf the Internet, accept and make payments, send messages and if you chose to, make a phone call.

So, what is this all leading to? Is it really just about simpler, more convenient payments? Or is it about reaching those who are not or choose not to be banked? Is it about financial inclusion and making payments with an instrument that has become part of our daily lives? To answer these questions we must define financial inclusion.

### What is Financial Inclusion and Who are the Target Markets?

First, try to resist the temptation to believe that financial inclusion is only rural banking. Think of financial inclusion as reaching those who want to find another way or a new way to bank. The bank becomes an institution in the background, hopefully enabling inclusion into the financial ecosystem.

*Financial Inclusion  
should be defined as  
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new way to bank.*

Prepaid cards were the first answer. Financial inclusion focused on the immigrant worker and the person that could not qualify for an account or simply did not want an account. Industry discussion was about the unbanked and the prepaid phenomenon.

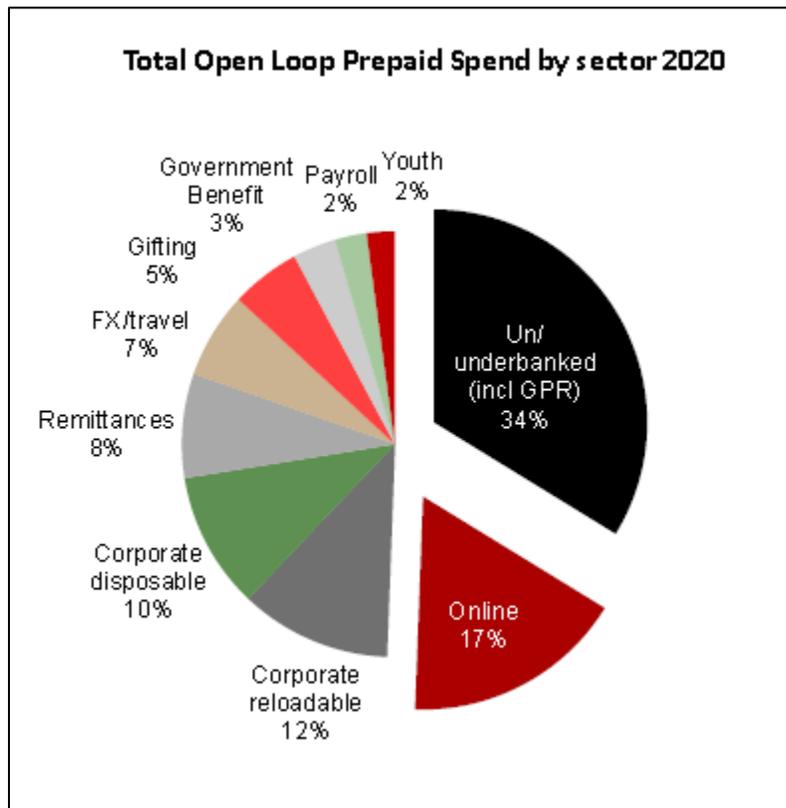
Then, in 2008, the global credit crisis occurred, and the CARDS Act of 2009 was implemented. These two events introduced us to the underbanked – a consumer segment that had not previously been recognized. As banks tightened their credit policies, consumers rejected complex card fee programs and in many cases declined credit altogether looking instead to prepaid products.

Hence, the underbanked consumers did not seek another form of payment when presented with the debit card fees; they sought another card product altogether. This has been some of the impetus behind prepaid programs globally – another way to pay. Prepaid has become the new way to ‘bank’ with programs that allow the consumer to determine their own fees to innovative programs like the DBX card with discounts when used in the Dubai Airport – [www.dxbconnect.com](http://www.dxbconnect.com).

Just recently, Aite Group, a business advisory and research service company focusing on the financial services industry, defined another customer segment – the debanked. This segment is defined as a consumer market that actively seeks out alternatives to traditional banking relationships.

While the unbanked and the underbanked are the bigger financial inclusion markets, there is somewhere within all of these markets, a group I call the ‘unreached.’ This is a market that we must constantly strive to find the right products and provide the ability to pay when, where and how they want to pay.

PSE Consulting, a European payment research company, sums up the potential in their market survey of Europe projecting approximately €112 billion spend on open loop cards by 2020 in the sectors below.



The European prepaid market has been lagging behind the U.S. market for quite some time, but now shows the same types of potential as in the United States almost mirroring the types of products marketed. This provides a somewhat unique position for European issuers to look at what is happening in the U.S. and chart the way forward for their own prepaid programs.

### The Challenges of Prepaid and Finding the Unreached

The next challenge became the distribution of prepaid cards. Merchants had the upper hand on financial institutions with the prevalence of their stores and locations. Prepaid has gone virtual and mobile, and yet another chapter of inclusion and convenience is being written as we speak.

Euronet's Integrated Prepaid Solution (IPS), has been available for financial institutions since 2005. When finding new clients for our prepaid solution, I received a wide spectrum of comments after discussing possible solution offerings.

These comments always reflect the desire to find new markets as well as the potential of the market. Euronet's IPS solution has been sold globally with clients on every continent including our own processing centers. 2014 has shown by far the greatest demand for our prepaid solutions encompassing everything from a benefits card to a mobile payments funds platform.

Finding the unreached is one thing. The next thing was enabling financial transactions for clients who are still cash-based and want to have the banking experience. What do you do if there is no branch near potential cardholders? What do you do if potential clients just simply don't have time to go to a branch?

### Enter POS Bank

POS Bank, or in-store banking, is a solution that brings banking to clients focusing on areas where a branch may not be cost justified. The solution leverages the Point of Sale and merchant network to facilitate transactions typically performed at the branch – cash deposit and withdrawals transactions included!

The solution is a win for financial institutions, merchants and banking clients. Financial institutions benefit from greater reach to clients, no need for a brick and mortar branch, and a chance to grow transaction volume and justify a branch when one becomes necessary. Benefits for the merchant include developing a closer relationship with the financial institution, potentially less cash on site, more foot traffic in their stores and incentives for each POS Bank transaction. The banking client benefits from having a 'branch' in their neighborhood and close by, the opportunity to perform banking transactions at stores they are visiting, and convenient ease of use.

### POS Bank Transaction Set

- ✓ Balance Inquiry
- ✓ Mini Statement
- ✓ Card Activation
- ✓ Cash Withdrawal
- ✓ Transfer between Cardholder's accounts
- ✓ 3rd Party Transfer – "Pay Other"
- ✓ Cash Deposit to Cardholder's account
- ✓ Registered Bill Payment



## Conclusion

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Financial inclusion is real, now more than ever, and must be addressed on all fronts with all the technology that is available to financial institutions. Whether issuing or acquiring cards, whether paying with the mobile, contactless or chip cards for prepaid debit or credit card products, whether solutions like POS Bank are used to reach those who have not been included, financial inclusion is imperative.

Financial institutions must provide options that appeal to those who may be tempted to turn their backs on conventional banking while maintaining and even growing their customer base.

The old adage "don't leave home without it" now seems to applicable to the "smart" phone; not because everyone should have one, but because everyone does have one, can easily get one, and is extremely comfortable using one.

Whether the driving force is profitability or local government edict, Euronet remains ready as your software solutions provider to offer a range of solutions to help in reaching the 'unreached':

- Prepaid Cards
- POS Bank
- Mobile Payments

- Payment Alerts
- Card-less Withdrawals
- No envelope deposit at the ATM
- Bill Payment

And in case you are not interested in the unreached, the following statistic may make you think again. According to the World Bank and Gallop Survey reports of 2011 and encompassing 148 countries, 50 percent of the adult employed/self-employed population is yet to have access to formal banking services. Providing access to financial services and being included is the opportunity not just for the cardholder but for the financial institution as well.

## About Euronet

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Euronet Software Solutions, a division of Euronet Worldwide, is recognized as a leading provider of software that powers electronic payment and transaction delivery systems around the world. Our solutions have reliably served the worldwide cards, payments and financial services markets since 1975.

Ensuring quick time-to-market and delivering a quality experience, we enable our clients to provide secure electronic payment convenience to millions of people around the world. Whether your organization is a bank or a provider of processing services to financial services organizations, our proven solutions will support your critical business needs now and in the future.

We provide a fully integrated suite of solutions for issuing, acquiring, self-service, e-banking and card scheme connections. Utilizing our services-oriented payments hub architecture, our software offerings are designed to increase your revenue, reduce your expenses, improve your security and increase the value of your customer relationships.

### For more information:

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