



How Lucrative is the Mobile Money Business?

A Guide To Running A Mobile
Money Agent Business In Ghana

Mobile Money Business vs. Stocks and Bonds

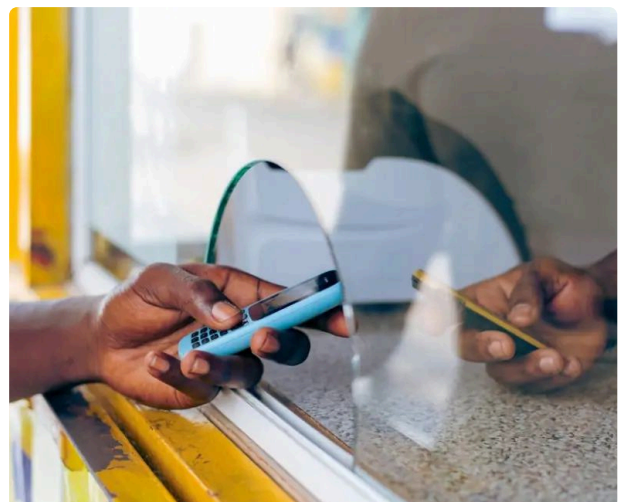
MTN Ghana reported a 6.5% increase in its mobile subscriber base, reaching 28.5 million and a 12.8% growth in active MoMo users to 17.2 million.



Fig1. Annual free cash flow with a \$1,000.00 Investment

The figure above underscores the returns of mobile money business in contrast to the returns of stocks and bonds. With an investment of \$1,000.00, your return in a mobile money business could generate an average annual free cash flow of \$4,202.95 compared to \$1,327.33 from 364-day Treasury Bills and \$1,044.10 from the Ghana Stock Exchange (GSE) Index over a three-year period. These figures are based on investing Treasury Bills at the last three-year December average yield of 32.73%, assuming the GSE Index maintains the last three-year average annual return of 4.41%, and that the mobile money business follows the financial model outlined in the table 1.

However, it is important to note that past performance of stocks and bonds is not necessarily indicative of future results.



Requirement of starting a Mobile Money Business

Regulators differentiate between full banking licenses and other financial service licenses.

Agent Registration



You must register with MTN as an authorized agent.

Cash Float Requirement



Need to maintain a cash float to facilitate transactions.

Agent SIM



Purchase a dedicated MTN Mobile Money Agent SIM, which is configured specifically for processing transactions and managing your agent account.

Equipment and FF&E

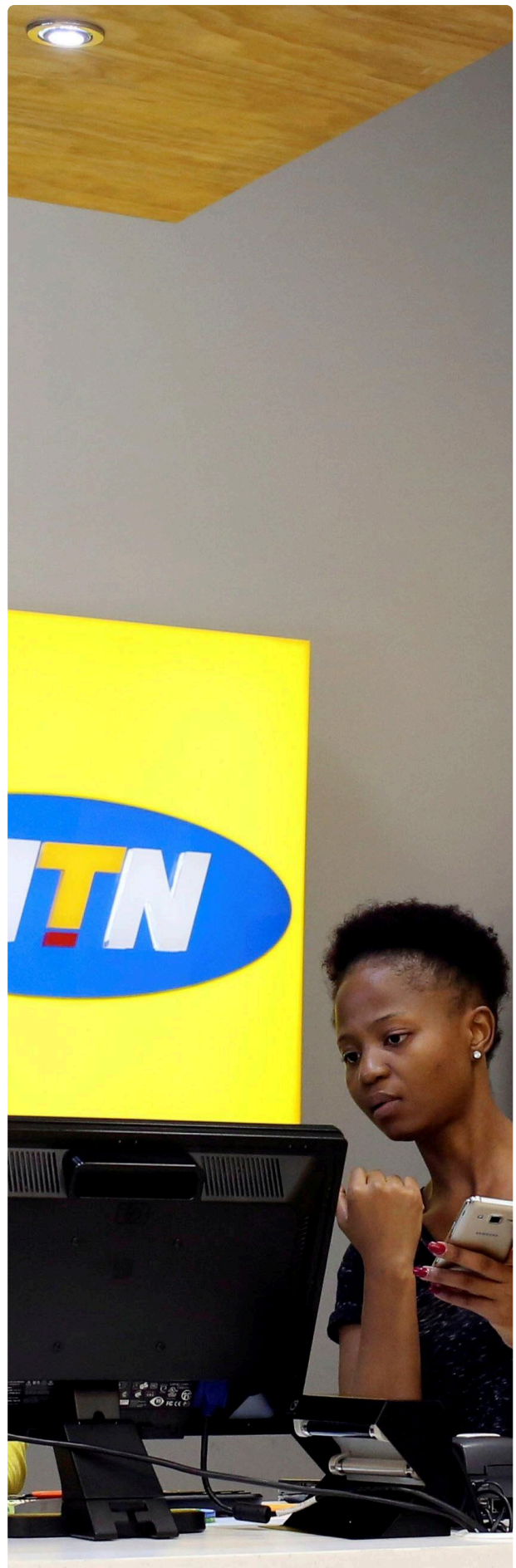


Invest in essential equipment such as smartphones.

Compliance and Training



Complete any mandatory training programs.



Mobile Money Business: Summary of Cashflow Analysis

Revenue Schedule	Unit	Year 1	Year 2	Year 3
Number of Clients	-	60.00	60.00	60.00
Transaction Count	Frequency	1.00	1.00	1.00
Average Size of Transaction	GHS	100.00	120.00	144.00
Total Transaction Volume	GHS	6,000.00	7,200.00	8,640.00
Average Commission Rate	%	1.00%	1.00%	1.00%
Commission Value per Day	GHS	60.00	72.00	86.40
Operating Days per Year	Days	312.00	312.00	312.00
Total Annual Revenue	GHS	18,720.00	22,464.00	26,956.80
Capital Cost				
Equipment & Hardware	GHS	2,000.00	666.67	666.67
Furniture & Fixture	GHS	3,000.00	600.00	600.00
Sub-total	GHS	5,000.00	1,266.67	1,266.67
Operating Cost				
Rent	GHS	9,600.00	11,520.00	13,824.00
Utilities	GHS	3,600.00	4,320.00	5,184.00
Sub-total	GHS	13,200.00	15,840.00	19,008.00
Economics				
EBIT	GHS	5,520.00	6,624.00	7,948.80
Operating Margin	(%)	29%	29%	29%
Free Cashflow (After Tax)	GHS	520.00	5,357.33	6,682.13
Annual Return on Investment	(%)	10%	423%	528%

Financials

The values in the table represent a potential three-year cash flow projection of a mobile money business. Total Capex and Operational is projected to be approximately GHS 5,000.00 and GHS 13,000.00 respectively in year 1.

Revenue is projected to grow solely from price inflation of 20% over the three-year period.

The business is projected to have an average operating margin of 29% based on the cashflows highlighted in the table and an average return on investment of 320%.

Some Major Risks in a Mobile Money Business

Fraud and Theft

Handling large volumes of cash and digital transactions opens up the potential for internal or external fraud, requiring robust security measures.

Connectivity Issues

Reliable internet or network connectivity is critical. Interruptions can hinder transaction processing and lead to lost business.

Cash Float Management

Maintaining a sufficient cash float is crucial. Poor management can lead to liquidity issues, where the agent cannot fulfill withdrawal requests.

