Mobile Money Linkages Pilot

A CASE STUDY OF A MOBILE MONEY LINKAGES PILOT IN UGANDA AS PART OF EXPANDING FINANCIAL INCLUSION (EFI) IN AFRICA

EFI PROJECT BACKGROUND

In 2013, Catholic Relief Services (CRS) – with support from the MasterCard Foundation – launched the Expanding Financial Inclusion in Africa (EFI) program in Burkina Faso, Senegal, Uganda, and Zambia. The goal of EFI is to expand financial service access to vulnerable households to improve their resilience, and does so by creating Savings and Internal Lending Communities (SILCs) using the Private Service Provider (PSP) methodology. To date, EFI has surpassed its original targets, forming more than 20,000 groups and reaching more than 543,000 members.

EFI MOBILE MONEY PILOT IN UGANDA

The EFI Project in Uganda provided a unique opportunity to enhance and expand the range of services available to new and existing members engaged in informal savings groups. The CRS Uganda SILC program provided a strong foundation to experiment with the *facilitation of formal long-term savings products* using mobile money platforms, supported by program scale.

In 2012, Uganda was somewhat unique in that a larger share of the population (18%) had access to informal savings groups than had access to formal banking services (12%). Access to mobile money services, which lie somewhere between formal and informal financial services, was growing rapidly.

The Mobile Money Pilot in Uganda originally started on the basic premise that very poor rural households could be better served through a combination of savings groups, which provided the structure and motivation to save, and mobile money platforms, which could provide the means to save conveniently in formal institutions, especially for groups located in very rural areas. The project thought that a combination of SILC services and deposit accounts linked to mobile money solutions would help move rural SILC members along the financial services trajectory toward engagement with more formal financial services.

QUICKFACTS	
Project Type	**Savings-led microfinance**
Partner	**Mastercard Foundation**
Project location	**Africa**
Countries	**Burkina Faso, Senegal, Uganda, and Zambia**
# of people served	**543,000**
Timeframe	**2013-2017**

OUR ORIGINAL HYPOTHESIS

The SILC methodology generally provides sufficient mechanisms to cater for members' short term savings needs (1-12 months) and short-term loans (1-3 months) with beneficial share-outs of bulk sums at the end of the cycle. However, SILC members may have longer-term needs (>12 months) that are currently not met by the SILC methodology, which could be catered for by a formal financial institution. This type of long term savings product must be well-researched and demand driven to attract both the SILC members and a banking partner. To reach those who are among the most excluded, it could be facilitated via a mobile linkage platform. A long-term savings account could be a gateway product for SILC members to access other products and services.

The premise included promoting a group-based savings service which may interest banking institutions by mobilization of relatively 'sticky' long-term deposits. Since SILC members are only able to save with their groups for one cycle at a time, CRS aimed to discover whether SILC members would also wish to save for a longer period to enable investments requiring useful lump sums: to build a new home, to purchase land, to send a child to advanced schooling, or to prepare for old age. This seemed to be a viable starting point for pilot activity with a bank, as long term deposits could present opportunities for the bank to develop a stable 'float' where they can earn margins. Over the long term, formal financial services for SILC groups may evolve into a wider range of savings products, and also broaden to other financial services. They may also evolve from group-operated products to individual products that SILC members learn about, and begin to use as a result of SILC group membership and education. CRS envisioned that the experienced Private Service Providers could be the link between the service provider and the SILC groups, thus potentially earning a commission for facilitation of such a linkage.

WHY MOBILE SAVINGS?

Mobile payments platforms could provide a transaction channel which isn't limited by geographic or socioeconomic factors, making it possible to reach out to rural SILC members with formal deposit services.
The business model for a mobile-enabled, long term group or individual deposit account used by SILC members was seen to be compelling for all stakeholders involved for the following reasons:

- SILC groups will expand their product mix with a long-term bank deposit offering, while maintaining control over their funds at all times by transacting over mobile money platforms.
- Banks will enjoy a new source of 'sticky' deposits through a long-term savings offering
- PSPs will earn commissions without getting involved in transactions themselves
- Mobile money retail agents will experience better liquidity, as SILCs will produce net in-flows of cash, to balance their deficit of cash caused by remittance flows

SO, WHAT HAPPENED?

Under the mobile money component, it was hoped that there would be an existing digital financial savings product for groups within the industry which would be adapted and operationalized. However, a functioning product did not exist and there was need to conduct in-depth market research, intensive engagement of an MNO and a formal financial institution to participate in creating a viable solution.

After the partner selection process was finalized, a Joint Product Development Working Group (JPDWG) consisting of CRS, MTN Uganda, Centenary Rural Development Bank and MicroSave was formed and a joint Memorandum of Understanding (MOU) between the JPDWG members to guide the operations of the group during the project's product development process. From April 2015 through August 2016, CRS worked with the JPDWG members to respond to the market research findings, review the product prototype, planning to conduct user acceptance tests and to eventually agree upon a final product, pilot it and adapt the prototype and market it jointly.

Regrettably, due to two major obstacles—a core banking system upgrade which took 12-14 months and lack of willingness to invest in an aggregator solution for the mobile platform—CRS opted to pursue an alternative solution and partner with another formal financial institution, Post Bank Uganda. Now, almost a year after signing an MOU, only 16 EFI groups have opened accounts and none of them have succeeded in transacting using PBU's mobile platform.

EFI Africa had energy, talent, money, players and time – promising objectives, a market and a potential business case – so why don't we have a product? In 2015, CRS set out to design a complementary long-term savings product for SILC members using a mobile platform for rural outreach—to date the few groups willing to jump through the Know Your Customer (KYC) hoops and open formal savings accounts are still transporting their deposits to the nearest bank branch.

Our upcoming case study on this initiative will dig deep and reveal both the promise and the bust experienced in the 3 ½ years since the effort was launched:

What did we assume the incentives were for each key stakeholders and what did we learn?

What happened? The decision to put the pilot with MTN and CB on hold and find an alternative partner.

Was the business case clear for all stakeholders, including potential clients? Did we anticipate them accurately? Are poor people really a target market for the private sector?

Conclusions and Recommendations for key stakeholders looking at this space.

CRS CATHOLIC RELIEF SERVICES

The Expanding Financial Inclusion in Africa project is funded by the Mastercard Foundation and implemented by Catholic Relief Services in Burkina Faso, Senegal, Uganda, and Zambia. For more information, please e-mail efiafrica@crs.org