

Mobile Money Landscape in the 12 SADC Countries using FinScope Survey Data

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Abstract

There is no doubt that mobile money is bringing the under-served and the excluded population into the main stream financial services' corridors. Based on the FinScope surveys, mobile money is becoming one of the enablers of financial inclusion. In an increasing number of developing countries, a number of poor people are using basic mobile phones to transfer money, paying for goods and accessing some basic financial services.

According to the World Bank, mobile financial services are amongst the most promising mobile applications in the developing world. Although FinScope results show that mobile money usage is relatively low (23%) in the SADC region, the trend of usage is coming up fast. FinScope results show that close to 7 in 10 mobile money users are using it as a remittances / money transfer vehicle while 54% for buying airtime. It is encouraging that about 7 million adults (24% of mobile money) store value or save money in their mobile money accounts. Some barriers to mobile money relate to: affordability, perceived cost of mobile money, lack of understanding of mobile money / lack of awareness and no access to cell phones. Besides these barriers, mobile money is becoming a game changer for the landscape of financial inclusion in the SADC region.

Keywords: Financial Exclusion, Financial Inclusion, Finscope Survey, Mobile Money, SADC Region

1. Introduction

According to the GSMA 2015 report, sub-Saharan Africa accounted for more than half of the 255 live mobile money services across the globe in 2014. Further, the report mentions that of all the regions, Sub-Saharan Africa records the highest level of mobile money penetration. The SADC regional block hosts some of the most developed mobile markets in Sub-Saharan Africa, including South Africa, Mauritius and Angola (GSMA, 2015). Within the

SADC region, South Africa is the largest mobile market, accounting for nearly one-third of total subscribers with 38 million unique subscribers as of June 2015. The GSMA report further states that the SADC region has the second biggest smartphone market in the region, and the highest smartphone adoption rate at a quarter of total connections. The total number of smartphones is forecast to reach 198 million by 2020, taking the adoption rate to nearly 60% (GSMA, 2015).

In an increasing number of developing countries, millions of poor people are using basic mobile phones to transfer money; paying for goods; and accessing sophisticated financial services, such as credit, insurance, and savings accounts (Donovan, 2012). The FinScope data has seen an increase in the usage of the mobile money across the SADC region but the usage differs significantly from country to country. Further, FinScope research has shown that mobile money has become an important contributor for financial inclusion.

According to the World Bank, mobile financial services are among the most promising mobile applications in the developing world. Undoubtedly, mobile money (m-money) could become a general platform that transforms the entire economies, as it is being adopted across commerce, health care, agriculture, and other sectors.

The story of mobile money story is not complete without mentioning the M-Pesa story of Kenya. Mutsonziwa and Maposa (2016) recently mentioned that the M-Pesa story is a well-known and documented success story of mobile money service offered by Safaricom that helped other markets to learn from it. It is therefore not surprising that mobile money is increasingly becoming one of the key drivers of financial inclusion especially in the emerging

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markets. Existing literature is showing that mobile money is a faster, cheaper, and more reliable way to remit and can bring the poor and the under-served people into the financial system.

1.1 Contribution and Significance of this Paper

This paper looks at the findings of mobile money in the 12 SADC countries using the FinScope consumer surveys conducted by FinMark Trust. The paper gives an overall insight of the level of financial inclusion within the SADC region and then zooms in mobile money as an important facilitator of financial inclusion. The paper spells out the drivers and barriers to mobile money from a regional perspective. Although some of the questions were not necessarily asked in the same way, there is sufficient commonality between the surveys to allow for some level of cross-country comparison to have an understanding of the mobile money within the 12 SADC countries.

1.2 Layout of the Paper

The paper covers a number of topics necessary to understand the results. Important issues covered include the following:

- First section provides introduction to the paper, significance of the research and the layout of the paper.
- Second section gives a brief literature overview of mobile money in the 12 SADC countries where the FinScope consumer surveys have been implemented.
- Third section covers the methodology in terms research design, reliability, validity and ethical considerations as well as the sample sizes covered by the FinScope surveys.
- Fourth section covers the data analysis while last section discusses the results and gives the conclusion.

2. Review of Literature

Donovan (2012) argues that observers are increasingly noting that mobile money can serve as a general purpose technology platform on which other services can develop. Mas and Radcliffe (2010) think that mobile money represents a new way to promote financial inclusion by 'building the payment rails on which a broader set of financial services can ride'.

Research conducted by Boston Consulting Group (BCG) shows that US\$1 billion in remittances flows out of South Africa to other countries in the Southern African Development Community (SADC) annually. Further the BCG research shows that of that amount, more than \$650 million reaches recipients through informal channels such as private agents or family and friends travelling between locations. Taking into account the risks associated with informal channels of remitting, mobile money becomes a very important, secure and efficient alternative to be used in the SADC region. Research by FinMark Trust on remittances shows the cost of remittances across the South African borders is very expensive for using the formal channels like banks and other formal agents like MoneyGram and Western Union. Taking the coverage of mobile network operators (MNOs) in the SADC region, mobile money is a cheaper alternative.

The research by BCG mentions that banks and mobile network operators should consider partnerships, as neither has everything required for it to succeed on its own. Further, the research argues that banks have the back-office systems and the understanding of risk and financial industry regulations, while the mobile network operators have the access to customers and large distribution networks. Developments in the SADC region have actually started these partnerships. An example of such partnerships is the EcoCash Diaspora product which is a partnership between World Remit and Econet Wireless of Zimbabwe launched in June 2014.

For mobile money to be successful, there needs to be proper consideration from different stakeholders especially the regulatory bodies. Research has shown that mobile money has revolutionised financial services in several African countries, lowering transaction costs and thus providing consumers and small businesses with easy, cheap and safe ways to transact more effectively. An article by the Centre for Competition, Regulation and Economic Development (CCRED) researcher uses the experience in Kenya to demonstrate that mobile money can be instrumental in bringing people into the formal economy, generating information on individuals' transacting behaviour and thus creating better risk profiles — and a credit record — which can be used to offer them financial services that would otherwise be inaccessible. The success of M-Pesa in Kenya is often attributed to the friendly and flexible regulatory approach of Central Bank of Kenya. In most geographic jurisdictions, mobile money providers have not been regulated as full-fledged

banks and hence mobile money should work. Although South Africa has appropriate infrastructure for mobile money to flourish, the mobile money story has not been that good due to the regulatory system. Possible solution to unlock low uptake of mobile money is partnership between banks and mobile network operators and other players in the financial sector.

3. Data and Methodology

This paper uses the FinScope consumer survey data from 12 SADC countries. The FinScope survey is a quantitative

research tool which was developed by FinMark Trust and is one of the most reputable survey on financial inclusion. The FinScope surveys are nationally representative surveys of how adult individuals source their incomes, and how they manage their financial lives. It also provides insight into attitudes and perceptions regarding financial products and services. More information on FinScope methodology can be accessed from www.finmark.org.za.

The sampling frames were given by national statistics bureaus of these countries. The FinScope surveys were based on nationally representative samples of adults as from 15 years or older as shown in Table 1.

Table 1: Most FinScope Surveys in the SADC Region used in this Paper

Country	Year of survey	Sample size	Starting age of adult (in years)	Adult population (weighted)
Botswana	2014	1 503	18	1 324 572
Lesotho	2011	2 000	18	1 133 711
Malawi	2014	3 005	16	8 025 052
Mauritius	2014	4 000	18	921 007
Mozambique	2014	3 905	16	14 431 915
Namibia	2011	1 242	16	1 245 997
South Africa	2014	3 900	16	36 778 676
Democratic Republic of Congo (DRC)	2014	5 000	15	21 698 341
Swaziland	2014	3 440	18	565 043
Tanzania	2013	7 987	16	24 231 763
Zambia	2015	8 479	16	8 129 450
Zimbabwe	2014	4 000	18	6 998 144
Total		48 461		125 483 671

The combined representative sample of 48 461 adults in the SADC region was large enough to infer the results and understand the mobile money dynamics of the region. This sample was extrapolated to about 125 million adults in the 12 SADC countries. The data used in this report was weighted and any analysis used in this paper is based on weighted data.

3.1 Reliability, Validity and Ethical Considerations for the Study

The FinScope SADC questionnaires went through rigorous processes that involved the steering committee members composed of stakeholders from the financial sector, policy makers, non-governmental organisations (NGOs) and other interested parties like developmental

organisations. Each of the questionnaires went through separate independent processes in each of 12 SADC countries during the years of the implementation of the surveys. These steering committees ensured that all the processes were properly followed. The FinScope questionnaires are designed on the basis of comprehensive understanding of financial inclusion and therefore had high reliability and validity. As expected in any survey, the issues of confidentiality and ethical considerations were emphasised during the fieldwork of the FinScope surveys. The FinScope data were validated against census data and the fieldwork processes were independently quality checked by national statistics bureaus of the 12 SADC countries, independent FinScope Steering committee members, FinScope local project coordinators and FinMark Trust staff.

4. Results and Analysis

This section briefly discusses how the data was analysed. The data analysis and results are based on weighted data and the analysis was done using Statistical Package for the Social Sciences (SPSS). Various analytical tools were used but for this paper, the results are based on frequencies and percentages of the extrapolated SADC adult population.

4.1 Levels of financial inclusion and exclusion

A number of researchers have argued that mobile money can help to reduce the level of financial exclusion especially in the less developed economies. FinMark Trust developed the financial Access Strand to segment the adult population into four unique segments as shown in Figure 1. For more information on the Access Strand, please refer to www.finmark.org.za.

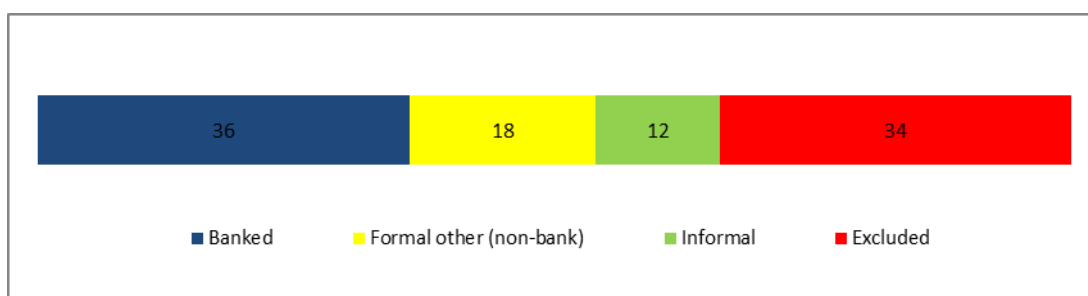


Fig. 1: Access Strand in the 12 SADC countries

In constructing the SADC Access Strand, the overlaps in financial product/services usage are removed, resulting in the following four segments:

- 34% (41.9 million) adults population are financially excluded adults, i.e., they do not use any financial products - neither formal nor informal.
- 12% (14.4 million) adults rely only on informal mechanisms.
- 18% (22.7 million) adults have/use formal non-bank products/services but have no commercial bank accounts. These people might also have/use informal mechanisms.
- 36% (45.7 million) adults have commercial bank products/services. These people might also have/use other formal and/or informal mechanisms.

From Figure 1, it is evident that the SADC region still has high levels of financial exclusion with 34% of the adults excluded from the financial system. Some of the excluded people have access to mobile phones and may participate in the financial system through mobile money.

Table 2 shows that mobile phones are common in the SADC region with 71% representing about 88 million adults coming from households that own or have access to mobile phones. The incidences of adults having access to mobile phones are high in Namibia (95%), Botswana

(94%), Swaziland (92%), South Africa (90%), Mauritius (84%) and Zimbabwe (81%). Mozambique (48%) and Democratic Republic of Congo (57%) are still lagging behind on percentage of people having access to mobile phones. From the incidences of people having access to mobile phones, the FinScope surveys show that the access to mobile phone does not necessarily imply usage of mobile money. However, one hopes that if mobile money awareness programmes are properly targeted to consumers, more people would see benefits and sign-up for the mobile money services.

Table 2: Proportion of Adults with Access to Mobile Phones

Country	% of adults having mobile phone(s)
SADC	71
Namibia	95
Botswana	94
Swaziland	92
South Africa	90
Mauritius	84
Zimbabwe	81
Zambia	78
Malawi	72
Lesotho	70

Country	% of adults having mobile phone(s)
Tanzania	61
DRC	57
Mozambique	48

Extrapolating the FinScope data for the adults in the SADC region showed that about 28 million adults in the region use mobile money. Taking into account the different levels of infrastructural developments for the mobile network operators and the aggressiveness in adopting mobile money, the proportion of mobile money users obviously varies considerably across the SADC region with Tanzania and Zimbabwe having relatively high uptake of mobile usage as compared to the other countries.

The FinMark Trust book mentions that mobile money awareness is notably lower in countries such as Malawi (20%); Mozambique (21%); Mauritius (32%) and DRC (35%). The proportion of adult population who are m-money users ranges from 51% in Tanzania to only 2% in Mauritius.

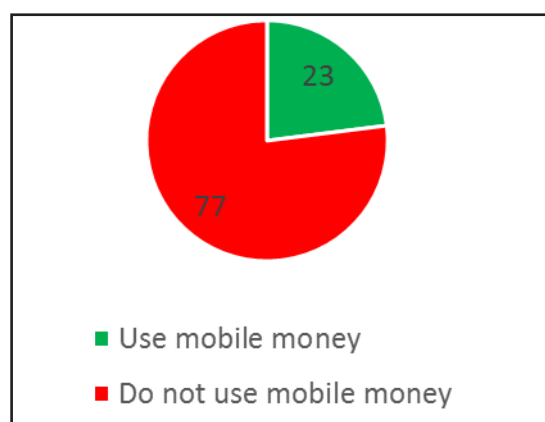


Fig. 2: Proportion of Consumers who Use Mobile Money in SADC Countries

Figure 2 shows that only 23% of the adult population in the SADC countries uses mobile money. This means there is still a big potential market for mobile money to be expanded. Table 3 shows the proportion of adult that uses mobile money per country.

Table 3: Proportion of the Adult Population that Uses Mobile Money

Country	% of adults using mobile money
Tanzania	51
Zimbabwe	47

Country	% of adults using mobile money
Botswana	29
South Africa	24
Swaziland	21
Zambia	14
DRC	4
Mozambique	3
Malawi	3
Mauritius	2

Please note that Namibia and Lesotho are excluded in this table as there were no questions on mobile money in the questionnaire when the surveys were implemented.

Mobile money is still in its infancy stage in most of the SADC countries with the exception of Tanzania and Zimbabwe. The incidences of mobile money usage are very low in countries such as Zambia, DRC, Mozambique, Malawi and Mauritius. However, taking into account more recent developments on promoting the use of mobile money, new trends will begin to emerge. Mobile network operators are pushing for the use of mobile money product in order to give extra value to their customers.

4.2 Drivers or Reasons of Using Mobile Money

This section looks at the drivers or reasons for the use of mobile money.

Table 4: Uses of Mobile Money in the SADC Countries

Use of mobile money	%
Remittances/money transfers	69
Buy airtime	54
Store/save money	24
Check bank statements	18
Pay bill/other non-cash payments	17

There are a number of uses of mobile money as shown in table 4. Close to 7 in 10 mobile money users are using it as a remittances/money transfer vehicle while 54% use it to buy airtime. It is encouraging that about 7 million adults (24% of mobile money) store or save money on their mobile money accounts. The store value tendency is skewed towards users in Tanzania and slightly to Zimbabwe users. Figure 3 shows the usage of mobile

money according to area type. Mobile money is used as a remittances vehicle mainly in the rural areas with close to

9 in 10 users confirming this. It is also important to point out that 81% in the rural area are not using mobile money.

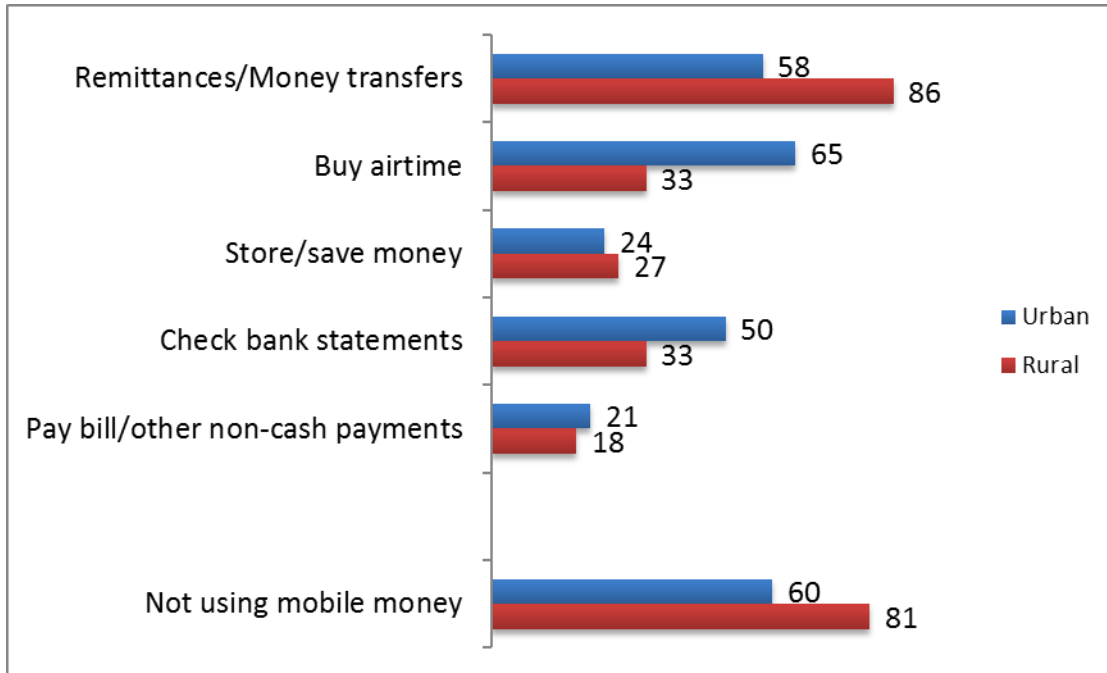


Fig. 3: Usage of Mobile Money in 12 SADC Countries by Area Type

Although this paper is not necessarily concentrating on remittances, the remittances strand shows that people actually prefer to remit through formal mechanisms. With mobile money, the use of informal mechanisms and using

relatives/friends as remittances vehicles will be eliminated due to efficiency, reliability and cost effectiveness of mobile money.

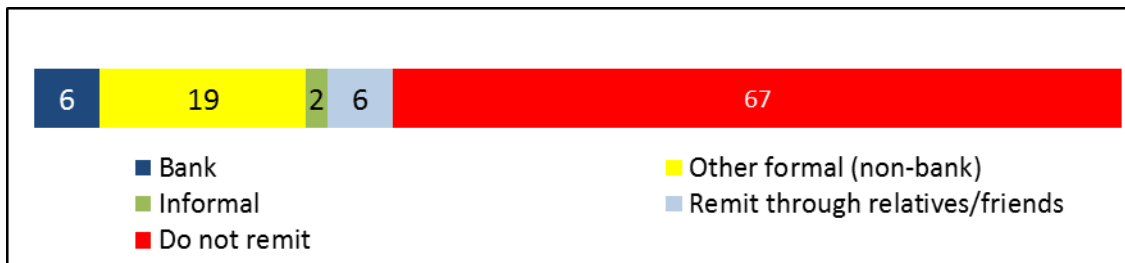


Fig. 4: Remittances Strands for the 12 SADC Countries

4.3 Barriers to Mobile Money

There are a number of reasons for people not to use mobile money. According to the FinScope surveys, some of the main reasons for not using mobile money are as follows:

Affordability Related Reasons: Affordability of financial services is a big barrier when dealing with the vulnerable segments especially the under-served and the excluded population. Unaffordability means that if mobile money is a convenient medium for transacting, the vulnerable

group might not benefit from such services as they do not necessarily have the money to remit.

Cost of Mobile Money: Mobile money is relatively cheaper in comparison to the conventional financial services such as banks and other remittances service providers. Though mobile money is the best alternative that is reliable, efficient and cost effective, the vulnerable group would prefer services that are free and therefore they would associate any small payment as not suitable to them.

Lack of Understanding of Mobile Money / Lack of Awareness: In some cases, there is limited understanding of mobile money and the advantages that it offers. This barrier to usage of mobile money is directly linked to the awareness of the services of mobile money and therefore financial literacy can be useful to demystify the mobile money especially in the rural areas. It is important to mention that mobile money is becoming so popular that high percentage of the population in the SADC region is aware of mobile money although they may not use the services due to financial distress.

No Access to Cell Phones: The FinScope survey results show that some people do not have access to mobile phones. Not having access to mobile phones automatically means exclusion from personal mobile money usage. However, if within the household there is someone with a mobile phone, then there is still an opportunity to use mobile money through that cell phone in that household. In some cases, people in rural areas use a community cell phone to receive mobile money or other important communication such as emergency calls. However, it is important to point that mobile phones are now relatively affordable even for the poor segments of the population.

Conclusion

The SADC region still has high level of financial exclusion. The FinScope surveys have pointed that mobile money is an important enabler of financial inclusion. Mobile money has extensively extended the frontiers of financial inclusion to reach millions who were previously excluded from financial services within a relatively short space of time. This is evidenced in countries like Tanzania and Zimbabwe with higher incidences of mobile money usage. Botswana, South Africa and Swaziland are seeing relatively moderate uptake and usage of mobile

money. On the other hand, DRC, Mozambique, Malawi and Mauritius have very low incidences of using mobile money. In case of Mauritius, one can argue that the financial system is well developed and perhaps consumers do not necessarily see the benefits of mobile money. On the contrary the financial infrastructure in some of the countries with low usage of mobile money is not good and therefore mobile money should help consumers to have access to financial services in an efficient, reliable and use of system through the mobile network operators. The obvious barrier to mobile money is high poverty levels in the region implying that people might not have the means to participate in the mobile money space.

The key drivers of mobile money are mostly remittances / money transfers and buying airtime. As the mobile money matures, it is anticipated that consumers will embrace using mobile money as a saving vehicle. In some countries, consumers are actually starting to use mobile money to store value or save their money.

In conclusion, mobile money in the SADC region is pushing financial inclusion frontier. While some people are enjoying mobile money services, it is important to mention that there are people who are still excluded from the formal financial system. The reasons why people do not use mobile money and the reasons mainly relate to poverty related issues. Mobile money is becoming an important player and the landscape of financial services will not remain the same as poor people especially in the rural areas and the under-served will have viable alternative to receive formal financial services. Therefore, the positive impact of mobile money is a huge benefit for the people in accessing financial services within the SADC region.

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