

FINANCIAL INCLUSION **insights**

APPLIED RESEARCH FOR  digital financial inclusion

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FII QUICKSIGHTS REPORT MOBILE MONEY LAPSED AND NONUSER STUDY WAVE 1

April 2014

THE FINANCIAL INCLUSION INSIGHTS (FII) PROGRAM

The FII research program responds to the need for timely, demand-side data and practical insights on the use of mobile money and other digital financial services (DFS), and the potential for their expanded use among the poor.

The program covers eight countries in Africa and Asia at different stages of DFS development. Research was launched in fall 2013.

FII is operated by global research group InterMedia and sponsored by the Financial Services for the Poor initiative of the Bill & Melinda Gates Foundation. All FII data and research is publicly available through the FII portal: www.finclusion.org.

QuickSights reports provide initial findings from each FII research project. These reports feed into subsequent Wave Reports which synthesize the results from all projects conducted during a wave of research in a given FII country.

All data and materials resulting from the FII program are the property of the Bill & Melinda Gates Foundation, but the findings and conclusions within are those of the authors and do not necessarily reflect positions or policies of the Foundation.

STUDY DESIGN

Objectives

Sixteen focus groups were conducted with lapsed users and nonusers of mobile money to:

- Provide insights into why they stopped using or are not using mobile money services.
- Understand barriers to and triggers for uptake and use of mobile money.
- Understand participants financial behaviors and current pain points and identify potential for new digital services.
- Map common transactions to see where mobile money services can facilitate financial inclusion.

Key research questions

- If and how does digital literacy affect the use of mobile money services?
- Why did lapsed users stop using mobile money?
- Are nonusers aware of mobile money services? If yes, why they are not using them?
- What routine financial transactions do participants conduct, what goods and services do they buy, and how do they make those financial decisions?
- Which of these transactions are the most difficult to conduct?
- Can mobile money serve participants' daily transaction needs, and, if so, how?

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LOCATION AND PARTICIPANT PROFILE

- Fieldwork took place between Nov. 30 and Dec. 19, 2013.
- Prior to the selection of specific districts, researchers selected two large regions in Tanzania, which showed the highest rates of mobile money use based on the outcomes of the FITS 2013 panel study: Coastal region (Dar es Salaam and surrounding areas) and the Lake region (Mwanza and surrounding areas).
- Within each region, we listed all districts covered by the FII national survey.
- One urban center in each region was selected purposively: Dar es Salaam for the Coastal region and Mwanza for the Lake region.
- Other districts in each region were selected randomly from the list of districts covered by the FII national survey.
- The age group for all participants was 25-34.
- There were eight participants in each focus group, with the exception of one group that had seven participants.

	Region 1: Coastal (Dar es Salaam and surrounding districts)*	Region 2: Lake (Mwanza and surrounding districts)**
Urban, lapsed user, income below poverty line	2 male groups	2 male groups
Urban, nonuser income below poverty line	2 male groups	2 male groups
Rural, lapsed user income below poverty line	2 female groups	2 female groups
Rural, nonuser, income below poverty line	2 female groups	2 female groups

* Districts selected for fieldwork in the Coastal region include Kinondoni, Ilala , Temeke , Bagamoyo and Mkuranga.

**Districts selected for fieldwork in the Lake region include Ukwere, Nyamagana Manispaa, Ilemela Manispaa, Sengerema and Magu.

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SUMMARY OF FINDINGS

An unstable mobile network, high service fees and poor agent performance are among the key barriers to mobile money uptake among nonusers and continued use among lapsed users in Tanzania.

High transaction fees are a key concern, driving lapsed users to reduce the number of transactions to save on fees. Participants are also unclear about how individual fees are calculated.

Fear of transactional errors is an example of the negative effect poor digital literacy has on the uptake and use of mobile money. Some lapsed users are unsure of what to do if they send money to a wrong mobile phone number, so they avoid making transactions altogether, except in emergencies.

Most participants do not understand English. An English-language interface is a barrier to mobile phone use, as well as the use of mobile money services.

Mobile money account registration is now compulsory for direct usage of mobile money services. This is an irritant for occasional/infrequent users (who can drop out and become lapsed users), and a barrier to uptake for nonusers.

As to participants' financial routines, most of their daily transactions are clustered around either their homes or workplaces, and can be easily conducted in cash.

However, for large and/or important payments such as school fees and electricity bills, participants have to travel far to pay providers. If they don't have money for transport, and fail to pay these bills, services get disconnected or late fees are charged. Mobile money services are a potential solution to these problems.

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USING MOBILE PHONES AND MOBILE MONEY



A mobile money agent kiosk (left) and a mobile money agent shop (right).
Source: InterMedia.

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MOBILE PHONE USAGE

Shared Mobile Phone Usage

- Most participants have their own phone, but sharing a phone is common, especially in rural areas, where buying airtime and charging phone batteries are difficult to do.
- While common, sharing phones is often cited as a cause for social friction because borrowers can use up the phone owner's airtime. Sharing is also a cause of marital discord – allowing a stranger to use a personal phone raises suspicions of infidelity by the other spouse.
- Lack of access to a charging point is common, especially in rural areas, with many participants complaining that they have to turn the phone on and off to save battery power.

Mobile Network and Airtime Usage

- Mobile phone users try various mobile-phone operator services; many users own multiple SIM cards (i.e., have multiple SIM cards registered in their name).
- Vodacom is the most widely used service across the country; Tigo is the most popular service in the Coastal region.
- At least half of participants say they don't use their phone as frequently as they want to because they don't have the money to buy airtime.
- In rural areas, airtime is difficult to find (because of the limited supply from providers and high demand among customers).
- The shortage of money and airtime drives sharing/selling of airtime through electronic transfer services like Tigo Rusha. Agents and consumers alike can sell/share airtime.

Phone Features

- Urban participants, males in particular, can operate advanced phone features. Rural participants, especially women, are more likely to stick to basic features/voice only; for other operations they may ask other people (friends, neighbors, relatives) to help.
- Most participants reported they could not understand the English-language mobile phone interface, or text messages (SMS) from network operators.

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Consumers are suspicious of mobile network operators (MNOs) because of network issues and unclear fees

- **Mobile phone users report “surprise” charges** – being charged for unwanted services (e.g., call-back services) – and service options they subscribed to by mistake. Some participants said their airtime can be deducted even when calls fail or phones are not in use.
- Limited and inconsistent network availability in rural areas are also key concerns and contribute to multiple SIM-card usage.
- In addition, participants reported they have problems getting money in emergency cases (e.g., an unplanned trip to relatives upcountry) because of service delays and network outages.
- Surprise charges and technical problems create frustration, fuel distrust in MNOs and discourage use.

Customers get frustrated when they experience network problems

“Sometimes it [mobile money services] is not operational and at times you want money to travel. The money is in the phone but when you want to withdraw, they tell you that the network is down.”
Urban male, lapsed user, Dar es Salaam

“The network fails in the village, so we are forced to climb a tree to access it.” Urban male, lapsed user, Dar es Salaam

Since MNOs are the providers for both mobile phone and mobile money services, reducing negative experiences with phone services may help build overall trust in MNOs and other services, including mobile money.

Reduced rates for making calls within network get positive reviews

Multiple SIM-card ownership, including from different providers, is common for users because it allows them to take advantage of “on-net”* promotions and avoid extra charges for calling across networks.

Bundled promotional products, such as “Cheka,” offer reduced prices for cross network calls and aim to reduce the need for multiple SIM-card use. Most participants were happy about this market development.

Price	Mins	SMS	Data	Period
150	-	10	-	24 Hours
250	5	25	5	24 Hours
400	10	50	10	24 Hours
500	20	150	60	24 Hours
900 Cheka Day	40	-	-	6:00 AM to 5:00 PM
1200	50	300	100	24 Hours
2500	100	500	500	2 days
6000	300	500	1GB	5 days

Customers who do not subscribe to any of the offers above will pay the following charges: Vodacom to Vodacom calls will be charged at Tshs 2.20 per second from 6am to 04:59pm; Tshs 3.00 per second from 05:00pm to 09:59pm. Customers will enjoy FREE Vodacom to Vodacom calls after the third minute from 10:00pm to 05:59am. The first 3 minutes will be charged Tshs 2 per second. Vodacom calls to other networks will be charged Tshs 4.20 per second all day.

SMS to any network in Tanzania will be charged Tshs 50. All charges exclude taxes.

power to you

* On-net refers to communication within the same mobile network operator

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Awareness of mobile money services is high

Most participants, including nonusers, were aware of mobile money services. Although most thought it was primarily a money transfer service, many also knew about the bill-pay option.

Lapsed users and nonusers also consider mobile money a good storage tool that helps “keep money,” although they said they might not use it specifically for this purpose.

Mobile money is generally perceived as secure. Most participants are aware of and appreciate the PIN protection and account privacy features, but are still afraid they will forget the PIN number.

Few participants, however, knew of value-added services such as the ability for farmers to use the phone to check market prices for their produce.

The majority of lapsed users have tried using at least one mobile money provider. Their experiences, however, resulted in more negative than positive perceptions.

Most participants have heard of alleged MNO and agent fraud cases; but few said they experienced fraud themselves.

Thus, the fear of fraud is less prevalent than the fear of sending money to a wrong mobile phone account.

Perceptions about mobile money are generally positive

Most participants are able to relate to the benefits of using mobile money, such as speed and ease of transactions. A few participants were able to send money across networks and thought the transaction was convenient.

“It is very easy for you to send money to someone who is in the village.... Your cash is in your phone and you are sure to get it anytime you want it.... I can buy airtime anytime even if it’s at night.... Saving money is so easy [on mobile money services] you don’t have to go and make a long queue at the bank.” Urban male, lapsed user, Mwanza

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Service charges, perceived as high, are a key barrier to uptake and more active use of mobile money services

- The costs of mobile money transactions are widely perceived as too high.
- Some blame government taxes for higher charges, but most believe mobile money providers set the charges too high.
- Almost all lapsed and nonusers blame high costs for discouraging them to continue/start using mobile money services.
- Transfer and withdrawal fees cause a reluctance to transact more frequently. Occasional lump-sum withdrawals help keep service charges down.
- Many are attracted to Airtel Money services because of its no-transaction-charge policy, but this positive feedback does not translate to active usage for lapsed users.

“The services are good only that the charges are high and it is a burden to us.... This is a business and they are supposed to charge [a fee] but they should reduce their charges.” Urban male, lapsed user, Dar es Salaam

“What made me quit using M-Pesa services was the charges. When you withdraw 10000 TZS (\$6) they charge you 1200 TZS (\$0.75) and on top of that they charge you when you check balance so I quit.” Rural female, lapsed user, Mwanza

“I was not using itbut now I want [to] join Airtel because they are not charging [for mobile money services]” Urban male, nonuser, Dar es Salaam

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Customers do not understand the service-fee structure, which leads them to suspect agent fraud

- The lack of trust in mobile money is frequently caused by the lack of understanding of the services and tariff structure.
- Many don't understand why charges vary for sending and withdrawing money in different locations, or how the difference in transferred amounts is reflected in transaction fees.
- Most participants reported that agents are not always helpful; some appear poorly trained and unknowledgeable about their business. An agent's inability to explain services and charges causes more confusion among users and raises suspicions of agent fraud.
- Participants want a simple and clear fee structure and low fees, or no charges at all for some transactions.



Agent location posters explain tariff structure
Source: InterMedia

“The charging rate is not standard because some places withdrawing ten thousand you are charged 1200 TZS (\$0.75) while in another place you are charged 2000 TZS (\$1.2). There are posters ... but the way they are written is different from what the agent says. [Agents] tell you this [tariff poster] is from last year, you just ask yourself what is that they are charging? The agents are thieves.” Rural female, lapsed user, Mwanza

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Registration of mobile money accounts is perceived as a bother but not as a barrier to uptake, if the process is fast, easy and free, with clear benefits

Lapsed users, as well as some nonusers, understand the benefits of registered use, including lower charges and convenience. Registration is also seen as a safer way to transact.

Many lapsed users started using through a third party/ agent without registering, but later registered in response to the government requirement to register their SIM cards.



Mobile money agent shop

Source: InterMedia

Some lapsed and nonusers are unsure about how to go about registering or transacting.

When forced to register, some stopped using the services altogether. Others continue to use through an agent, but less frequently.

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Many don't want to register for occasional transaction needs

Key barriers to registration:

- The government directive requiring registration has resulted in long registration queues.
- Agent errors (e.g., entering an incorrect phone number), cause delays in account activation.
- Some participants did not have the required IDs (e.g., passport or national ID).
- Agents reportedly charge for registration, which is promoted as a free service.
- Many lapsed users only make occasional transactions; they do not plan to use the service more frequently and do not see the need to register.
- Most lapsed and nonusers still see mobile money as a good “one-off” emergency transaction tool because they do not have to travel to the bank or to the recipient/sender of the money, saving them transportation costs.
- Some participants, especially women, prefer to use mobile money through their spouses or other family members' accounts.

Lapsed users limit their use to infrequent, emergency transactions through third parties

“I saw that it [mobile money services] was easy to use in an emergency because you can send money without the receiver having to pass by the bank.” Urban male, lapsed user, Dar es Salaam

“I usually use the agent when sending money to my mother.” Urban male, nonuser, Dar es Salaam

“I give my husband and then he sends for me.” Rural female, lapsed user, Mwanza

Additional barriers to uptake include low awareness of services/products other than money transfers, and a poor agent network and agent services

- Most nonusers say they simply don't have anyone to transfer money to/from and don't need mobile money services. The limited awareness of mobile money services, other than transfers, slows down uptake among populations not interested in person-to-person (P2P) transfers.
- Rural participants across all groups are still concerned about the poor agent network in rural areas, agents' poor performance, and frequent lack of float and cash. Agents are seen as unreliable, and so are the services they offer.

"I don't have anyone to send me money or to send money to." Rural female, nonuser, Dar es Salaam

"My problem is the charges are too high and the agents are very few. There was a time I walked for a long distance just looking for an agent and I did not get and this is the reason so many people are quitting." Urban male, lapsed user, Mwanza

KEY ROUTINE TRANSACTIONS AND OPPORTUNITIES FOR DIGITAL FINANCIAL SERVICES



Tigo Pesa mobile money agent kiosk.
Source: InterMedia.

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Routine Transaction Profile – Transactions are clustered around the home and workplace

All routine daily transactions are easy to conduct in cash.

With few exceptions, financial activities take place within a 2 km radius from participants' homes and/or workplaces (longer in rural areas). In both rural and urban areas, transportation costs for common transactions are minimal to none.

Participants want little or no transportation costs, but have to travel long distances to pay school fees or medical bills.

Shopping trips to urban market centers happen once a month or less frequently.

Common transactions among lapsed users and nonusers

- **Daily /Weekly**
 - Food rations
 - Airtime
 - Transport
- **Monthly**
 - Clothing
 - Alcohol (for male participants)
 - Electricity tokens
 - Rent
 - Family support
 - Electricity bills
- **Quarterly**
 - School fees & supplies

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Most transactions can easily be conducted in cash, except for school fees and electricity payments

- Several urban participants reported that electricity bills (Luku - electricity meter tokens) are the most difficult to pay, and transportation costs to travel to vendors are high.
- Late payments, often due to either a lack of money to pay the electricity bill amount or the transportation costs, result in the service being disconnected.
- Similarly, paying school fees often requires long-distance travel and additional money for transportation.
- In a few places, utility companies offer bill-collector payment services. These services are easy to use and are a preferred way of paying.
- Most participants have heard about bill pay through mobile money services but they don't know how to sign up for the service or how to use it.



Posters in agent locations display visual instructions for mobile money use
Source: InterMedia

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Savings is seen as having little potential for digitization, mostly because of the perceived high fees

- Cash is easy and considered to be convenient and the preferred method for most financial activities, including savings, despite theft-related concerns.
- Most participants save in their “home bank” or through other informal mechanisms. Those saving at home do so in small increments, and inconsistently.
- Perceived high deposit charges discourage those who save in small increments from using mobile money.
- Those who store money or set money aside for a future purchase or goal, don’t want to use mobile money because of high withdrawal fees. Some expressed interest in saving and taking out loans that are linked to mobile money services.
- A few participants expressed interest in using mobile money for saving, if the charges are affordable and the process is clear.

GLOSSARY OF TERMS

- **Agent** – A person or business contracted/registered by a DFS provider to provide services to DFS customers using their own bank or mobile money account.
- **Below the Poverty Line** – In this particular study, adults living on less than \$2.50 per day, as classified by the Grameen PPI.
- **Digital financial services (DFS)** – Financial services that are provided through an electronic platform (mobile phones, electronic cards, the internet, etc.). **For this particular study, digital financial services include bank services and mobile money services.**
- **E-float/float** – When accepting deposits of cash from customers, mobile money providers issue “e-float,” measured in the same units as the national currency and held in a customer’s registered accounts. When a person sends/receives money through an agent, the agent has to have e-float (money on the agent’s account) available to transfer to the recipient’s account. Otherwise, the agent cannot complete the transaction.
- **Financial inclusion** – A state in which all people who are able to use them have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients.
- **Grameen Progress out of Poverty Index (PPI)** – A poverty measurement tool from the Grameen Foundation wherein a set of country-specific questions are used to compute the likelihood that a household is living below the poverty line. PPI has been widely accepted in the sector of financial inclusion as the basic measure of poverty.
- **Lapsed user** – An individual who has used a DFS on their own or somebody else's account, but has not done so in the last 90 days.
- **Mobile money (mobile money)** – A service in which a mobile phone is used to access financial services.
- **Mwallet** – A data repository that houses consumer data sufficient to facilitate a financial transaction from a mobile phone.
- **Nonuser** – An individual who has not used a DFS on their own or somebody else's account.
- **Over-the-counter (OTC) users:** Mobile money users who accessed the services over the counter (i.e., via a mobile money agent).
- **Services beyond basic wallet** – DFS transactions that go beyond simple deposits, withdrawals, or money transfers.
- **SIM card** – A removable micro-card that contains a subscriber identity module that securely stores the electronic codes used to verify subscribers’ identities on mobile phones and computers.
- **Urban/rural** – Urban and rural persons are defined according to their residence in urban or rural areas as prescribed by the national bureau of statistics.

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