



TAKING HUMAN-CENTERED DESIGN FROM THEORY TO PRACTICE:

UGAFODE'S AIRSAVE
Considerations for financial service providers

March 2018 - UNCDF MicroLead Partner Case Study Series



Project:
MicroLead Expansion Project

Funder:
Mastercard Foundation

Technical Service Provider:
MEDA

Financial Service Provider:
UGAFODE

Authors and Researchers:
MEDA
- Justina Li
- Jennifer Ferreri

Review Committee:
UNCDF
- Pamela Eser
- Hermann Messan
- Ivana Damjanov
- Kirsten Weiss


Mastercard Foundation
- Ruth Dueck-Mbeba
- Amos Odero

March 2018. Copyright © UN Capital Development Fund. All rights reserved.
The views expressed in this publication are those of the author(s) and do not necessarily represent the views of UNCDF, the United Nations or any of its affiliated organizations or its Member States.

Acknowledgements


The researchers and authors wish to express their appreciation for the time and transparency of the UGAFODE leadership team in sharing information and insights captured in this case study. The UNCDF MicroLead staff, particularly Kirsten Weiss, provided valuable advice in structuring the case study. The funding for capacity building provided by Mastercard Foundation through UNCDF MicroLead were critical to UGAFODE's success and to its documentation in this case study.

Table of Contents

- 
- Summary



4 Introduction



6 Project Background



9 AirSave – from Concept to Delivery



20 Conclusions

Acronyms

BM	Branch Manager
BoU	Bank of Uganda
CBO	Community-Based Organizations
CO	Credit Officer
CRS	Catholic Relief Services
CSO	Customer Service Officer
FA	Field Agent
FDA	Fixed Deposit Account
HCD	Human-Centered Design
HQ	Head Office
IT	Information Technology
KPI	Key Performance Indicators
MDI	Microfinance Deposit-Taking Institution

MEDA	Mennonite Economic Development Associates
MFI	Microfinance Institution
MIS	Management Information System
MM	Mobile Money
MNO	Mobile Network Operator
MOU	Memorandum of Understanding
OSA	Ordinary Savings Account
PSP	Private Service Provider
SMO	Sales and Marketing Officer
UGAFODE	UGAFODE Microfinance Limited (MDI)
UGX	Ugandan Shilling
UNCDF	United Nations Capital Development Fund

Executive Summary

This case study explores the challenges and opportunities of introducing an agent-based mobile savings product to mobilize savings for rural, low-income women in Uganda, as well as the use of human-centered design (HCD) in product development.

Beginning in 2013, UNCDF MicroLead programme funded technical assistance provider, MEDA, and UGAFODE on a project to reach 80,000 additional savers in Uganda. To accomplish this ambitious goal, UGAFODE received technical assistance and training from MEDA, IDEO.org and 17Triggers. Under UNCDF's MicroLead program. Using human-centered design research, the UGAFODE team identified that there was high demand from rural Ugandans for a safe place to store money, especially cash kept in savings group lock boxes, as well as an opportunity to build a relationship with a banking institution to access other services, like credit. Customers also expressed a need for greater accessibility, since many live far away from physical bank branches. Thus, two new product concepts were born: GroupSave, a savings product for registered savings groups, providing a safe place to store group savings, and AirSave, a new digital access channel, which would allow customers to leverage their existing GroupSave mobile money accounts to move money in and out of formal accounts at UGAFODE. This case focuses on the AirSave channel.¹

Fast forward to November 2014. UGAFODE completed a six-month pilot of AirSave, but the results were well below expectations. Sign-ups were below target, and activity on the AirSave accounts lower. Facing lackluster results, Ugafode's Business Growth department and MEDA embarked on a new journey to understand why customer adoption was lower than expected and why dormancy continued. As it turns out, the journey of rolling out a new alternative delivery channel connected to mobile money is not simple, even when agents rather than MFI staff are utilized. While UGAFODE correctly anticipated demand for savings, it did not correctly anticipate the challenges of introducing a digital channel. In the end, refining its target market and improving agent management would be critical for the successful implementation of the AirSave channel.

¹ See <http://www.uncdf.org/article/3430/group-savings-from-theory-to-practice> for the MicroLead Partner Case Study Series case on Ugafode's GroupSave product.

Introduction

UGAFODE Microfinance Ltd. (UGAFODE), a private microfinance deposit-taking institution in Uganda, received funding and technical assistance through UNCDF's MicroLead programme to expand savings mobilization in September 2013.



A field van for GroupSave

When UGAFODE approached expanding rural access to savings, and in particular to women, they discovered an unmet need in the market. Working with IDEO.org, UGAFODE and MEDA used a human-centered design methodology for its research and uncovered existing savings groups didn't have a safe place to store their money. They also realized that the biggest challenge facing its potential customers was access – both for client convenience and security.

Mobile banking delivered with a group-catered product appeared to be the answer to this challenge, enabling customers to collectively deposit money safely with low transport costs.

UGAFODE launched GroupSave and AirSave in June 2014 with ambitious goals, yet the results were not promising. Mobile banking delivered with a group-catered product was expected to overcome the barrier of accessibility, but it was clear that groups and individuals were not interested in using UGAFODE's mobile platform, AirSave, independently or in conjunction with their GroupSave accounts.

Why?

Project Background

UGAFODE began in 1994 as a non-governmental organization under the name of Uganda Agency for Development Limited (UGAFODE). It was primarily a microfinance institution (MFI) offering a mix of affordable credit products to low-income Ugandans in the urban, peri-urban, and rural areas.

Table i
Uganda at a Glance

Capital	Kampala
Population	39,570,125
Total area	241,038 sq km
Agricultural area	71.2%
Currency	Ugandan Shilling
Inflation rate 2017 (est)	5.8%
GNP per capita, PPP (2016)	USD 2,100
Population below the poverty line (2013 estimate)	19.7%
Life expectancy	55.9 years
Literacy rate	78.4%
Human Development Index Rating	163 out of 188

Sources: CIA World Factbook and UNDP Human Development Report 2016. Acronyms: GNP, gross national product

Over the years, it grew steadily to become one of the leading microfinance service providers in Western Uganda. In 2010, UGAFODE was incorporated as a company and transformed into a Microfinance Deposit-Taking Institution (MDI) with new savings products to balance credit operations. Two years after receiving its MDI license, UGAFODE was still undergoing the transformation from an NGO-run, credit-led institution to a deposit-focused one. Confronting challenges in securing capital to finance its portfolio expansion, the institution was interested in prioritizing retail deposit mobilization from its existing base of mostly rural clients, as well as expanding financial access to new customers.

The United Nations Capital Development Fund (UNCDF) was running MicroLead at the time – a programme focused on supporting the development and roll-out of deposit services of MFIs like UGAFODE. UGAFODE needed help, not only to bring financial services to the marginalized, but also to grow its deposit base from a lower cost and more sustainable source of credit funding.

MEDA, an international economic development organization, applied for MicroLead funding with a unique approach of using consulting firms and subcontractors to apply private-sector practices in a development setting. MEDA would act as a technical advisor to UGAFODE, designing and deploying an innovative savings project that would target rural, female, low-income savers in Uganda. MEDA supported the endeavor by bringing on an experienced project manager and hiring various short-term technical experts for different stages of the project, beginning with market research.

Market Research

In June 2013, MEDA hired the renowned design research firm IDEO.org to jointly design and conduct field research on current and potential savings clients. IDEO.org used a human-centered design approach, a creative process that started with the people – the end users – and ended with a tailor-made solution to suit their needs.

IDEO.org began the work by asking:

“

How might we design formal savings tools that are better suited to the needs of low-income Ugandans, especially women and rural populations?

”

Through desk research and field visits, the team discovered that many women were part of savings groups, where members saved together and grew the pot through a sophisticated practice of interal lending. They often kept the funds in a lock box, but expressed concerns that it was susceptible to theft or fire. Although storing the money at a formal institution would mitigate that risk, the groups were intimidated by such “high-status” means and also found formal savings to be inconvenient and costly.

These insights turned into two important questions:

- 1. How might UGAFODE make savings a frequent, convenient activity that is accessible to all?*
- 2. How might UGAFODE support savings groups effectively and build upon their existing structures?*

Product Development

Many brainstorming sessions later, IDEO.org drew up two preliminary product concepts – GroupSave, a group savings product, and AirSave, a mobile savings channel designed to be used independently and in tandem with GroupSave. The product concepts were guided by the how-might-we questions. These concepts were then piloted for six months, from June to December 2014, within four UGAFODE rural and peri-urban branches – Kagadi, Lyantonde, Mpigi, and Kyotera.

AirSave – from Concept to Delivery

AirSave was introduced as a mobile delivery channel that would make it easy for customers to “save any amount, anytime, anywhere”. Building off this need, the team sought to leverage an existing and familiar behavior, the prepaid airtime scratch card, to promote easy savings.² Similar to purchasing mobile phone airtime, clients would be able to add money to their accounts by purchasing cards at local vendors and converting them into account deposits via text message.

² In lieu of post-paid services, the prepaid airtime scratch card was introduced by mobile network operators through proprietary dealer and retail kiosk networks as a way to sell airtime to retail customers without assuming the risk of non-payment. Scratch cards can be sold in a variety of multiples, and simply require the phone user to scratch off a code and enter it into the phone system to add airtime to the mobile number.

After IDEO.org completed its work, MEDA conducted a full institutional capacity assessment. Concern arose about the ability of UGAFODE to implement a scratch card based AirSave model, since it would require UGAFODE to outsource or print and manage its own scratch card system, something it did not possess the capacity to do. Through a cost-benefit analysis and risk analysis (Table i), several drawbacks to a scratch card were immediately clear: 1) scratch cards would require a substantial upfront investment for procurement, printing, distribution and IT adaptations, (2) they would carry significant fraud risk if outsourced or externally managed, and (3) they would carry significant agent management costs for monitoring and training, since agents would be required to distribute scratch cards when branches are far away.

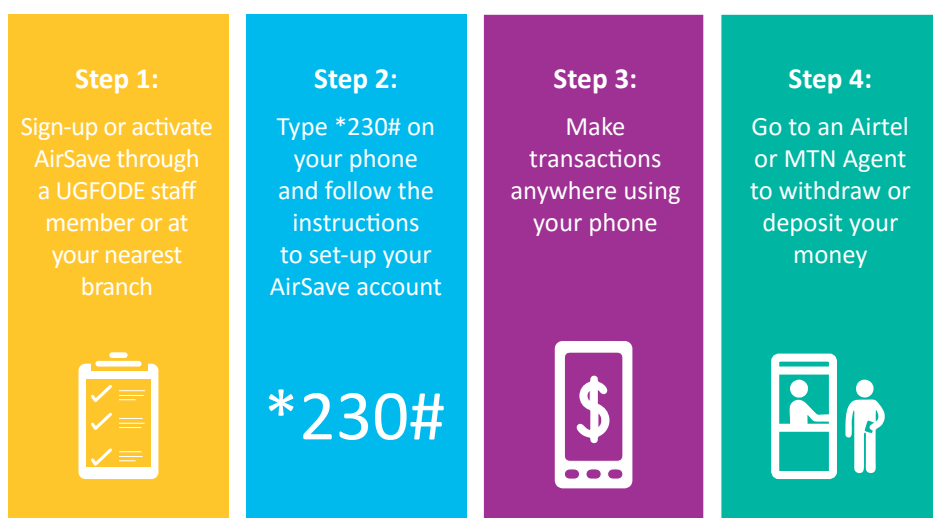
The cost-benefit and risk analysis also highlighted that UGAFODE should not develop its own mobile banking platform, but should partner with existing mobile money providers to reduce the level of upfront and management costs, provided that it signs MOUs with mobile network operators (MNOs) or agents to mitigate liquidity risk, limited agent access, reputation and fraud risk.

Table ii
Cost-benefit and risk analysis

	Scratch Cards	Mobile Money
Benefits	<ul style="list-style-type: none"> • High outreach potential (geography & numbers) • Easy to use for all clients • A potential future funding source for UGAFODE • Unique branding • Benefits deposit clients 	<ul style="list-style-type: none"> • Medium-high outreach (geography & numbers) • More difficult for non-mobile money users to use since it requires registration and training • A potential future funding source for UGAFODE • Mostly benefits loan clients
Costs/Capacity	<ul style="list-style-type: none"> • High upfront costs – printing, distribution • Inventory management costs • Agent management cost if scratch card distribution is done at an agent • Higher cost per transaction to UGAFODE • Higher monitoring costs 	<ul style="list-style-type: none"> • Low upfront costs • Partnership cost • Higher cost per transaction to client
Risks	<ul style="list-style-type: none"> • High reputational risk – external card production errors, poor marketing by sub-contractor which might misrepresent the product • High IT & operational risk – registration, agent management, and reconciliation fraud or delays • Medium account opening risk • High potential for fraud – counterfeit cards by external provider, transfer of money to/from acct 	<ul style="list-style-type: none"> • High reputational risk – mobile network downtime, requires agents to manage liquidity • Medium agent access – lack of agent locations • Medium account opening risk • Medium potential for fraud – transfer to/from account

Based on the cost/benefit analysis performed, UGAFODE opted to launch AirSave using the existing mobile money infrastructure, connecting to Uganda’s mobile network operators through a network aggregator, Pegasus. AirSave was linked to MTN’s mobile money wallets to push (deposit) or pull (withdraw) funds from a linked UGAFODE savings accounts. (Figure i)

Figure i
AirSave Process



Although the scratch card was a clever and innovative product, UGAFODE had to further apply human-centered design thinking to adapt AirSave by asking, “Do customers want scratch cards, or do they want to save money?” In hindsight, it would have been more appropriate to evaluate UGAFODE’s capacity before leaping into HCD research and product development, but this was a timing conflict no partner had control over. The adaptation unfortunately became a stumbling block for AirSave, and UGAFODE had to navigate unanticipated challenges discovered during the pilot phase before the platform could become fully functional.

The AirSave Pilot

Target: UGAFODE anticipated enrolling 960 of its existing clients and 960 of new clients for the AirSave service during the pilot test.

Results: Over a span of seven months, there was steady growth in active AirSave account sign-ups, averaging 25 accounts per month for a total of 171 active AirSave accounts registered. However, many accounts failed to complete activation or make a first transaction using the service. Thirty day activity rates of the mobile banking channel also varied widely depending upon the customer segment using the product. Savings groups were the least frequent users of the mobile delivery channel, with only one group utilizing a mobile money agent for a transaction. (Table iii)

Table iii
AirSave Pilot Summary

	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14
Registered AirSave accounts	148	325	101	94	56	26	77
Total Active Accounts	22	66	107	124	144	160	171
Deposit Amounts (UGX)	21,031,500	51,006,600	104,910,600	131,462,900	155,466,300	173,300,300	227,743,100
Withdraw Amounts (UGX)	2,510,500	26,955,050	81,270,250	104,294,530	130,159,203	138,384,003	164,048,453
Rural Accounts	5	32	65	81	97	108	117
Urban Accounts	17	34	42	43	47	52	54

Sources: UGAFODE Groupsave and Airsave Partner Pilot Report, February 2015

Lessons from the Pilot

Although the human-centered design (HCD) process had identified a market gap - group savings and a rural client base – UGAFODE did not follow the same rapid prototyping process for testing AirSave, the mobile money based platform. As a result, the prevalence and usage of mobile money among the intended client base - rural, low-income groups and individuals – was overestimated.

At the same time, the AirSave pilot demonstrated that the institution had *underestimated*:

- 1. Comfort with mobile money:** Many of the targeted audience did not have the same level of comfort, understanding or frequency of use when it came to mobile money that the Uganda FinScope³ study suggested.
- 2. Literacy:** Due to a design challenge (local language terms would not fit on traditional phones), the menu for AirSave was only offered in English. Given the higher than anticipated illiteracy rates, many customers were not able to read the AirSave menu or the English-only menus of mobile money providers. UGAFODE AirSave brochures were also not translated into the local language until much later in the project due to budget restrictions.
- 3. Financial literacy:** Customers avoided AirSave's transaction costs, which were perceived to be higher than the opportunity cost of closing shop and travelling to the bank.
- 4. Mobile literacy:** Customers did not like storing money on the phone, because they did not understand or trust the mobile money system. They either preferred to avoid mobile money entirely or depended on others to conduct transactions for them.

³ FinScope Uganda, Uganda 2013 FinScope III Survey Report Findings (Kampala, Economic Policy Research Centre, November 2013).

5. Design complexity: Using AirSave to transact on a GroupSave account was functionally complex, cumbersome and difficult for customers to grasp. Even UGAFODE staff had challenges understanding and explaining it. Further, GroupSave’s intended market – rural women – had especially low financial and digital literacy capabilities, because men often handled financial matters and were the primary mobile phone owners and users.

UGAFODE’s journey to roll out the AirSave alternative delivery channel underscores the importance of a continuous feedback loop for refining product design and a team dedicated to refinement. The initial HCD process unearthed customers’ needs for an easy way to access their savings accounts in the absence of physical branches in rural areas. At this point, UGAFODE considered a number of different alternatives. However, because the feedback loop for refining product features or delivery was still new to UGAFODE, very little post-pilot refinement of product features, adjustment of partnerships or customer follow-up research had been completed, with the UGAFODE team relying on several incorrect assumptions regarding why product uptake was low. The customer satisfaction research that was conducted was not easily translated into UGAFODE making investments in improved customer service, better marketing or rapid adjustments in partnerships. This resulted in slow uptake of AirSave, because the marketing strategies created for low-income and illiterate customers failed to connect with the other customers that were more appropriate for AirSave. This highlights the limitations of HCD when it is conducted as a one-off activity.

The learning here is that HCD must be a continuous process accompanied with strong change management leadership. In the case of product modification, the institution must revisit the question of whether or not the target customer segment could use the adapted product. For UGAFODE, this meant considering and researching whether or not savings groups would be confident and capable using mobile money wallets. Additionally, when the target market shifts, the institution should be ready and willing to let go of its original plans. It must re-examine how the product can benefit both client and company, and develop a new marketing strategy in response.

A Note on UGAFODE’s Human-Centered Design (HCD) Experience

Selling AirSave to people who were not ready for mobile money resulted in many users but no usage. The platform failed to become a viable delivery channel for GroupSave, with only one active savings group registered on AirSave after the pilot. UGAFODE did not have the means to change the product, and was therefore left with two options to address this issue (Table iv).

Table iv
UGAFODE's options to address the GroupSave and AirSave gap

	Action	Pros	Cons
Option 1	Invest in literacy, financial literacy, and digital literacy through the site seller*, step-by-step demonstration, instruction brochures, and agent engagement	Create demand through education Increase financial accessibility for low-income, rural populations	Staff time will be more constrained High cost of financial education and agent partnerships Slower uptake of AirSave
Option 2	Change the AirSave target market to literate, educated, near-branch borrowers and individual savers	Easy and feasible Faster market penetration in uptake and usage	AirSave loses its function as the access point for GroupSave customers and other rural, low-income customers

* The site seller is a portable, laminated picture book that can be used in remote areas to illustrate topics presented by the field staff.

“
Most customers who join groups are semi-literate or illiterate. They need a patient person to walk through the product many times. - Joseph Adia, UGAFODE Risk Manager
”

As much as UGAFODE wanted to train rural, low-income people on mobile money usage and financial literacy, as in option 1, UGAFODE was only one player in a very complex system. UGAFODE realized it had to also depend on Uganda's development of infrastructure, mobile money adaptation and education. Option 2 was the most reasonable solution to this problem. Although UGAFODE did indeed spend resources on “option 1” activities, AirSave was eventually detached from GroupSave as its own channel, and the geographic scope of GroupSave's market was made smaller to target groups that did not need to rely on AirSave.

According to Hannington Thenge, UGAFODE's Head of Business Growth and Development, “AirSave became an important service to UGAFODE and was rolled out to all branches and available to all customers in 2015. By the end of 2015, the number of users enrolled in AirSave had reached 4,600. In 2017 this number is now over 22,000.” While today, in 2017, active usage remains low at about 10% of registered users, important benefits have been realized:

- **Increased accessibility and convenience:** AirSave has made it more convenient for customers to access disbursed loans and to make repayments using AirSave because they no longer must travel to the branch.
- **Increased deposit retention:** UGAFODE has noticed a trend that customers save more when using AirSave. Customers attribute this to the knowledge they can access their funds when they need them, so they now only withdraw the funds required for a transaction.

MNO Support

Network Integration

AirSave highly depended on partnerships between UGAFODE, MNOs, and aggregators. The chosen aggregator, Pegasus, would link UGAFODE to the two biggest MNOs – MTN and Airtel. However, because each had its own competing interests, UGAFODE had to relinquish control to the bigger player, that is, the MNOs, which led to hiccups that impeded AirSave's functionality and success.

MTN

MTN was linked to AirSave (USSD *230#) without much difficulty, but the MNO had its own agenda. It developed a competing service on its own mobile money (MM) platform (USSD *165#) that allowed customers to deposit and withdraw money from their MM wallets into a directory of banks, including UGAFODE. AirSave was no longer the only option for mobile banking.

One of the difficulties of riding on an external service provider was also the full dependence on its network connection. If the MNO network was down, then AirSave was down, and customers would be frustrated. UGAFODE had to deal with technical problems outside of its control by developing its own responsive customer service.

Airtel

Partnership with MTN may have been quick and easy, but an Airtel-Warid merger in Uganda became the source of even more problems. Although the chosen aggregator, Pegasus, had a strong relationship with Warid, it struggled to build a partnership with Airtel, which left about 30% of the potential market (who were Airtel-Warid users) disconnected from AirSave.

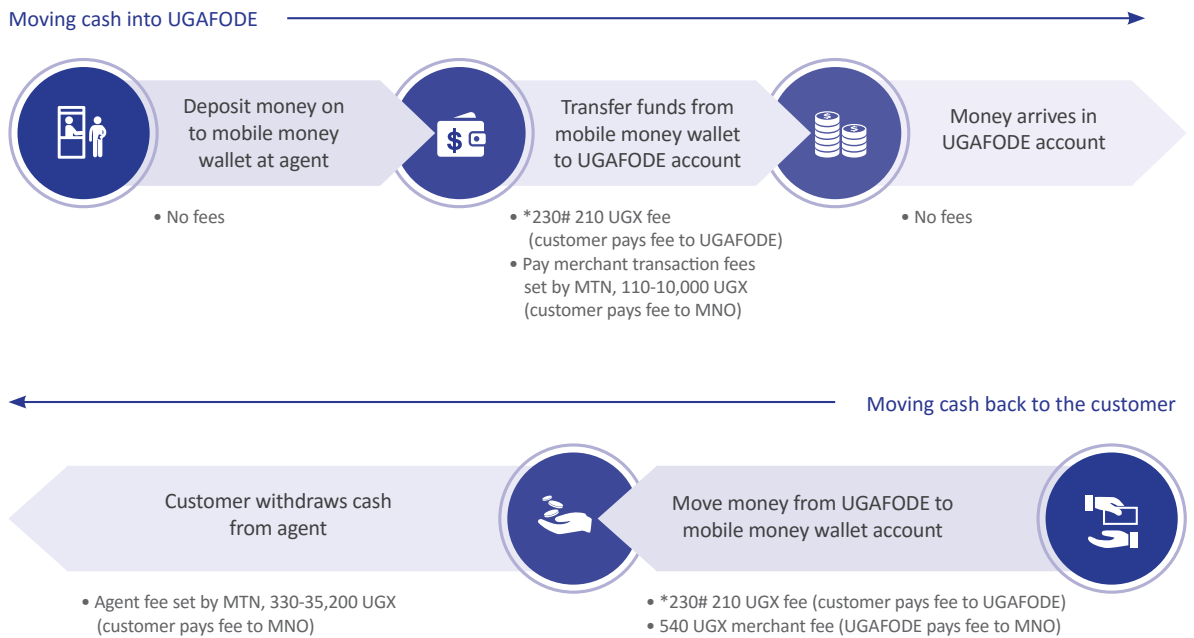
Various negotiation meetings were conducted and other aggregators were considered, but to no avail. UGAFODE had exhausted its options and decided to wait for the Pegasus-Airtel link to be finalized. Eventually, deposits and withdrawals became operational through Airtel in 2016, two years after the pilot.

Unfortunately, Airtel's slow integration stalled the uptake of AirSave, allowing other competitors to develop their own platforms. By 2016, a mobile banking platform like AirSave no longer had the new and shiny competitive advantage, but rather was an expected service offered by all banks.

Costs

UGAFODE’s nominal negotiation power with MNOs also became a challenge to UGAFODE’s pursuit of financial inclusion. In the case of MTN, MTN’s system required double authorization if a customer wanted to deposit through AirSave, increasing the cost by 50% (Figure ii). UGAFODE could not absorb the cost and had to pass it on to the customer which limited the accessibility UGAFODE wanted to provide. The only way UGAFODE could respond was to be transparent to customers about the costs and to market AirSave to higher-income individuals who would not be cost-sensitive.

Figure ii
The Cost of using AirSave



“

Even if UGAFODE did a cost-benefit analysis for their clients, they wouldn’t have been able to leverage anything with MTN. From a sustainability angle, I knew it would be a challenge ensuring that UGAFODE had a voice designing the product that would meet the clients’ needs, because UGAFODE was so small. Coming up with a mobile banking product is all about negotiating with the central bank and MNOs. Did UGAFODE have the power, voice, capability, or knowledge on how this really works? – Anonymous UGAFODE manager

”

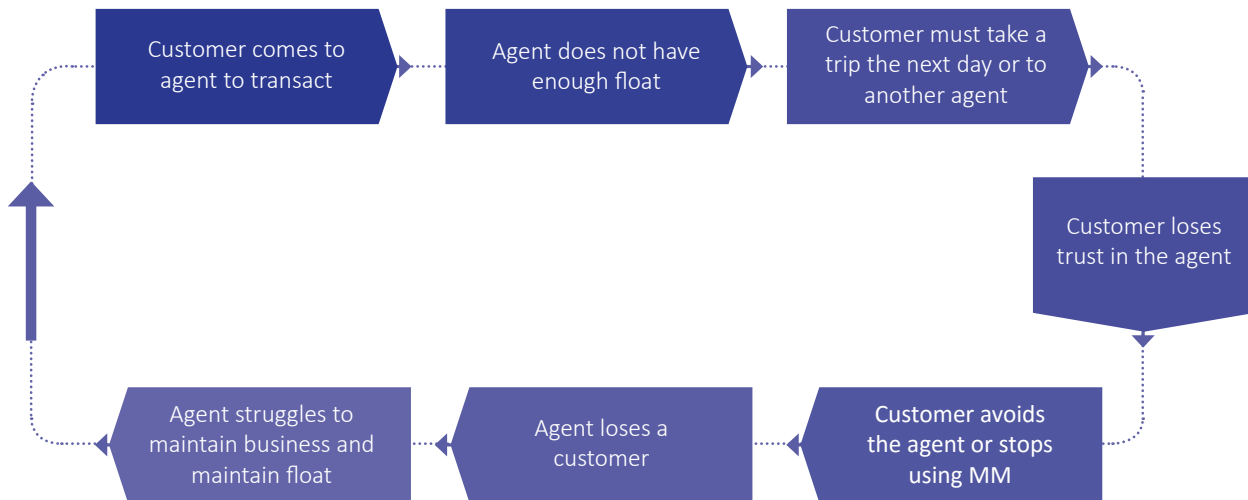
Agent Reliability

MNOs managed a network of mobile money agents who facilitated monetary conversions for customers, exchanging MM for cash. This was a necessary step before a customer could deposit MM into his or her UGAFODE account through AirSave, and it meant that UGAFODE had to rely on agents to make AirSave work.

During the pilot, UGAFODE confronted four additional challenges that upset AirSave's performance.

1. Agents were often not physically present in the areas where UGAFODE's customers resided.
2. When customers were able to find an agent, the agent did not have enough cash or electronic money to complete a transaction. This affected savings groups, because groups preferred to deposit less frequently and in large sums. Liquidity problems were prevalent in rural areas because of a smaller market, and the painful cycle was difficult to break (Figure iii).
3. Agents had issues providing service to customers because they were not well trained on AirSave and UGAFODE's product offerings and did not know how to help customers on AirSave.
4. Mobile-money agents in Uganda are not exclusive and cater to multiple MNOs and banks.

Figure iii
Agent liquidity problem



Agent Engagement Strategy

UGAFODE had no control of agents, no time to simply wait for MNOs to develop a stronger agent network, and no intention to let go of rural clients. So, what could it do?

It opted to partner with agents and the MNOs and thus, an agent engagement strategy was born (Figure iv). The strategy was designed to be mutually beneficial, so that agents could have a dependable customer base, customers could expect reliable agents, MNOs could have more MM activity, and UGAFODE could successfully mobilize savings through AirSave – a win-win situation for all. UGAFODE, in partnership with MTN, is still in the process of implementing the strategy, and trusts that agent engagement will be the key for customers to access financial services.

Figure iv
Agent engagement strategy



A scorecard was also developed to help profile potential agents (see Appendix). However, by 2017, the new scorecard was still not fully rolled out. Prior to using the scorecard UGAFODE first had to source new agents as part of the agent engagement strategy. This piece required collaboration with the MNOs, particularly with MTN and Airtel. The onboarding process took longer than anticipated, partly due to regulatory constraints. “However,” said Mr. Thenge, “this then led to the rollout of the partnership with both MNOs for UGAFODE to become a Super Agent, for Airtel first and MTN later. This was a strategic initiative directly aimed at consolidating our agent engagement strategy. We believed that as Super Agents, we would have a direct relationship with the agent as opposed to intermediating through the mobile network operators. The relationships with our agents have actively grown for over the last year. We now anticipate using the scorecard in our agent pool profiling process and to commence actively using the tool in January 2018.”

Introducing mobile money is not always easy – especially when the market is unfamiliar with the technology. In the early stages, at least, it was important for UGAFODE to target customers more likely to use mobile savings, and where the educational and cultural barriers to take-up were low. It isn’t enough to identify a need among a target market – the institution must also determine the best way to serve it from the clients’ perspective, and market to that client. “Developing the AirSave product was well done,” said Mr. Thenge, “but we also needed to drive its brand to the users. It’s a product that also needs to be sold so that its appreciated.”

Product development and design is also critical. “You have to be ready to continuously improve or even possibly redesign digital solutions based on customer experience,” says Mr. Thenge. “The AirSave platform works very well, but active usage is low. Why are customers not using it? We need to get insights from customers whether AirSave is a service they need. In other words, build digital solutions from the view of the customer rather than from the institution’s perception of the customer’s needs and be patient with this approach.”

Another significant challenge had to do with the MNO. “Partnerships with mobile network operators take time,” said Mr. Thenge, “and small institutions like UGAFODE do not present a viable business case as partners to the MNO.”

Finally, while many financial institutions may view using external agents as a “simpler” or less expensive strategy for getting started with digital finance, it also requires strategic agent engagement to succeed.

“An FSP requires a hybrid approach to building an agent engagement strategy,” says Mr. Thenge. “This means that while the core type of agent sought is the MNO-led agent, you have to engage with the MNOs. However, it’s also necessary to engage/partner with agents directly and develop a value proposition from the FSP beyond what the MNO offers. For example, the agents earn a commission from the MNO; what do they have to gain by partnering with UGAFODE? Is it a commission, the prospect of offering loan, working capital or savings products? How can you influence agents, thereby controlling the customer experience for your clients? The agents’ biggest pain point that we experienced was a lack of adequate liquidity, which an MNO cannot address. If an FSP is able to address that concern, it will have a better chance of success with agents.”

Key Learnings

Conclusions

Despite the multitude of challenges and limitations, AirSave was a source of pride for UGAFODE, from branch manager to CEO:

“
When I used to work for another microfinance institution that didn't have ATMs, people would come to us asking for ATM services and I couldn't provide them with an alternative. Now, when I talk to customers about AirSave, I'm excited to show them the benefits, which far exceed ATMs and really meet their needs. – Rhonnie Tamale, Bombo Rd Branch Manager

”

“
We never thought we could do mobile banking, because NGOs aren't allowed to do mobile banking or savings, but now as an MDI, we have innovated. We have AirSave.
– Wilson Twamuhabwa, (former) CEO

”

AirSave did indeed benefit loan operations, as expected, with the ease of repayment, and the reduction of customers coming to the bank for simple transactions cleared up banking halls for branch staff to focus on customer service and savings mobilization activities.

So what does it take for an institution to leverage technology for the sake of savings mobilization?

1. A flexible, adaptable innovation that considers the institution's capacity to implement,
2. A strong understanding of customer needs and capabilities regarding technology,
3. Partnership management that is cognizant of the goals and objectives of all parties,
4. Patience and adaptability when holding little power to negotiate, and
5. Engagement and relationship building with the agents the institution must rely on.

In the ideal world of unlimited resources, UGAFODE would have developed its own platform for full control of technology and agents, but there is no such world. The lesson learned here is that even if the institution cannot control, it can still influence, and influence is possible by building mutually beneficial partnerships.

Appendix – Agent Scorecard

Agent Scorecard Sheet

First Visit

Third Visit

Second Visit

Fourth Visit

Date of Visit: _____

Name of Staff Person Conducting Visit: _____

Name of Agent: _____

Location of Agent (Which Town/City?): _____

Urban (Classified as in city or town center)

Rural (Anywhere that is not a commercial center)

FOCUS AREA	QUESTIONS	Type of Agent	POINTS					AGENT SCORE
			1	2	3	4	5	
Agent Experience/Business Viability/Commitment	1. Age of Agent	All agents	Older than 55 yrs	45-55 yrs	36-44 yrs	26-35 yrs	18-25 yrs	
	2. What is the educational background of the agent?	Urban Only	Primary	Secondary	Some College	College Graduate	Postgraduate	
		Rural Only	Primary		Secondary		College +	
	3. On a scale from 1-5, do you like being an agent? (5 means they like it the most)	All Agents	Not sure if they enjoy being an agent or are committed to it		Somewhat demonstrate belief in mobile money/some enjoyment of being an agent		Demonstrate great belief in mobile money product & really enjoy being an agent	
	4. How long has the agent been in operation in this area?	All Agents	Less than 1 month	More than 1 month, but less than 6 months	6 months to 1 year	More than 1 year, but less than 2 years	2 years or more	
	5. How many banks are in a 2km radius from agent?	All Agents	Greater than 3	2 -3	1	1	0	
	6. What percentage of your business revenues do mobile money transactions represent?	All Agents	Less than 1%	1-5%	6-15%	16-30%	More than 30%	
7. Do you service any other MFI products?	All Agents	No				Yes		

FOCUS AREA	QUESTIONS	Type of Agent	POINTS					AGENT SCORE
			1	2	3	4	5	
Ability to Transact/Agent Reliability	8. What are the agent's working hours?	All Agents	Less than 4 hours		4-9 hours		More than 10 hours	
	9. Is the agent there during work hours?	All Agents	Very rarely. Most days the agent closes early or opens late or there is no one there to help.		Sometimes agent opens late/closes early. 1-3 days per week there is no one to help.		Always. Every day/every hour there is someone to transact or help clients.	
	10. How many employees (full time/part time) are able to perform mobile money transactions?	Urban Only	1	2			3 or more	
		Rural Only	1		1-2		3 or more	
	11. How many customers does the agent have per day (look at logbook to verify)	Urban Only	1-10	11-20	21-30	31-40	Over 41	
		Rural Only	1-5	6-15	16-25		Over 25	
	12. What is the agent's daily float?	Urban Only	Less than 250,000 UGX	250,000 – 500,000	500,000 – 1,500,000	1,500,000 – 5,000,000	Over 5 million	
		Rural Only	Less than 100,000 UGX	100,000 – 250,000	250,000 – 500,000	500,000 – 1,000,000	Over 1 million	
	13. What is the highest value transaction you can do per day?	All agents	It depends how much float I have or I don't know	More than 100,000 but less than 500,000	More than 500,00 but less than 1 million	1 million to 5 million	Over 5 Million	
	14. How many times in the last week have you turned away a customer because you did not have enough cash or float to conduct a transaction?	All agents	More than 1 time per day	1 time per day	2-4 times per week	1 time per week	Never	

FOCUS AREA	QUESTIONS		POINTS					AGENT SCORE
			1	2	3	4	5	
		Type of Agent						
Customer Service/Experience	15. Is the shop clean and have a nice overall ambience; suitable for financial transactions?	All agents	Shop is not clean or organized. Difficult for clients to conduct secure financial transactions.		Shop is somewhat clean & organized. Some space available for clients to conduct secure financial transactions.		Shop is very clean & organized. Ample space for conducting secure financial transactions.	
	16. How much time does the agent spend with the customer?	All agents	<1 min	1-3 min	1-3 min	3-5 min	3-5 min	
	17. Does the agent charge for mobile money registration?	All agents	Yes				No	
	18. On a scale from 1-5 how well can the agent explain how to open a mobile money wallet?	All agents	Did not explain process; just gave you a form to fill out	Briefly explained the process	Ok explanation of how to fill in registration forms, fees	Good explanation of process, how to do a transaction, how to fill in registration forms, fees	Very thorough explanation of process, how to do a transaction, how to fill in registration forms, set up pin, fees, terms & conditions	

ABOUT UNCDF

UNCDF makes public and private finance work for the poor in the world's 47 least developed countries. With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's financing models work through two channels: financial inclusion that expands the opportunities for individuals, households, and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and by showing how localized investments — through fiscal decentralization, innovative municipal finance, and structured project finance — can drive public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty and SDG 17 on the means of implementation. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile and address exclusion and inequalities of access, UNCDF contributes to a number of different SDGs.

ABOUT MICROLEAD

MicroLead, a UNCDF global initiative which challenges financial service providers to develop, pilot and scale deposit services for low income, rural populations, particularly women, was initiated in 2008 with support from the Bill & Melinda Gates Foundation and expanded in 2011 with support from Mastercard Foundation and LIFT Myanmar. It contributes to the UN's Sustainable Development Goals, particularly SDG 1 (end poverty), SDG 2 (end hunger, achieve food security and promote sustainable agriculture) and SDG 5 (achieve gender equality and economic empowerment of women), as well as the Addis-Abeba Financing for Development Agenda (domestic resource mobilization).

MicroLead works with a variety of FSPs and Technical Service Providers (TSPs) to reach into previously untapped rural markets with demand-driven, responsibly priced products offered via alternative delivery channels such as rural agents, mobile phones, roving agents, point of sales devices and informal group linkages. The products are offered in conjunction with financial education so that customers not only have access but actually use quality services.

With a specific emphasis on savings, women, rural markets, and technology, MicroLead is a performance-based programme that supports partnerships which build the capacity of financial institutions to pilot and roll out sustainable financial services, particularly savings. As UNCDF rolls out the next phase of MicroLead, it will continue to focus on facilitating innovative partnerships that encourage FSPs to reach into rural remote populations, build on existing digital financial infrastructure and emphasize customer-centric product design. For more information, please visit www.uncdf.org/microlead. Follow UNCDF MicroLead on Twitter at @UNCDFMicroLead.

ABOUT MASTERCARD FOUNDATION

Mastercard Foundation works with visionary organizations to provide greater access to education, skills training and financial services for people living in poverty, primarily in Africa. As one of the largest private foundations its work is guided by its mission to advance learning and promote financial inclusion to create an inclusive and equitable world. Based in Toronto, Canada, its independence was established by Mastercard when the Foundation was created in 2006. For more information and to sign up for the Foundation's newsletter, please visit www.mastercardfdn.org. Follow the Foundation at @MastercardFdn on Twitter.

ABOUT MEDA

MEDA is an international economic development organization whose mission is to create business solutions to poverty. Founded in 1953 by a group of Mennonite business professionals, we partner with the poor to start or grow small and medium-sized businesses in developing regions around the world. Our expertise includes a full range of economic development tools: financial services, improved technology, business training, better access to markets and equity investment. Our work most often focuses on women, youth and the rural poor. With over 30 years' experience working toward financial inclusion, MEDA is a pioneer in microfinance. MEDA has played a critical role in the development of rural financial institutions in Tajikistan, Ukraine, Afghanistan, Haiti, Jamaica, Mozambique and Nicaragua since the 1980s. In the last 10 years, MEDA has provided technical assistance to over 40 MFIs and banks in 22 countries.

Currently MEDA is specializing in rural and agriculture finance, information and communications technology (ICT) for financial transactions, community based savings and lending organizations, and micro, small and medium-sized enterprises (MSME) support services. The Financial Services Technical Directorate has the mandate to keep MEDA on the leading edge of development finance by collecting, updating and creating guidelines, policies and best practices.

ABOUT UGAFODE



UGAFODE Microfinance Limited is now a regulated Financial Institution and was licensed by the Central Bank of Uganda to provide focused quality financial services and a wide array of quality financial products to its clients in the urban, peri-urban and rural areas of Uganda to meet the ever-changing needs of its clients.

UGAFODE Microfinance Limited is focused on being the leading Microfinance Institution in Uganda. It has 16 outlets country-wide offering a variety of financial services with the micro enterprise sector remaining the main target market. Ugafode has branches in Nakasero, Mpigi, Kyotera, Lyantonde, Mbarara, Ishaka, Ntungamo, Ibanda, Rukungiri, Bombo Road, Rubaga Road, Kagadi, Lira, Jinja, Sembabule (Mini branch), and Rushere (Mini branch).



MicroLead / UN Capital Development Fund

Two United Nations Plaza
26th Floor
New York, NY 10017
United States

 +1 212 906 6565
 +1 212 906 6479

 www.uncdf.org/microlead
 pamela.eser@uncdf.org
 @UNCDF #LDCsForward
#FinancialInclusion #LocalDev
 @UNCDFMicroLead