



East Africa Mobile Money Cross Payments: Market demand Side

12th September, 2017

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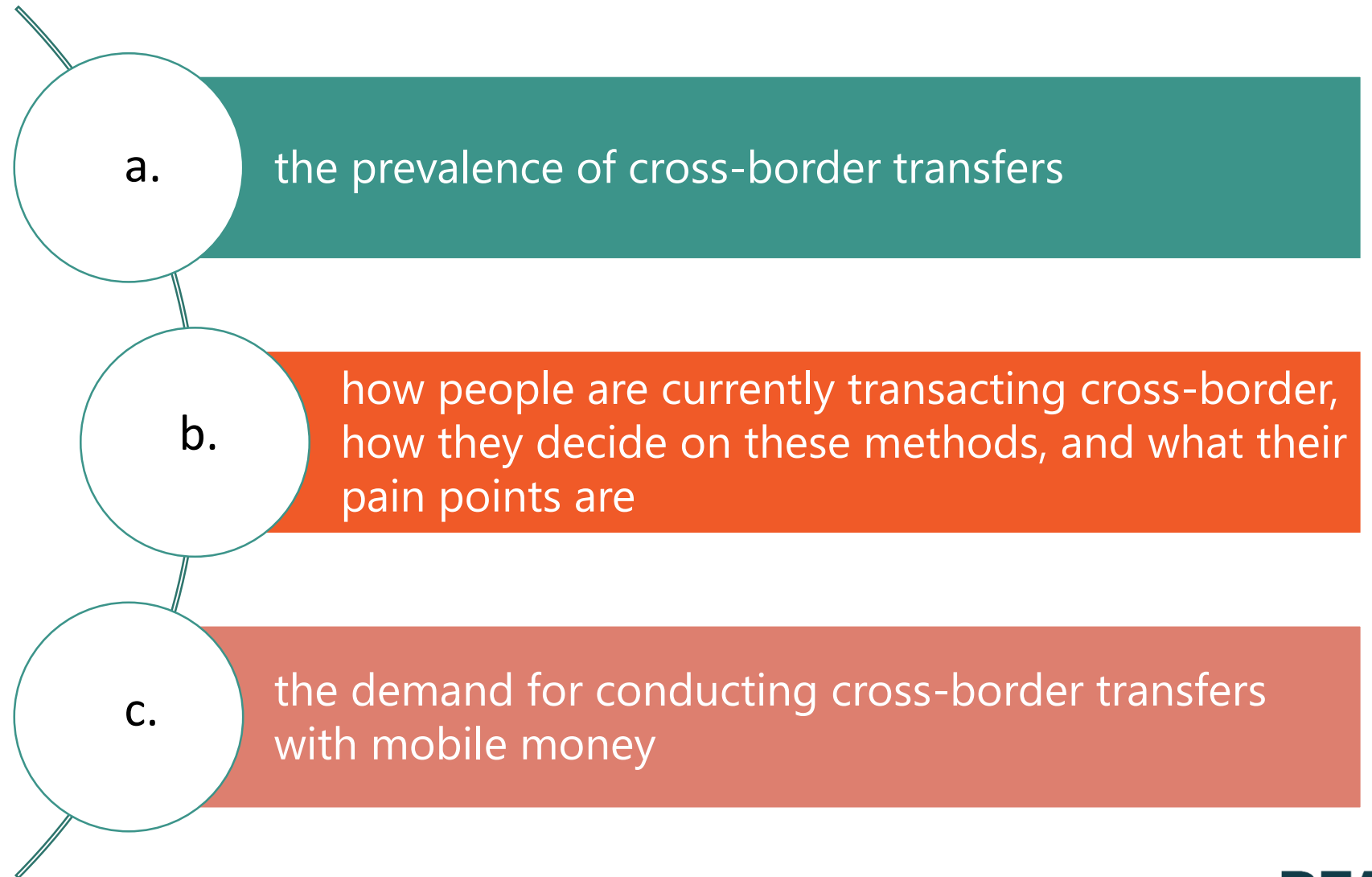
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Background of the study



- The East African region of Burundi, Kenya, Rwanda, Tanzania and Uganda represents a political, social and geographical zone with high rates of trade and social exchange.
- Regional remittances are a substantial contributor to the East African economy.
- By December 2015, 55% of mobile connections were linked to a mobile money account in East Africa compared to 10% in other markets where mobile money was available (GSMA, 2015).
- Being the region with the highest mobile money penetration in the world, cross-border interoperability in mobile money has the potential to decrease frictions in intra-regional payments, particularly person to person payments.

The objectives of the study were to explore:



Research Methodology

Quantitative

- Over 1,000 telephonic interviews with phone users in all five countries: 1,284 in Burundi, 1,572 in Kenya, 1,456 in Rwanda, 1,144 in Tanzania and 1,320 in Uganda.
- Respondents were classified as senders, receivers and travelers depending on whether they had performed one of these cross-border activities in the last one year.

	Senders	Receivers	Travelers	Senders, Receivers, & Travelers (passed screener)	Total calls
Burundi	433	412	965	1284	2861
Kenya	410	402	1241	1572	6907
Rwanda	544	456	1116	1456	3766
Tanzania	339	460	665	1144	8446
Uganda	347	442	973	1320	4363

Qualitative

- Focus group discussion and in-depth interviews research techniques to gain a deeper understanding of people's experiences: 41 focus group discussions (FGDs) in Kenya, Rwanda, Tanzania and Uganda, followed by 104 in-depth interviews (IDIs) with individuals

In our study, "transactors" are people who had sent or received money cross-border, or traveled within the EA Region

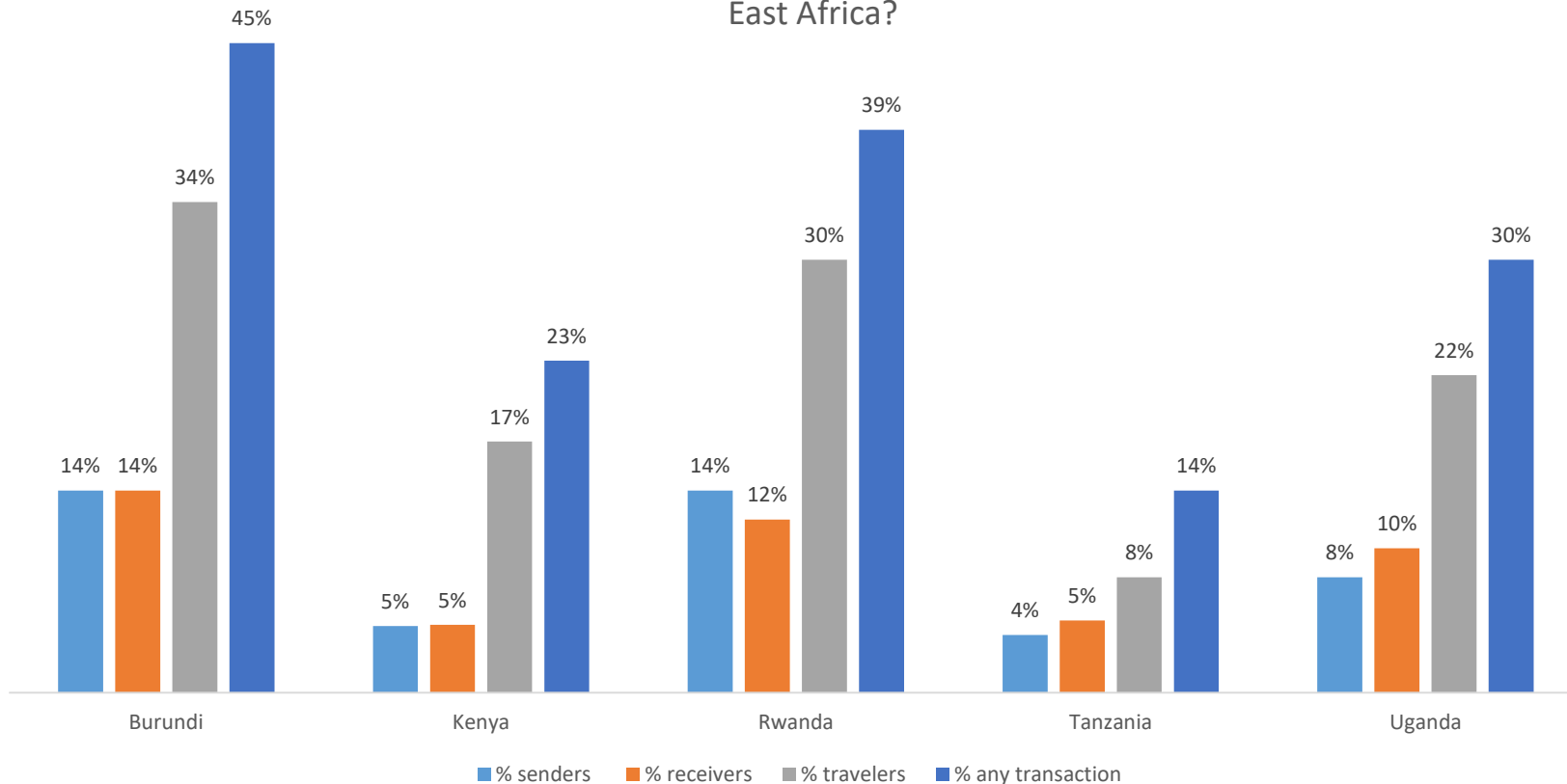
State of cross-border transactions among East African countries

Incidence of transactions

Transactions among East Africa countries are common

Traveling is more than twice as common as sending and receiving money

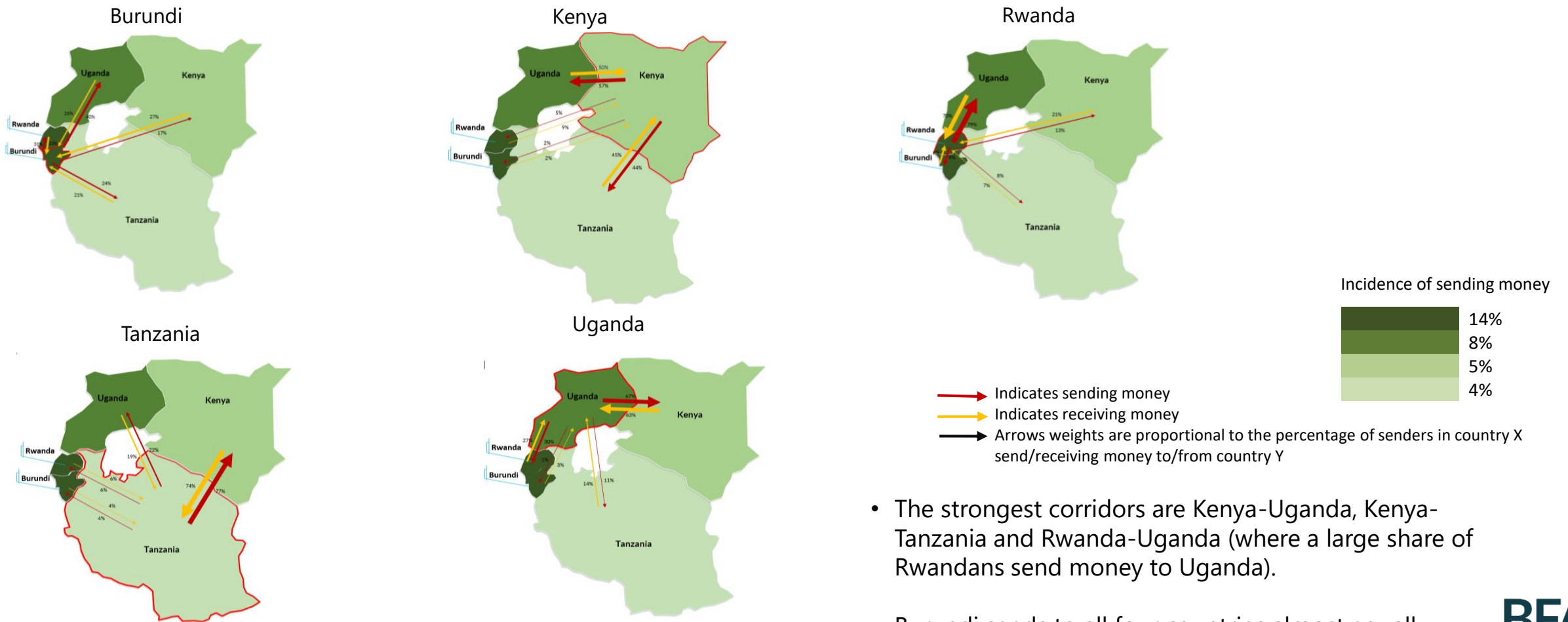
Over the past year, have you sent or received money or traveled to another country in East Africa?



Interviewer: How many times in a month do you send money to Uganda?
Respondent: I send twice in a month.
Interviewer: So this year you have sent like twenty four times?
Respondent: Yes.

- Female Trader, Nairobi, Kenya

The size of geographic corridors for cross-border transactions are dependent on the strength of relationships among the EA countries



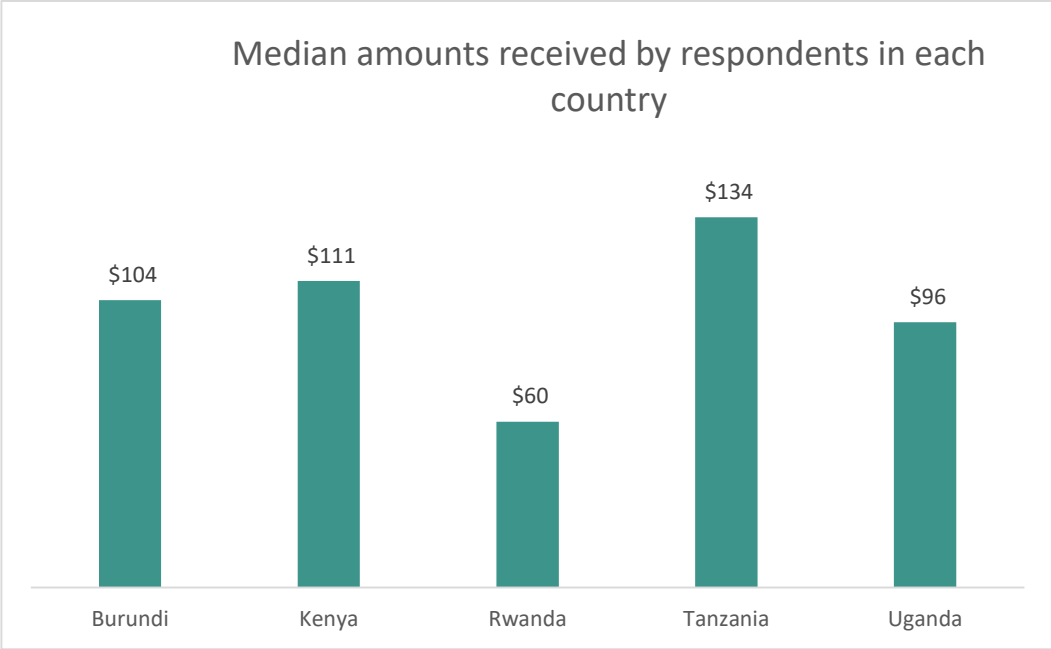
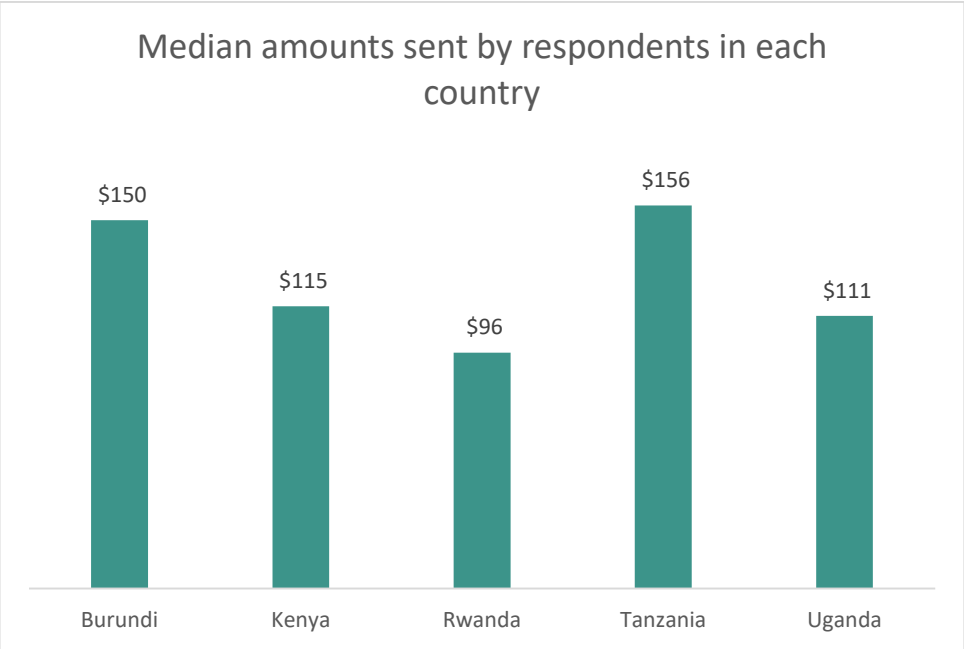
- The strongest corridors are Kenya-Uganda, Kenya-Tanzania and Rwanda-Uganda (where a large share of Rwandans send money to Uganda).
- Burundi sends to all four countries almost equally.

State of cross-border transactions among East African countries

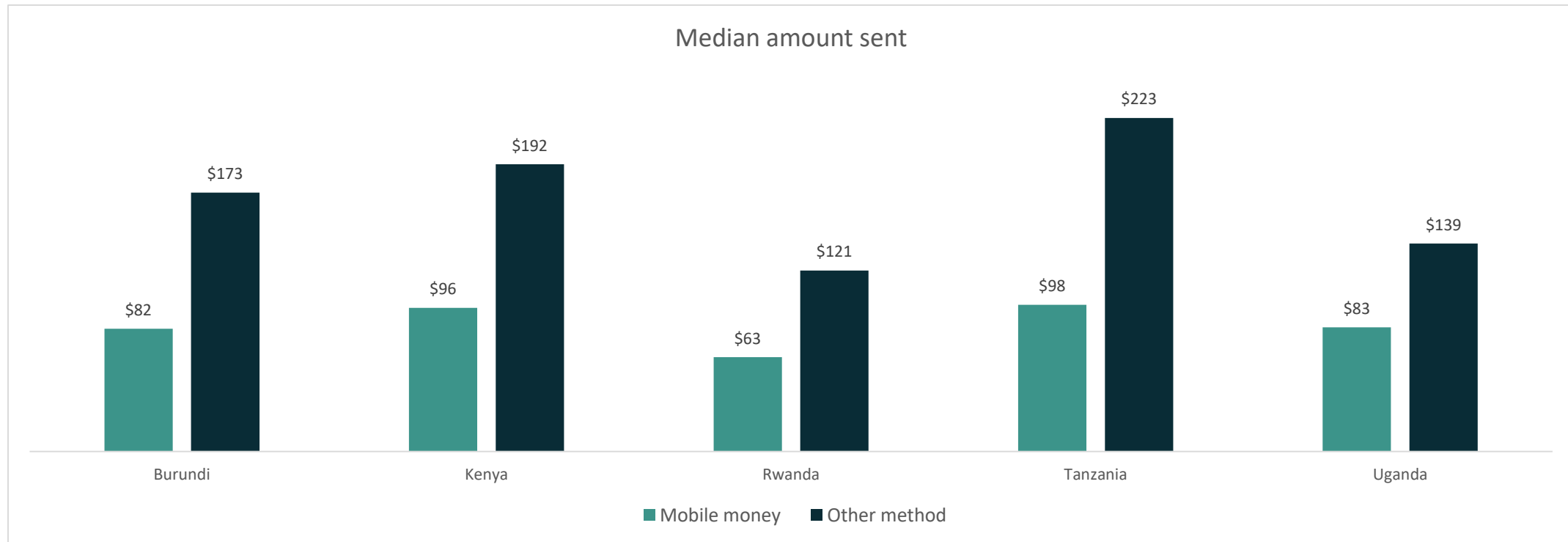
Transaction sizes

Median transaction size varied between USD 96 to USD 150 across the countries

But in all countries a large proportion of transactions was for less than USD100



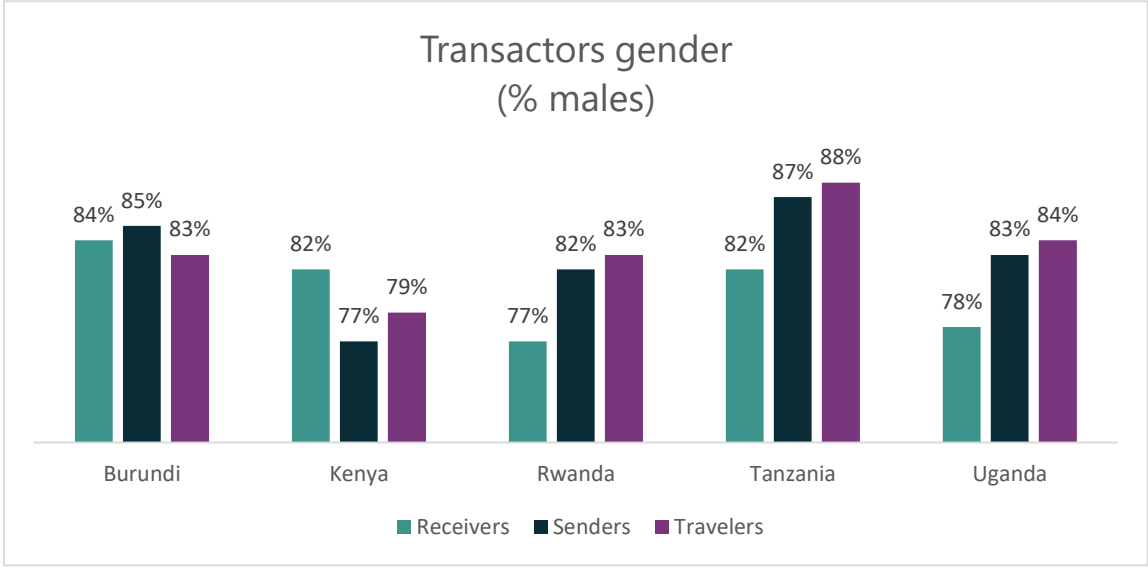
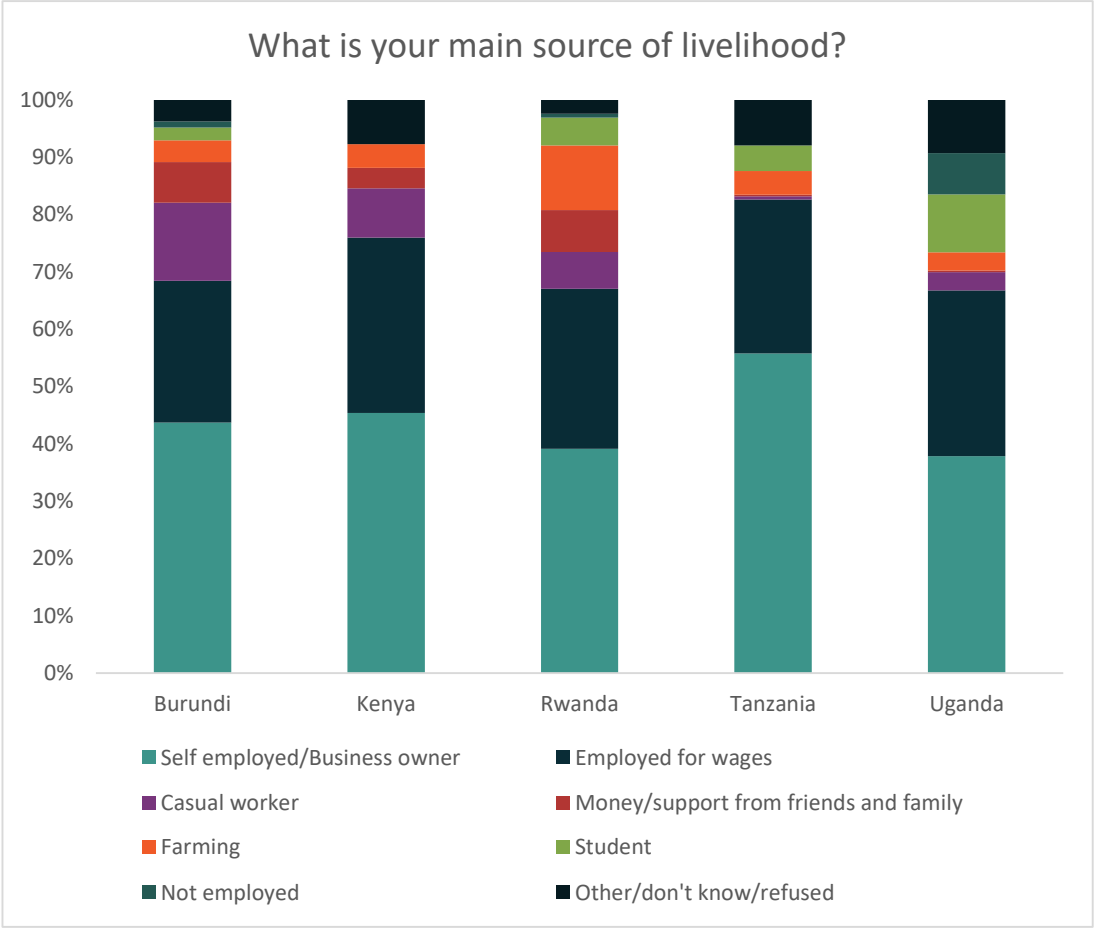
Transaction sizes were smaller in mobile money than for other transfer methods



State of cross-border transactions among East African countries

Demographics of transactors

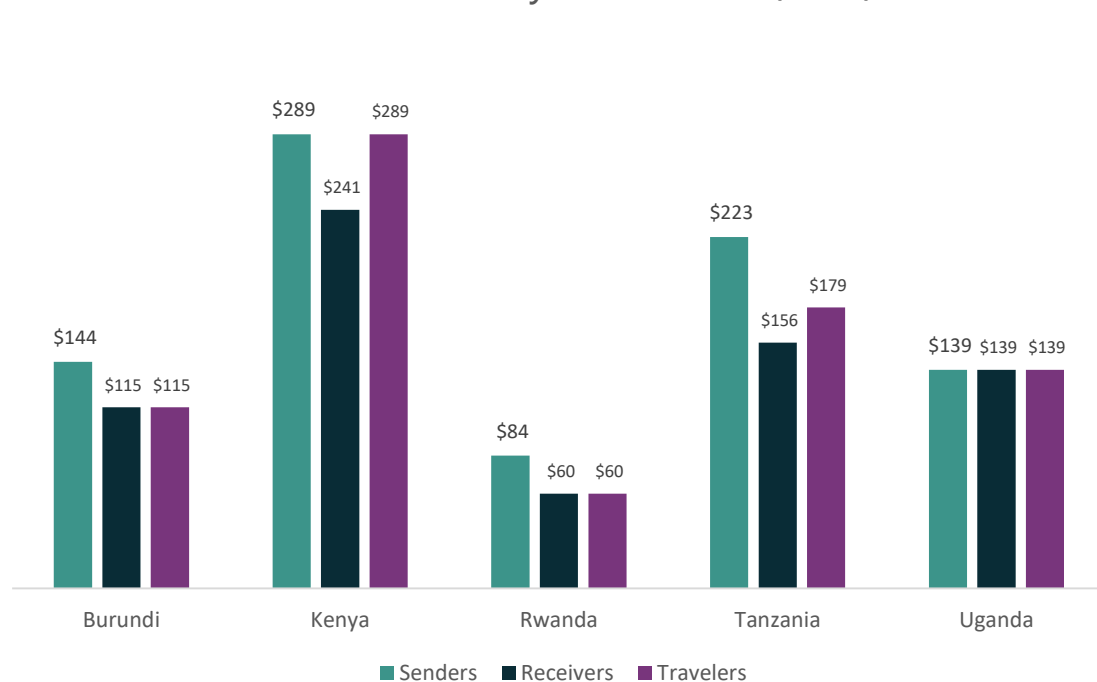
Cross-border transactors were mostly male, self-employed and claimed to be urban



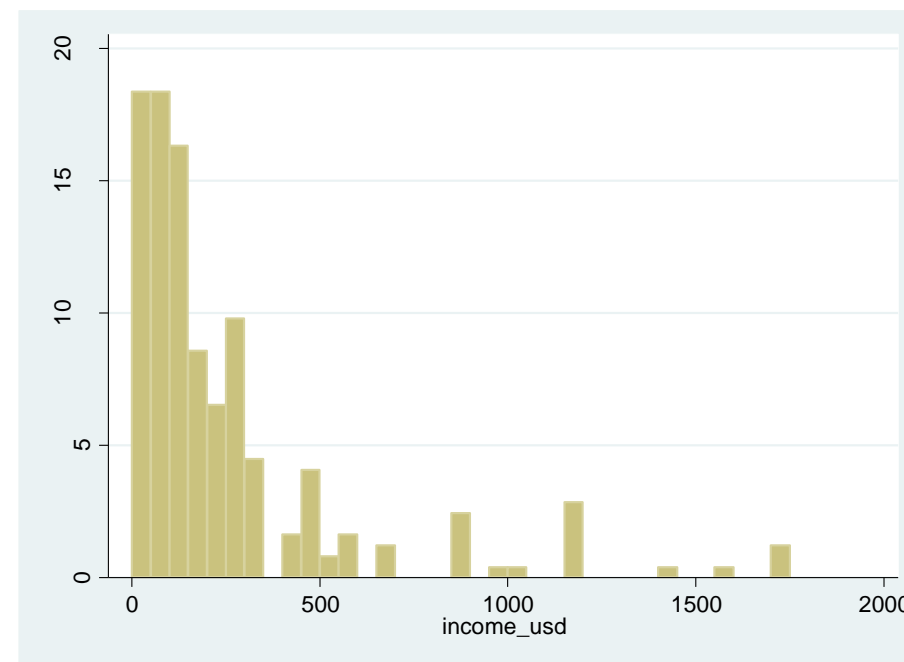
- Although most transactors described themselves as urban, which is the reverse of the population distribution (at least 70% rural in all East African countries) the distribution of transactors closely mirrors the population density distribution across the country map.
- The median age of cross-border transactors was about 28, but there was a wide distribution of ages.

Transactors are not highly concentrated in the upper share of the income distribution.

Median monthly income in (USD)



Income distribution for senders in Burundi



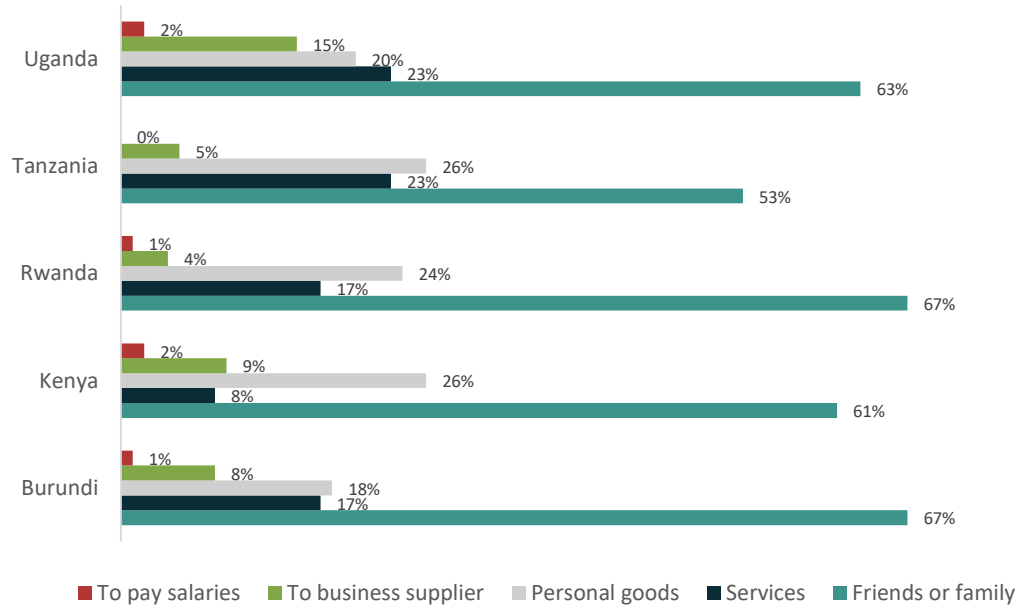
- Reported incomes were widely distributed
- The monthly median incomes ranged between USD60 in Rwanda to USD289 in Kenya.

State of cross-border transactions among East African countries

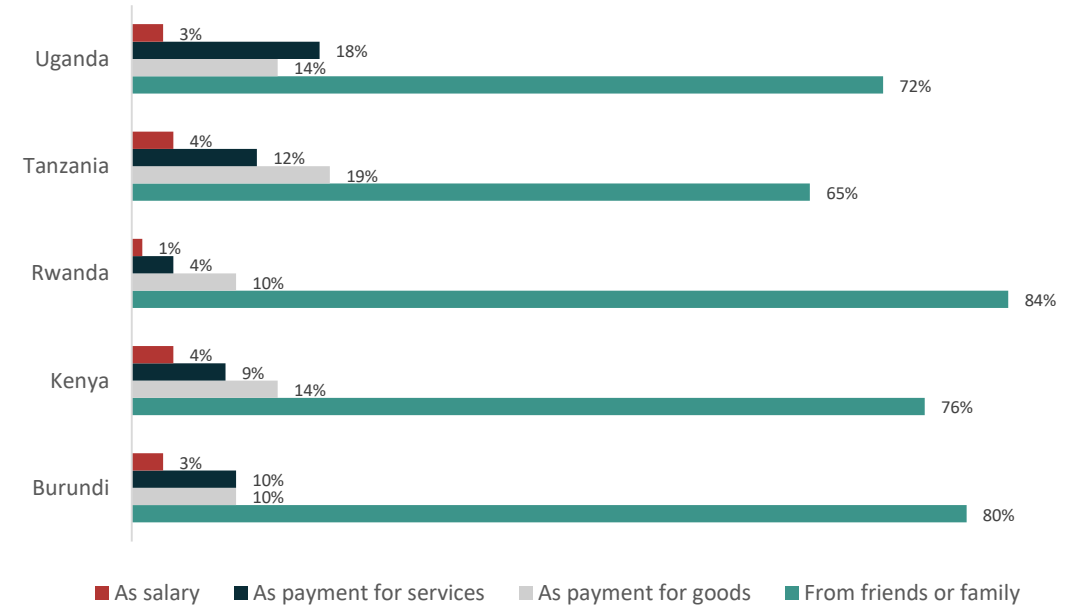
Use cases for cross-border transactions

Sending money to, and especially receiving money from, friends and family was by far the most common reason for cross-border remittances

In the past year, did you send money to another country in East Africa for...



In the past year, did you receive money from another country in East African for...



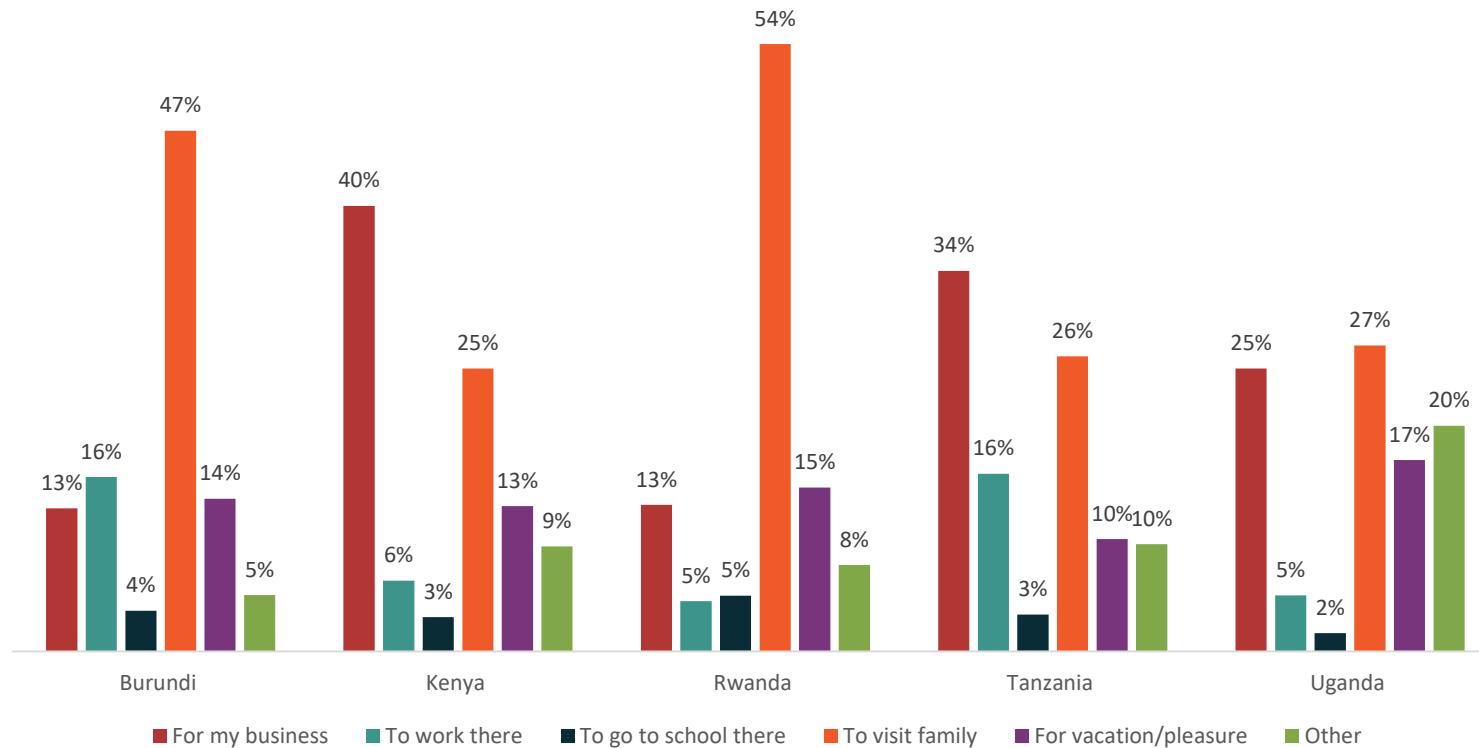
- More than half of respondents reported having sent money in the past one year to friends and family in other East African countries.
- Over three-quarters of respondents reported receiving money in the past one year from family and friends in other East African countries

"I have received money five times in the last year from my father who is based in Dar. The money is usually for upkeep. I receive around KES 6,500."

- International FGD, Nairobi, Kenya

Burundians and Rwandans mostly travel to visit friends and family, while Kenyans, Tanzanians, and Ugandans also often travel for business purposes.

On your most recent trip, what was the reason for your travel?



- About half of the Rwandans and Burundians reported that their last trip had been to visit friends and family, compared to about a quarter in Kenya, Tanzania and Uganda.
- More than a quarter of Kenyans (40%), Tanzanians (34%) and Ugandans (25%) said their last trip had been for business. During qualitative interviews, travel for business stood out for all the countries as most respondents said they traveled for business – often to purchase goods.

Mobile money is already the most common method for sending and receiving money across the border, with the exception of Burundi. 19

The methods respondents used to send money in their most recent transaction

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Go to the country	5%	5%	6%	1%	4%
Bank	8%	13%	4%	13%	12%
Money Transfer	18%	15%	14%	13%	14%
Post Office	1%	1%	1%	1%	0%
Bus/Courier	18%	2%	6%	10%	4%
Friends/relatives	32%	8%	20%	12%	6%
Mobile money	11%	51%	48%	50%	54%
Other	6%	4%	1%	1%	4%

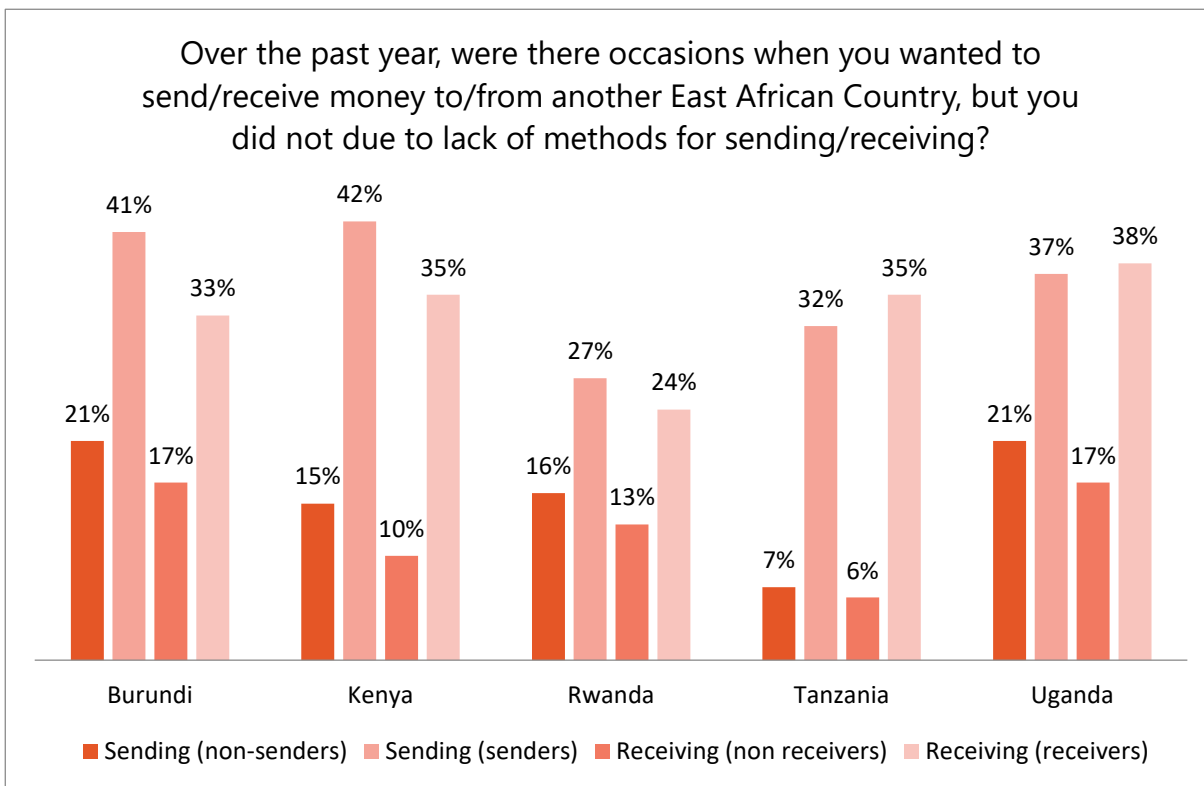
The methods respondents used to receive money in their most recent transaction

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Person came here	22%	11%	1%	6%	11%
Commercial Bank	11%	16%	5%	6%	11%
Money Transfer	21%	15%	14%	6%	16%
Post Office	2%	2%	1%	0%	1%
Bus/Courier Company	17%	3%	9%	28%	4%
Friends/Relatives	14%	4%	17%	15%	4%
Mobile money	10%	45%	48%	37%	50%
Others	3%	4%	4%	2%	2%

- Apart from Burundi, nearly half of the senders in all countries reported using mobile money for their last cross-border transaction
- After mobile money, most people reported using money transfer services as well as friends and family.

Demand for cross-border mobile money

There is a large potential market for cross-border mobile money transfer



- 24% to 42% of current senders and receivers confirmed that there were occasions when they did not send or receive because they lacked a proper instrument.

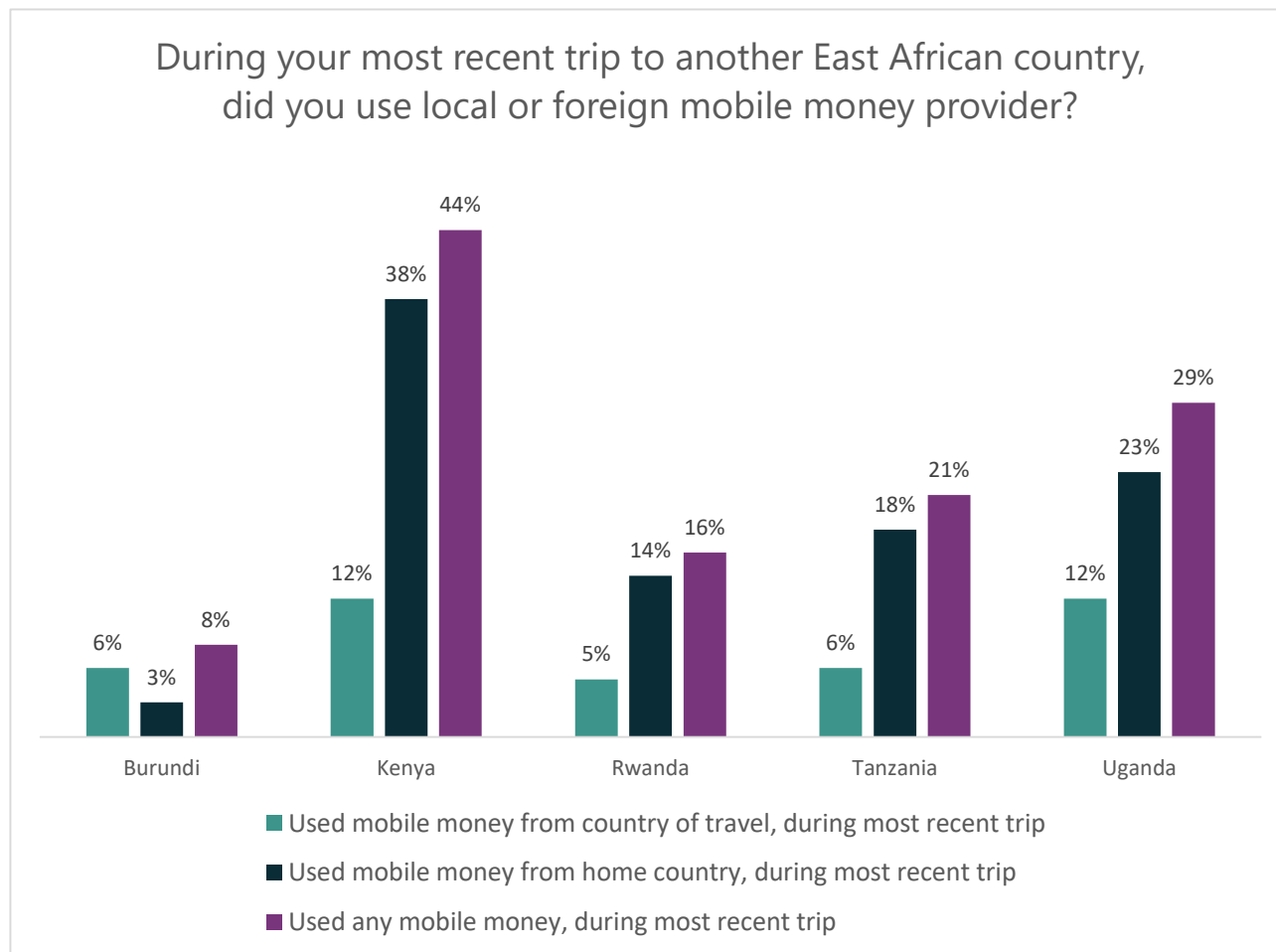
	Burundi	Kenya	Rwanda	Tanzania	Uganda
Very unlikely	2%	5%	1%	9%	4%
Unlikely	4%	6%	12%	16%	11%
Neutral	3%	7%	4%	20%	9%
Likely	31%	49%	45%	15%	38%
Very likely	58%	30%	37%	38%	35%

- Over 70% of senders in all countries but Tanzania (56%) stated that they would use mobile money if it were possible to send directly to the other person's account.

"If that service (cross-border payments using mobile money) will be there, it will be an alternative service and it will be better than the rest. It is a good method as security is so poor to travel with cash."

- Traders FGD, Tanzania, Kigoma

Travelers are an underserved market



- Although travelers predominantly used cash, many used mobile money accounts during their latest travel.
- The preference was using an account from one's home country, rather than acquiring a new number from the country they are visiting.

"I use my Safaricom line when I travel to Uganda. Safaricom network is clear near the border but past Tororo it might give you issues. However, I usually withdraw money from my mpesa at the border at normal rates"

- Traders FGD, Namanga, Kenya

Reliability, convenience, speed and cost, in that order, are the most important drivers when choosing a transfer method.

Why did you use [method used by respondent] to send money to friends in family most recently?
Select all that apply

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Only way available	28%	24%	32%	9%	22%
Speed	26%	33%	31%	40%	15%
Easy access/close	30%	45%	53%	68%	46%
Safety	6%	13%	7%	10%	7%
Cost	16%	15%	7%	10%	12%
Exchange rate	3%	2%	3%	0%	1%
Trust that money is safe	10%	7%	9%	14%	6%
Receiver prefers it	10%	10%	7%	4%	12%

Qualitative ranking exercise: Most important priorities when choosing a cross-border transfer method

Kenya	Tanzania
<ul style="list-style-type: none"> Reliable service Clear explanation of how much it will cost Convenient service 	<ul style="list-style-type: none"> Reliable service Trust Great customer service Fair pricing
Uganda	Rwanda
<ul style="list-style-type: none"> Reliable service (safety) Great customer care services Affordable rates 	<ul style="list-style-type: none"> Availability of clear information on charges Reliable services (safety, speed) Trust

“You can send someone and then that person will come back telling you that they lost the goods yet they came with theirs and then you are stranded because you don’t know how to claim for that loss because that is a different country and you end up losing those goods.”

- International FGD, Namanga, Kenya .

“From a business perspective, I prefer a fast method of sending money because you can get what you want within a short period of time.”

- International FGD, Kampala, Uganda



Although mobile money was the most preferred method Kenya and Rwanda, it did not rank highly in Uganda and Tanzania

Qualitative ranking exercise: Most preferred important cross-border transfer method

Approximate rankings	#1 (best)	#2	#3	#4
Kenya	Mobile money	Banks/ money transfer services	Traveling themselves	Sending someone else
Tanzania	Bus	Traveling themselves	Sending someone else	Banks/ money transfer services
Uganda	Bus	Sending someone else	Mobile money	Traveling themselves
Rwanda	Mobile money (Using same sim cards)	Bus	Traveling themselves	Sending someone else

- Kenyans and Rwandans cited having had good experiences using mobile money. They valued its reliability, convenience and speed.
- Ugandans preferred to use other methods because of concerns around their weak currency. They also felt that the bus system was quite reliable and did not limit their transaction sizes.
- Tanzanians cited reliability (network and recourse) and usability concerns in the available mobile money options.

“Personally, I prefer mobile transfer because it’s fast and saves a lot of time. If I transact in person I will have to board a bus, pay fare and go all the way to Uganda to buy products.”

- International FGD, Busia, Kenya

“I think using the bus is better. I don’t know about using the mobile money since I am used to buses which I have used for a long time and I trust them to send the luggage.”

- Domestic FGD, Kigoma, Tanzania

Awareness stood out as a major drawback for using mobile money to make cross border transfers.

Why not use mobile money for international transactions?

	Burundi	Kenya	Rwanda	Tanzania	Uganda
Not aware it was possible	32%	23%	16%	18%	18%
Expensive	4%	16%	15%	21%	23%
I don't know how to do it	50%	11%	26%	34%	13%
It is not possible to send to the countries I need to send to	8%	6%	3%	4%	4%
The person I need to send to does not use mobile money	2%	13%	6%	7%	4%
Too risky/ I do not trust it	7%	6%	7%	16%	9%
Not as good as my current method(s)	7%	8%	13%	10%	19%

- About a fifth or over were not aware of mobile money cross border transfer services.

“Interviewer: Is it possible to send via M-PESA to MTN directly?”

Respondent: (All) no it's not possible. But we are hoping that you will be able to improve that so we can be able to transact the whole of East Africa.”

- International FGD, Busia, Kenya

Network reliability, limited recourse, price and foreign exchange understanding were the other notable drawbacks.

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- GROUP 1
- Time (3)
 - Cost (1)
 - Reliability / Trust / Safety (2)
 - Exchange Rate (4)
 - Availability (5)

Network issues which resulted in slow or incomplete transactions and poor options for recourse were not issues in Kenya, but were prominent in the other three markets.

"We'd prefer to use mobile transfers however connectivity would cause us trouble with clients, like in such cases it's hard to tell a client who gave you his money to transfer somewhere that he has to wait for 3 days to have the money delivered or returned."

- International FGD, Rusumo, Rwanda

Price was mostly a concern among those that had not made cross border transactions while others perceived mobile money as being in the same range of cost as other methods or a little.

"You know any businessperson must first consider the cost, so if you want to send say 100,000 through M-PESA to Kenya and it costs you, 10,000, sending 1 million would be expensive. Therefore, you just use these bus companies because it's cheaper."

- Domestic FGD, Dar es Salaam, Tanzania

Foreign exchange calculation is a mystery and cause of stress for many.

"We do experience some exchange rate differences because money is being deducted as it is exchanged from Ugandan currency to Tanzanian currency. So, as a trader, you lose a certain percentage. Secondly, we are not experienced enough to know how money is exchanged and we don't know the exchange rate on a daily basis so we just pay."

- Trader FGD, Mutukula, Uganda

Conclusions and recommendations

Conclusions and recommendations

- There is substantial scope to expand mobile money usage for cross-border transactions since the majority of people still use other methods even though they might be using mobile money for domestic transactions.
- Mobile money has the potential to offer services that deliver on the attributes respondents care about most (reliability/trust, convenience, speed and cost) but at present is not getting full value out of these attributes.
- We recommend:
 - Improved and more targeted marketing to increase awareness
 - More robust recourse options
 - More human-centered product design to address usability issues
 - Providers should bear in mind that travelers are a larger potential market than senders/ receivers and they predominately use cash.
 - Interventions should be tailored to each country context given the varying degrees of maturity of the mobile money market.

Annex

Providers used for cross-border transactions

Mobile money services providers used for cross-border services in East Africa

Mobile money providers used for sending to friends and family

	Tanzania			Uganda	
	Sending	Receiving		Sending	Receiving
Vodacom	73%	63%	Safaricom	38%	28%
Tigo	22%	29%	MTN	36%	42%
Airtel	4%	6%	Airtel	18%	22%
Other	2%	3%	Other	4%	

- Respondents prefer using their home country SIM cards when they are traveling.
- A surprising result is that in Uganda, Kenyan mobile network operator Safaricom handles a substantial share of transactions.

	Kenya			Rwanda	
	Sending	Receiving		Sending	Receiving
Safaricom	94%	91%	MTN	81%	80%
Airtel	4%	5%	Tigo	8%	7%
Other	3%	4%	Airtel	6%	7%
			Other	5%	4%

Although Safaricom does not officially offer mobile money in Uganda, there were some M-PESA (Safaricom) mobile money agents in Kampala and at the border town of Malaba who offered the mobile money services. They charged an extra cost of 10% in Kampala, but no extra charges in the border town of Malaba. During the qualitative interviews, respondents highlighted that they prefer using their home country SIM cards when they are traveling. They can easily pay bills and send money back home; these tasks would be more complicated with a SIM from the host country. Besides, since the charges are similar, they did not see the need of obtaining a SIM from the host country. This could explain some of the use of Safaricom in Uganda.

Mobile money services providers used for cross-border services in East Africa

Providers used by travelers who used their home country mobile money providers during their most recent trip

Burundi (N=28)		Kenya (N=228)		Rwanda (N=144)		Uganda (N=220)		Tanzania (N=120)	
Leo	36%	Safaricom	94%	Airtel	18%	Airtel	54%	Vodacom	43%
Ecocash	50%	Airtel	18%	MTN	72%	MTN	53%	Tigo	40%
				Tigo	16%			Airtel	16%

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