Briefing Note. A consumer view of financial behaviour and ICT in 3 African countries

By Research ICT Africa! (Ria!)

This note presents the results of a household survey by Research ICT Africa! (RIA!) on the use of Information and Communication Technologies. The survey covered some aspects of financial behaviour in order to test the hypothesis that mobile phone enabled payments could offer financial inclusion to the unbanked. The results presented here are preliminary and nationally representative results will only be published in May 2008. It presents a comparative study of Ghana (Gh), Kenya (Ke), and South Africa (SA). This note has been prepared for circulation at the CGAP/DfID Regulators Workshop on Branchless Banking, London, March 10th.

Do people have a bank account?

In each country over 50% had access to a bank account (Gh - 54%, Ke - 50% and SA - 74%). While access means that at least one member of the household had an account, in each country over 30% had their own bank account (Gh - 40%, Ke - 30%, SA - 57%). In the rural areas the ownership was predictably lower than for the whole sample (Gh - 35%, Ke - 23%, SA - 51%). While in South Africa there was little difference between men and women, there were gender differences in Ghana (men - 45%, women - 36%) and Kenya (men - 39%, women - 24%).

Lack of access to a bank account has an impact. In terms of savings, many of the unbanked keep their money in a "safe place". It also means that when people need money, they end up borrowing from neighbours and family, stretching the community's resources.

Figure 1 How respondents with a bank account store cash

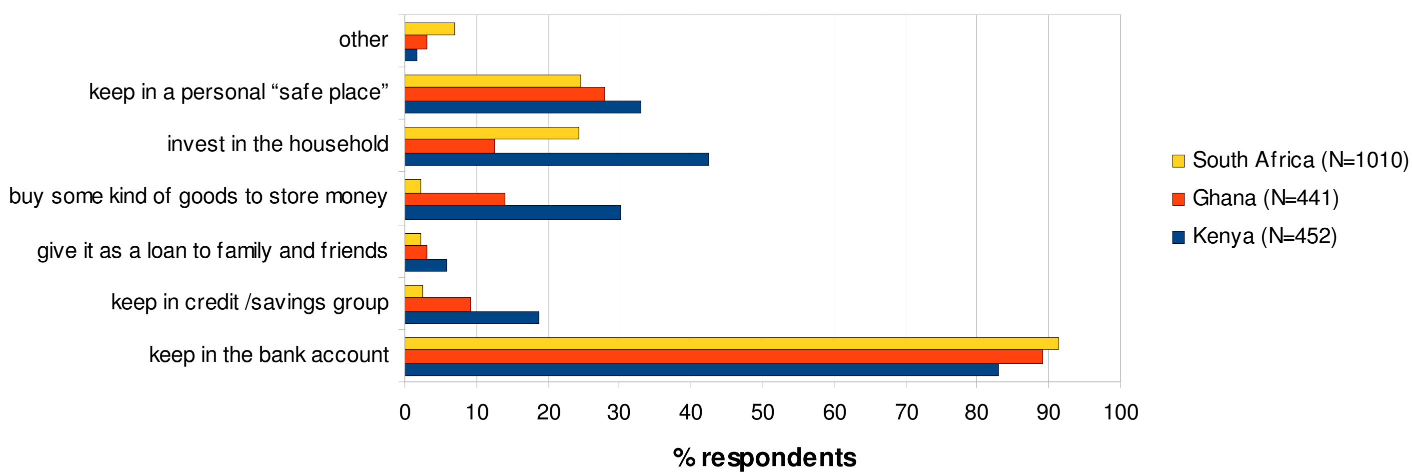
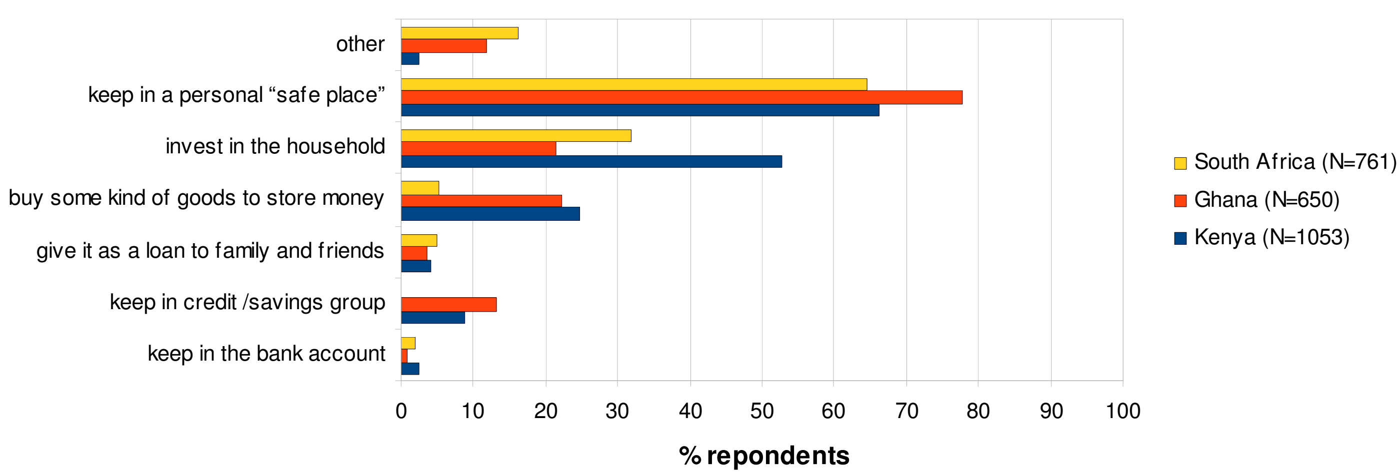


Figure 2 How respondents without a bank account store cash



Of those without bank accounts, the number of people who felt they did not need a bank account varied (Gh - 26%, Ke - 38%, SA - 41%). The implication is that in each country at least over 60% of the unbanked would like access to a bank account.. Of those people who would like a bank account, but do not have one, more than 62% currently use phones (either their own mobile or public phones: Gh - 67%, Ke - 62%, SA - 67%).

Figure 3 How respondents with a bank account access small amounts of money

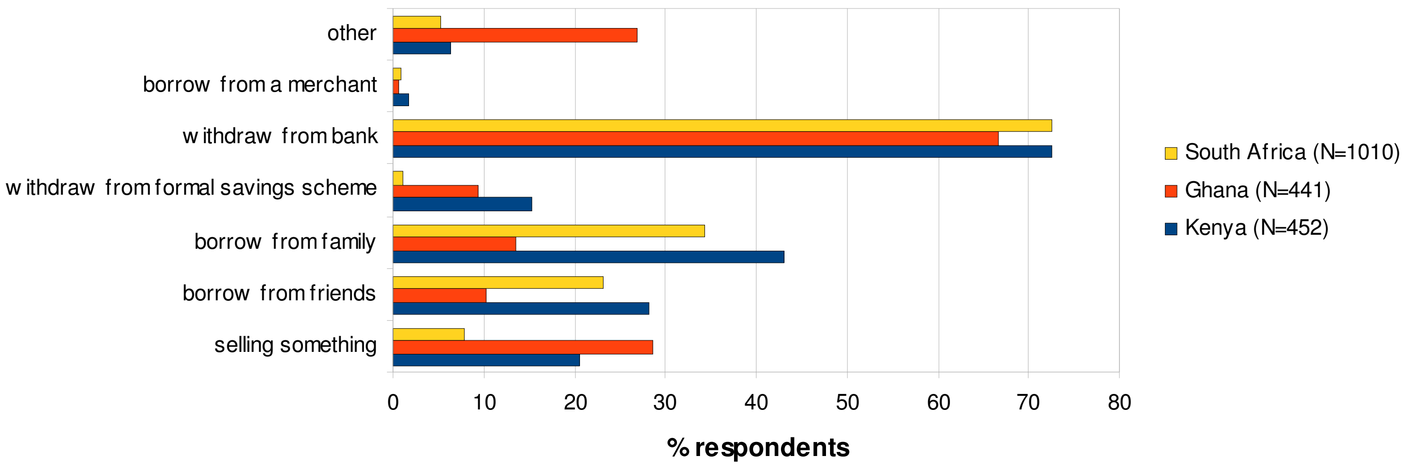
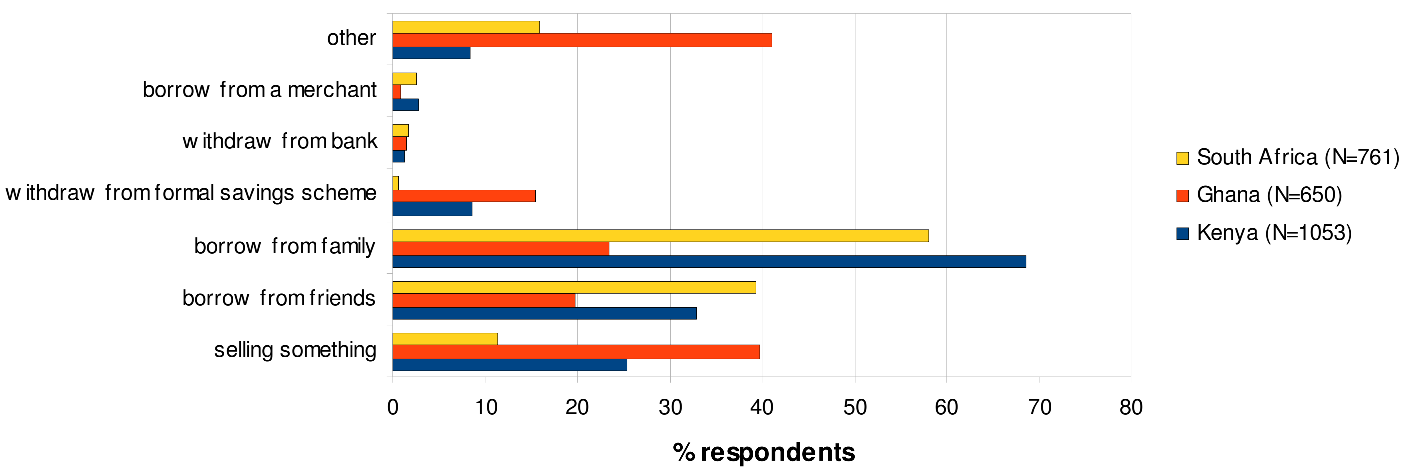


Figure 4 How respondents without a bank account access small amounts of money



So would a mobile phone enabled proposition be attractive to the unbanked?

A considerable proportion of the respondents without a bank account felt that life could easily be lived without an account. Those with bank accounts exhibit more positive attitudes towards mobile banking and are more prepared to use technology; on the other hand there is little difference in attitudes towards technology itself. Note that more of the banked do not like carrying cash, so this appears to be an attractive feature of accounts.

There are remarkably few issues on which the views of men and women differ. Men appear to be more willing to accept that the internet is now a part of life, while more women (in South Africa) confess to being afraid of computers; a greater proportion of men (in Ghana) feel that banks take advantage of poor people.

Figure 5 Attitudes towards banking – those with a bank account

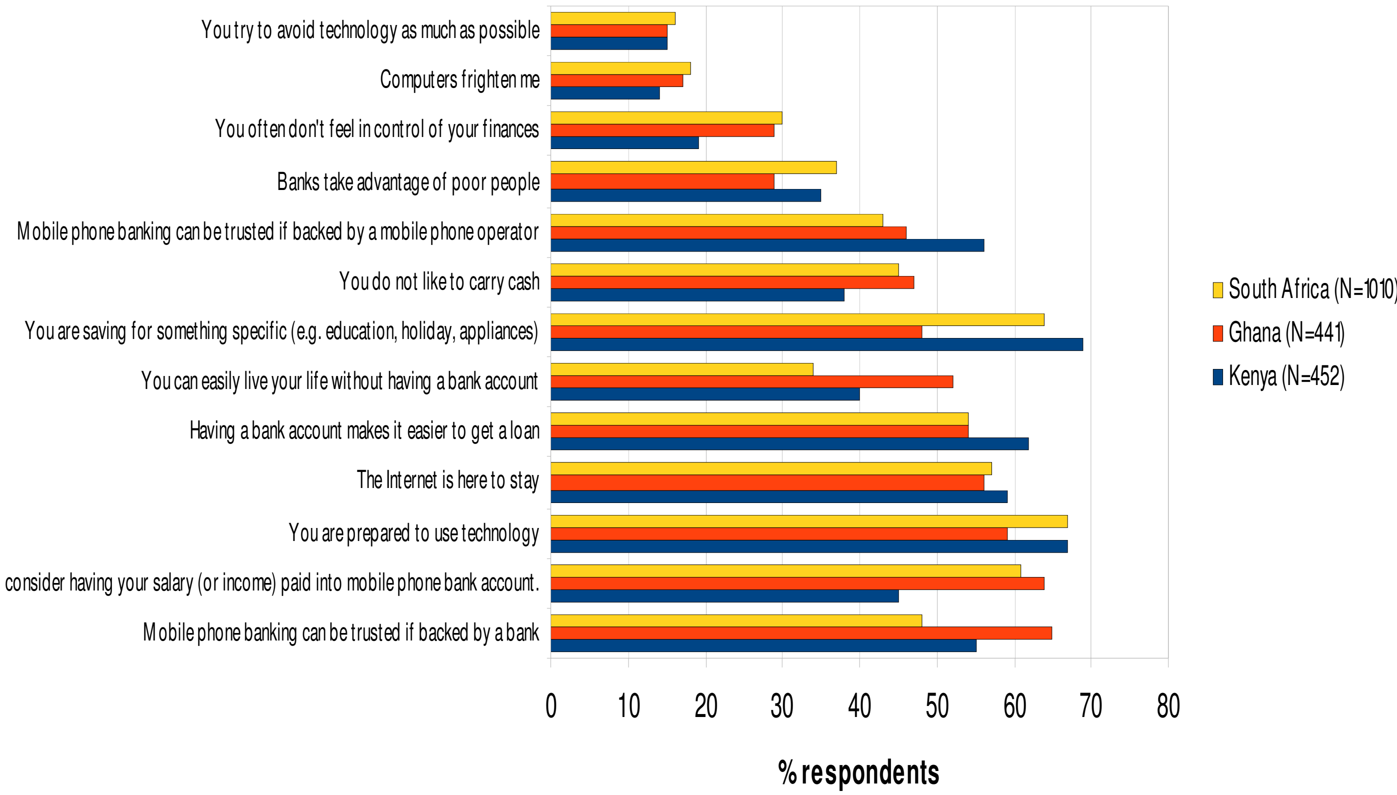
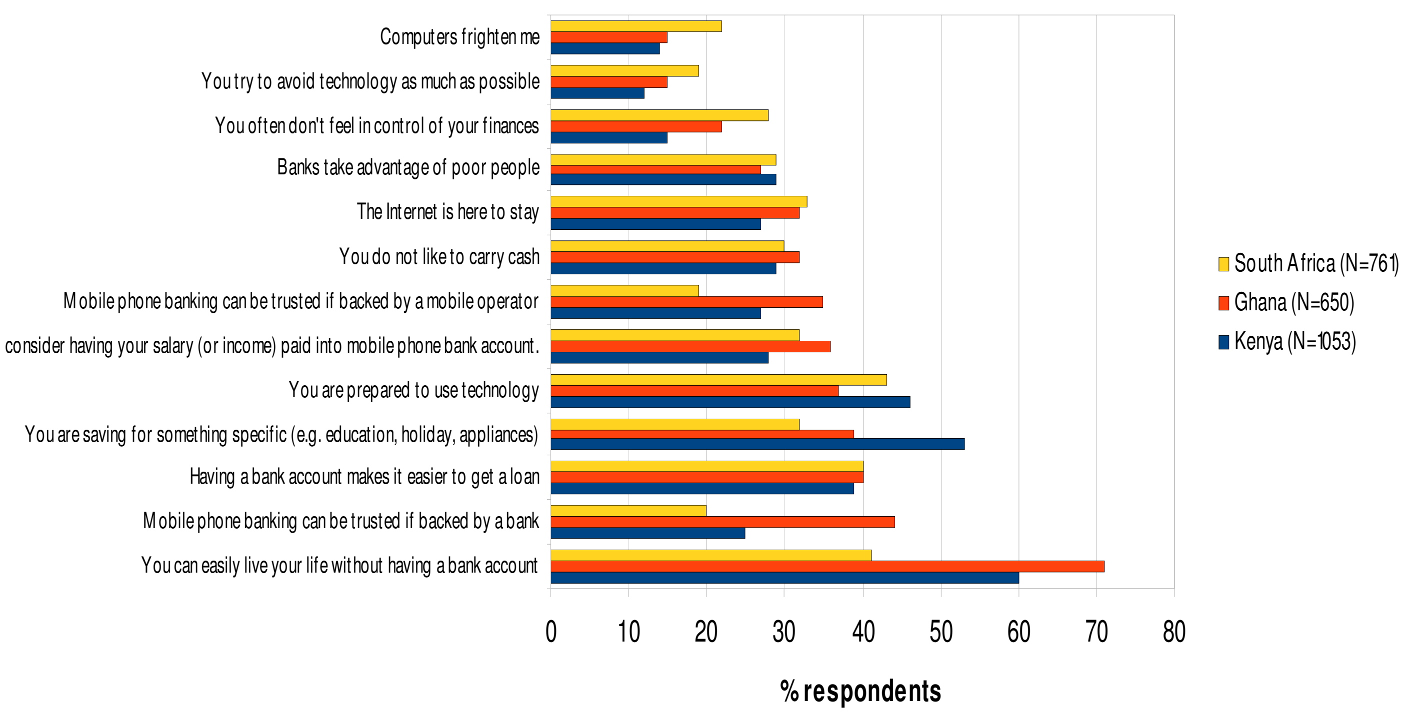


Figure 6 Attitudes towards banking – those without a bank account



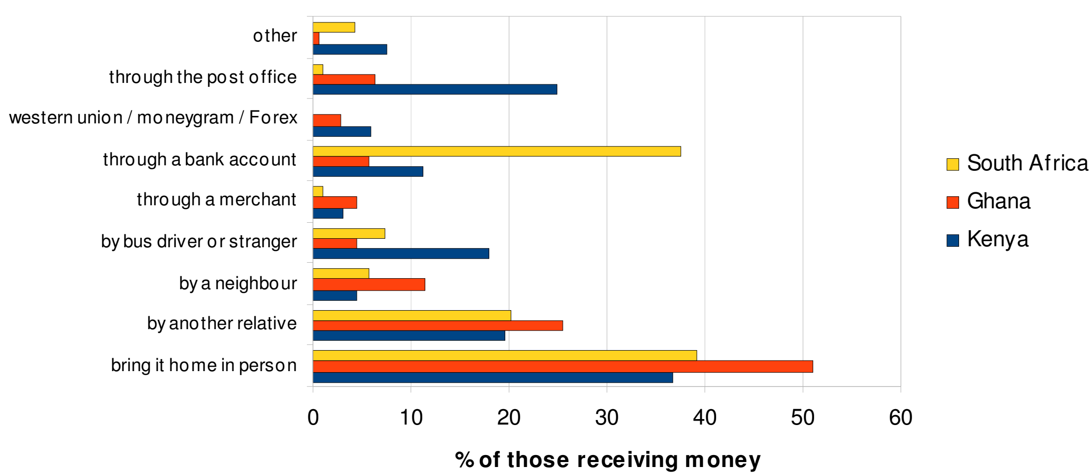
Would a mobile phone enabled domestic money transfer system be enough?

Sending and receiving mobile phone airtime has been a strategy of users for trading and remitting finance at a distance. It has become a proxy payment system. So how many people get involved with airtime transfers? In South Africa with its higher number of people with bank accounts, and relatively good infrastructure, few people have used airtime to transfer money. (SA - 10% sent, 13% received). In Ghana the percentage grows (Gh - 25% sent, 44% received) but in Kenya where Safaricom encourage transfers through a credit sharing system, and with the launch of Mpesa (a value transfer system), considerably more people had undertaken transfers (Ke - 50% sent, 60% received).

There was very little difference between those with a bank account and those without in terms of their experience of airtime transfers.

Certainly there is a demand for money transfer channels. There are considerable transfers between families (and friends). Around 10% households received money from people living in other villages or cities (Gh - 17%, Ke - 9%, SA-12%). Money transferred nationally is overwhelmingly used for general household expenses (Gh - 90%, Ke - 83%, SA-93%).

<u>Figure 7 Means used to receive national remittances</u>



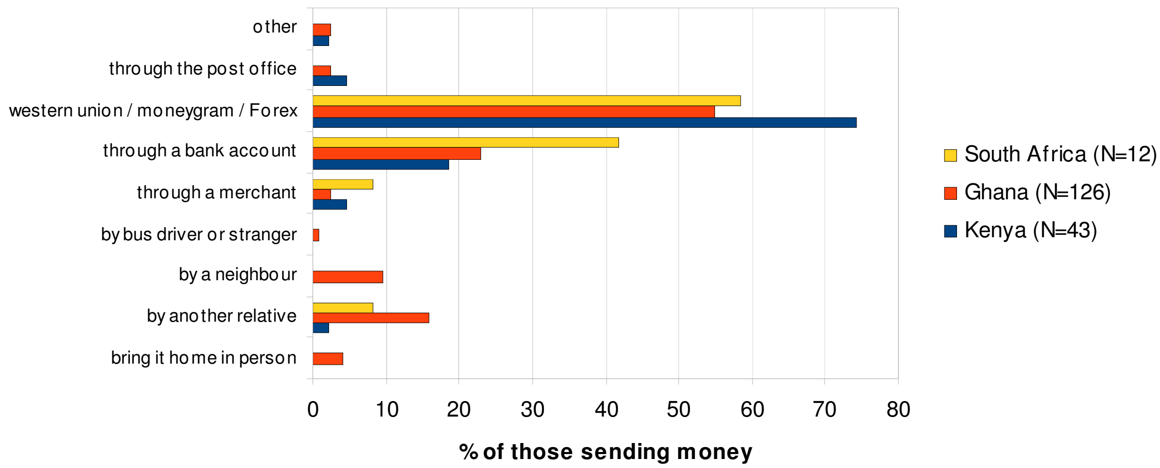
How do people get the money? Many bring it home in person or send it with a relative. Only in South Africa is the banking channel significantly used for domestic remittances

In all three countries over 60% of people receiving national remittances make use of phones (Gh - 70%, Ke - 60%, SA - 66%). The higher status (disposable income) of those sending money means that over 90% of people sending money nationally use phones (Gh - 83%, Ke - 93%, SA - 96%).

Would there be a demand for an international remittance service?

Surprisingly few respondents indicated that their household received money from people living abroad (Gh - 12%, Ke - 3%, SA - 0.8%). However, the amounts received are larger than domestic remittances. In South Africa and Kenya around 45% was sent for a special occasion, but in Ghana over 70% was used for general household expenses.

Figure 8 Means used to receive international remittances



In this case Western Union, MoneyGram or Foreign Exchange Bureaus dominate the transfer flow, although in South Africa the banks capture a significant portion of the market.

Only a small number of people send money internationally, with the exception of South Africa where the stronger banking system retains some of the flow. Receiving international remittances appears to be a mainly urban phenomenon. Almost one half of urban households receiving money are receiving it from abroad, whereas in each country about 90% of money transaction to rural households comes from within the country. Of people receiving international remittances, there is a strong use of phones (Gh - 86%, Ke - 95%, SA - 67%).

Adoption of Mobile Phone Propositions

A mobile phone based banking solution would cover at least 60% of those currently without bank accounts. Such a service would be used for storing cash securely and for making money transfers – people currently carry cash, use the post office services, and make use of airtime transfers. An international remittances service would benefit only a relatively small number of people. Mobile services would reduce risks associated with storing cash in a safe place, and with carrying cash.

The South African sample was split 22% major urban, 46% other urban, and 32% rural areas; the Ghanaian sample was split 47% major urban, 25% other urban, and 28% rural areas; and the Kenyan sample was split 40% major urban (Nairobi and Mombasa) 30% other urban (other urban areas excluding Mombasa and Nairobi), 30% rural. The results will be weighted to obtain nationally representative figures and unbiased estimators.

Research ICT Africa! (RIA!) [www.researchictafrica.net] fills a strategic gap in the development of a sustainable information society and network knowledge economy by building the ICT policy and regulatory research capacity needed to inform effective ICT governance in Africa. The network was launched with seed funding from the IDRC [www.idrc.ca] and seeks to extend its activities through national, regional and continental partnerships. The network is hosted at the Witwatersrand University, LINK Centre [link.wits.ac.za], under the directorship of Professor Alison Gillwald. The survey was designed and coordinated by Dr. Christoph Stork. Each member country has a nodal member responsible for coordinating RIA! activities in his/her respective country. There are further regional coordinators for East Africa, Dr Lishan Adam, and for West Africa, Dr Olivier Nana Nzèpa. This note was prepared with the assistance of Gamos UK [www.gamos.org], and with funding from IDRC and DFID [www.dfid.gov.uk]. This document is an output from a project funded by the respective donors for the benefit of developing countries. The views expressed are not necessarily those of the donors.