March 2017

HPG
Humanitarian Policy Group

Electronic transfers in humanitarian assistance and uptake of financial services

A synthesis of ELAN case studies

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Key messages

- Delivering humanitarian cash transfers through mobile money creates potential opportunities to connect recipients with broader digital financial services, but does not automatically lead to widespread or sustained uptake. People may prefer to continue using informal financial systems that are more familiar, accessible and profitable.
- In the case studies looked at in this research, exposure to mobile money through humanitarian cash transfers was not sufficient to enable recipients previously unfamiliar with mobile money to conduct transactions independently.
- Given that the priorities of humanitarian responses are to meet urgent needs, a disaster or crisis may not be the most appropriate time to invest in building digital literacy.
- Aid agencies should still be able to use mobile money delivery systems when they are the most efficient, accessible and transparent way to deliver humanitarian cash transfers.

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The case studies reported on here were made possible through the MasterCard Center for Inclusive Growth's support of the Electronic Cash Transfer Learning Action Network (ELAN). The individual case study reports were written by Sara Murray (Mercy Corps) and Marcella Willis (Strategic Impact Advisors). They are available on the ELAN webpage (www.cashlearning.org/elan).

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Cover image: A man uses HelloCash, through a programme funded by Mercy Corps, to manage his money on his cell phone in Kebribeyah, Ethiopia. May 2016. © Sean Sheridan for Mercy Corps.

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Cash transfers are increasingly provided in humanitarian responses as a substitute or complement to in-kind aid. At the same time, humanitarian agencies have capitalised on the expansion of digital financial systems globally to deliver cash transfers through bank cards and mobile money to people affected by crisis and disaster. Delivering money digitally offers several potential advantages over manual payments, including increased security for recipients, reduced costs and improved traceability and transparency.[1]

Digital delivery of cash transfers can also create opportunities to connect recipients with broader financial services, such as savings, credit and insurance. The High Level Panel on Humanitarian Cash Transfers recommended that, where possible, cash transfers should be delivered digitally and in a manner that furthers financial inclusion.[2]

One challenge to realising this ambition is that humanitarian cash transfer programmes typically take place in environments where digital financial infrastructure is nascent or non-existent and digital literacy is low. They are also short-term programmes focused on meeting basic needs, and are rarely designed with the additional intention of promoting access to financial services, regardless of how the money is delivered.

The Electronic Cash Transfer Learning Action Network (ELAN) undertook case studies to provide evidence on whether delivering humanitarian cash transfers through mobile money influences recipients' future use of digital financial services. The case studies examine electronic transfer ('e-transfer') projects in Ethiopia, Zimbabwe and Bangladesh.[3] The Humanitarian Policy Group at ODI produced this paper summarising the case study findings. Each case study examined:

- the extent to which e-transfer projects influenced the use of mobile money among recipients;
- factors that affected e-transfer recipients' uptake of financial services; and
- considerations for future e-transfer programmes aiming to increase the use of digital financial services among recipients.

1 World Bank Development Research Group, Better Than Cash Alliance, Bill & Melinda Gates Foundation, *The Opportunities of Digitizing Payments*, World Bank, 2014.

2 High Level Panel on Humanitarian Cash Transfers, *Doing Cash Differently: How Cash Transfers Can Transform Humanitarian Aid*, ODI, 2015.

3 In Ethiopia, the Pastoralist Areas Resilience Improvement through Market Expansion (PRIME) project, led by Mercy Corps and funded by the US Agency for International Development (USAID); in Zimbabwe, the USAID-funded Emergency Food Security Cash for Training/Work Project (EFSP), implemented by Save the Children Zimbabwe; and in Bangladesh, cash grants and a cash for work programme implemented by Action Contre la Faim (ACF) and funded by ECHO.

Findings

The projects studied all provided cash transfers via mobile money to meet humanitarian needs or mitigate disaster risk. The projects in Bangladesh and Zimbabwe had no financial inclusion aims, though both did set up mobile money accounts for participants. In Ethiopia, the project aimed to promote access to financial services alongside its humanitarian objectives.

Uptake of digital financial services

Exposure to mobile money through the humanitarian projects, even when combined with training, was not sufficient to enable recipients to conduct a mobile money transaction independently after the projects ended. Across the three case studies, only 10% of recipients could name all of the steps involved in cashing out a mobile money transfer. This lack of understanding did not prevent recipients from cashing out their e-transfers, but it did increase reliance on mobile money agents, NGO staff, family and community members. Project participants increased their use of mobile money to make transfers in all three settings to different extents, but their use of other digital financial services varied.

In the project in Ethiopia, Mercy Corps encouraged the expansion of mobile money agents into the project area. Project participants had very little prior experience with mobile money, or even with mobile phones. To promote familiarity with bank accounts and encourage savings, recipients were asked to keep a minimum mobile money account balance, and the project also subsidised half of the cost of mobile phone purchases. Only 10% of participants owned phones prior to the project, and nearly all bought one. Three-quarters of survey participants purchased mobile phone credit with their accounts, and 17% sent money to someone else. Although two months after the final cash transfer all participants were still saving a small amount of money in their accounts, few used their accounts to make deposits, receive money or pay for goods or services. However, the very fact that the project subsidised phones and introduced people to mobile money in a context where it was almost entirely new could have benefits that are not yet apparent.

In Zimbabwe, project participants were more familiar with mobile money (one-fifth had used it prior to the project). Participants increased their use of mobile money person-to-person transfers after the project (20% to 76%). Mobile money was viewed as more secure and convenient than sending cash with friends, family or transportation drivers. The purchase of airtime and goods increased more modestly, although purchasing goods was often driven more by mobile money agents' lack of liquidity than by choice, because a national liquidity crisis in 2016 limited the amount of cash in circulation. No one reported saving through mobile money before the project, and 25% of people reported doing so afterwards. Save the Children had considered taking steps that might have further encouraged the uptake of mobile services, including more training, but decided not to because this would have reduced the amount of money available to transfer to people.

In Bangladesh, participants did not use mobile money widely before or after the project. Although mobile money transfers did increase after the project, people were largely unaware of other mobile money products and services. E-transfer recipients continued to use other saving mechanisms (livestock, saving at home, microfinance institutions), which were more accessible and potentially more lucrative than mobile money.

Barriers to use and uptake of digital financial services

Limited demand for digital financial services (beyond cashing out the e-transfer) was a significant barrier to uptake. Recipients often withdrew the full transfer amount to meet household needs, rather than leaving money in their account that could be used for future transactions (understandably, given the cash transfers were provided to help people meet critical needs at a difficult time). Some participants emphasised the importance of using any available money to generate returns. People often preferred to stick with established approaches to saving, borrowing and making purchases.

Understanding and mastering mobile money was another common barrier. While initial levels of familiarity and training varied, exposure to mobile money through the projects was not sufficient to enable people to conduct transactions autonomously. This may have deterred people from using mobile money. In Ethiopia, people who had difficulty with their PINs were 57% less likely to consider using their accounts in the future.

TABLE 1: BARRIERS AND ENABLING FACTORS TO UPTAKE OF DIGITAL FINANCIAL SERVICES

	Barriers	Enabling factors
Present in all three studies	Limited/varying demand for digital financial services Prioritisation of consumption needs Lack of digital literacy Travel or waiting times at agent	Trust in agents and/or service provider
Zimbabwe	National liquidity crisis Fees	Accessible technical support Knowledge/awareness of products Preference for mobile money Multiple e-transfers delivered Network coverage Phone ownership Alignment of mobile money provider's strategy and project objectives
Bangladesh	Understanding of available mobile money products Regulatory hurdles Gender-specific barriers Fees	General awareness of mobile money Preference for mobile money Accessible technical support
Ethiopia	Understanding of available mobile money products Network and electricity coverage	Perceived utility of products Training Phone ownership Pre-project use of financial services Multiple e-transfers delivered Fees Alignment of mobile money provider's strategy and project objectives

Other barriers also emerged that were specific to individual case studies. A liquidity crisis in Zimbabwe made it more difficult for people to cash-out their e-transfers. Limited network coverage in Ethiopia discouraged people from using mobile money. In Bangladesh, women often lacked control over family mobile phones and many could not travel to mobile money agents without a male family member, which affected women's access to digital financial services.

Enabling factors
Several factors enabled people to cash out their transfers during the project and encouraged the continued use of mobile money by some. People trusted the service providers and agents across the three case studies. Most projects provided the transfers in at least three instalments, which increased exposure to mobile money.

The implementing NGOs also took steps so that recipients could access their e-transfers, including working with mobile money providers to ensure technical support. Mercy Corps in Ethiopia and Save the Children in Zimbabwe worked with local authorities to issue the documents necessary to open accounts. In Bangladesh, Action Contre la Faim (ACF) helped recipients navigate the tedious process of registering SIM cards and mobile money accounts. In Ethiopia and Zimbabwe, NGOs encouraged mobile money service providers to expand their services and offer training to participants. In Ethiopia, the phone payment plan and subsidy offered by Mercy Corps was extremely popular among project participants.

The following recommendations for humanitarian e-transfer programmes emerged from the three case studies:

- Recognise that improving the digital literacy of people new to mobile technology requires continued training and opportunities to practice, which may not be appropriate or a priority in short-term humanitarian programmes.
- Assess demand for digital financial services (e.g. savings, money transfers) before investing in activities to improve uptake and recognise that recipients may prefer to continue using other financial services that they consider more relevant and accessible.
- Ensure that recipients unfamiliar with mobile technologies have adequate support to cash out their transfers during the project, for instance dedicated NGO staff and helpdesks.
- Monitor mobile money agents' liquidity to ensure that lack of cash does not significantly affect programme quality or restrict participants' choices.
- Consider ways to support mobile phone purchases, including through loans, payment plans and subsidies.
- Assess and mitigate gender-specific constraints, such as women's access to phones and mobile money agents.

Conclusion

The case studies show that humanitarian cash transfer programmes can increase exposure to mobile money and the use of certain services by some participants, but do not automatically lead to widespread uptake of digital financial services, digital literacy and financial inclusion. The provision of humanitarian e-transfers, even when combined with training, was not sufficient to enable the vast majority of participants to conduct mobile money transactions independently.

E-transfer programmes can facilitate the use of digital financial services, for instance by encouraging the expansion of mobile money agents into project areas, subsidising phones and providing more personalised and intensive training. Even if these steps are taken, a humanitarian project is unlikely to lead to the extensive use of digital financial services if recipients' preference is for informal financial services that are more accessible or profitable. Understanding the level of demand for digital financial services is therefore a crucial prerequisite to any decision to invest in measures to promote sustained access to these services through a humanitarian programme.

Encouraging uptake of digital financial services requires resources. A disaster or crisis may not be the most suitable moment to invest in – and oblige recipients to attend – extensive training. High demand for these financial services or longer-term cash transfer programmes may make such investments worthwhile. In these instances, humanitarian organisations that do not have the relevant internal capacity could consider partnering with development organisations that do. Even when increasing access to digital financial services is not an appropriate goal or a priority, aid agencies still need to be able to use mobile money delivery systems where they are the most efficient, accessible and transparent way to deliver humanitarian cash transfers.