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CAN MOBILE MONEY FACILITATE CASH TRANSFERS TO FARMERS AND THE RURAL POOR IN THE COVID-19 CONTEXT?

Mobile money is widespread across Africa. The GSMA reports that around half of the 1 billion mobile money accounts worldwide were registered in Africa in 2019. In Sub-Saharan Africa (SSA) alone, mobile money transactions exceeded 456 bn USD in 2019, two thirds of the global total. With the COVID-19 pandemic limiting options for providing relief to the world's poor, development organizations are looking to mobile money as a way to disburse aid. Besides offering a fast and cost-effective way to transfer money, mobile money can offer benefits to women and farmers, and may also serve as a path to connect the "unbanked" to formal financial institutions. At the same time, mobile money cannot be the only solution: its adoption varies across countries and it is limited to those with mobile phone access.

Mobile Money for Cash and Voucher Assistance (CVA)

Using mobile money for CVA is not new. According to the GSMA, mobile money has already been used to provide CVA in at least 44 countries since 2017. With mobile money providers active in 95 countries, this means that mobile money has been used for aid in almost half of all countries where it is available, including seven out of the top ten aid-receiving countries. The majority of mobile money providers (60%) reported in GSMA's 2019 Global Adoption Survey that they have collaborated with humanitarian organizations to provide aid via their platforms. Through these efforts, aid via mobile money has been provided to over 2.7 million mobile money accounts.

Opportunities…

In the context of the current pandemic, mobile money can provide users with a safe, efficient way to transfer funds without physical contact or exchange of cash. Unlike in-kind aid, mobile money can be used wherever recipients need it most—for school fees, remittances, clothing, health care, and many other types of purchases. Though providing aid via mobile money involves significant start-up costs, a 2016 Concern Worldwide project found that it became more cost-efficient over time and ultimately led to cost savings compared to cash-based assistance.

In low-income countries, mobile money may be more accessible than traditional banks. It can be used with only a 2G or SMS connection. According to the GSMA, 85% of people in Sub-Saharan Africa had 2G access in 2018, while 70% were covered by 3G networks.

Mobile money may also have benefits for women's financial inclusion. Research by the World Bank finds that women are less likely to have access to formal financial institutions than men. Looking at the top countries for mobile money penetration, the gaps between the number of men and women who own a mobile money account is smaller— or nonexistent. Thus, organizations have the opportunity to provide development aid directly to women, giving them more control over use of the funds.

There is precedent for mobile money use in the agriculture context, particularly in Africa. Surveys conducted by the GSMA show that approximately 10% of mobile money services have partnered with agricultural companies to facilitate digital payments to farmers. GSMA reports that 75% of these partnerships are in Sub-Saharan Africa.

Over the long-term, mobile money can link aid recipients to formal financial services. For example, the World Bank notes that transaction records from mobile money accounts can be used to calculate users' credit scores, creating a pathway to formal financial institutions.

…and constraints

Despite the benefits that mobile money offers, there are downsides to using it for development aid. **In some countries, a significant proportion of the population still lacks SMS and 2G coverage.** According to the GSMA, over 150 million people live in areas without 2G networks. Of the six countries where less than 75% of the population had 2G network coverage in 2018, five are in SSA: Central African Republic (60%), Swaziland (54%), DR Congo (50%), Burundi (50%), and Mozambique (41%).

Secondly, adoption and access rates differ widely across countries (see Tables 1 and 2). Countries may have multiple mobile money service providers, but still have low rates of account ownership, and there are gaps between rural and total account use. Even among the top ten countries for rural account ownership, only Kenya exceeds the 50% mark. The majority of the other top countries have adoption rates between 30 and 40%. Rural areas may have further logistical challenges, such as a lack of agents or kiosks that allow recipients to "cash out" mobile aid payments.

Despite positive evidence, the use of mobile money for development aid is not always beneficial for women. In households where men control the mobile phone, women may be cut off from accessing aid. Research ICT Africa finds this holds true in some African contexts, with low-income countries tending to have large gaps between male and female mobile phone ownership and internet use.

Table 1: Bottom Ten Countries by Rural Population % with Mobile Money Account

Country	Mobile money account, rural (% age 15+)	Mobile money account (% age 15+)	Number of mobile money services
Morocco	0%	1%	4
Ethiopia	0%	0%	2
Egypt	1%	2%	4
Tunisia	1%	2%	5
Mauritania	2%	4%	1
Nigeria	3%	6%	18
Mauritius	6%	6%	1
Niger	7%	9%	3
Congo, Rep.	8%	6%	2
Sierra Leone	8%	11%	3

Source: GSMA (2019) , World Bank Findex (2017)

Table 2: Top Ten Countries by Rural Population % with Mobile Money Account

Country	Mobile money account, rural (% age 15+)	Mobile money account (% age 15+)	Number of mobile money services
Kenya	73%	73%	5
Uganda	50%	51%	7
Zimbabwe	43%	49%	3
Namibia	39%	43%	2
Tanzania	38%	39%	6
Gabon	36%	44%	3
Ghana	35%	39%	6
Côte D'Ivoire	31%	34%	6
Burkina Faso	31%	33%	3
Rwanda	30%	31%	3

Source: GSMA (2019) , World Bank Findex Database (2017)

RECOMMENDATIONS

Despite its drawbacks, **mobile money has a role to play in the future of development assistance** and to deploy aid to farmers and the rural poor in Africa in the COVID-19 context.

However, it is important to recognize that mobile money will not be a viable option for development assistance in some countries and settings. **Attention to conditions on the ground—including 2G connectivity, mobile money account penetration rates and in particular gender disparities—will be an important component of any successful mobile money aid strategy.**

Another key element is a **conducive banking and policy environment**. Recent GSMA recommendations highlight some of the regulatory elements that will contribute to successful use of mobile money during COVID-19, including waiving person-to-person transaction fees and making credit easily accessible.

This Policy Brief is based on the studies:
Aker et al. (2016) Payment mechanisms and antipoverty programs: evidence from a mobile money cash transfer experiment in Niger; Research ICT Africa (2017) Understanding the gender gap in the global south; GSMA (2019) The state of mobile internet connectivity report 2019; GSMA (2020) State of the industry report on mobile money 2019.

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