FINDEX NOTE 1

SUB-SAHARAN AFRICA SERIES: MOBILE MONEY AND DIGITAL FINANCIAL INCLUSION

MARCH 2019

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ACKNOWLEDGEMENTS

We are grateful to the Bill & Melinda Gates Foundation for providing financial support making the collection and dissemination of the 2017 Global Findex data possible. We thank the Mastercard Foundation and the IFC for their financial support of the The Findex Notes: Sub-Saharan Africa series.

Sub-Saharan Africa: Mobile money and digital financial inclusion

Throughout Sub-Saharan Africa, innovation is transforming how people conduct financial transactions and live their lives. Mobile phones and the availability of new digital technologies are at the forefront of this change, helping to draw more and more people into the formal economy, potentially mitigating gender and income inequality and stimulating development in areas ranging from farming to education.

The Findex Notes: *Sub-Saharan Africa series summarize data compiled by Global Findex from nationally representative surveys of more than 150,000 adults in over 140 economies in 2017, including more than 35,000 adults in 35 economies in Sub-Saharan Africa. Global Findex is the world's most comprehensive data set on how adults save, borrow, make payments, and manage risk.*

IN THIS NOTE

We describe how adults in Sub-Saharan Africa are using digital payments through mobile phones and other digital technologies. The note outlines various opportunities to use technology to bring financial services to people who still have no financial accounts and it discusses persistent inequalities that may be curtailing development in the region.

Sub-Saharan Africa is a trailblazer in the use of mobile money to conduct digital transactions. While the vast majority of adults around the world who use formal financial services rely on traditional banks and financial institutions, in Sub-Saharan Africa, 21 percent of adults have mobile money accounts—by far the largest share of any region.

Research is showing that as more and more people embrace mobile money accounts, a range of development benefits follow. One study found that the adoption of mobile money accounts in Kenya helped lift 194,000 people out of poverty, and that the accounts proved especially beneficial for women. Mobile money has also been lauded as a fast and efficient method of sending and receiving funds from a network of acquaintances during an emergency, potentially reducing the likelihood that those impacted by a financial crisis will descend into poverty. The benefits extend to governments as well. In Niger, researchers found that distributing government social benefits digitally via mobile phone instead of through cash disbursements cut administrative costs by a fifth and helped to shift household decision making to women, who are increasingly acquiring mobile accounts.[i] More generally, the adoption of digital technology is helping to improve economic prospects in the region. A study of 12 African economies found that the arrival of high-speed internet increased employment in high-skill jobs and spurred increases in business creation, productivity, and exports.[ii]

Mobile money is driving an increase in accounts

In Sub-Saharan Africa, 43 percent of adults have an account at a bank or with a mobile money service provider, up from 34 percent in 2014, according to the Global Findex database.[iii] While the share of adults with an account at a financial institution rose by 4 percentage points from 2014-2017, the share with a mobile money account nearly doubled—to 21 percent. In Senegal, overall account ownership nearly tripled, mostly driven by mobile money. In Cote d'Ivoire and Uganda, while the number of people with an account at a financial institution remained steady, the share of mobile money accounts grew. Kenya's progress reflected an increase in the share of adults with both types of account. However, Ethiopia and Nigeria, the two most populous economies in the region, are two notable exceptions with regard to this trend: mobile money account ownership in these two economies so far remains virtually non-existing.

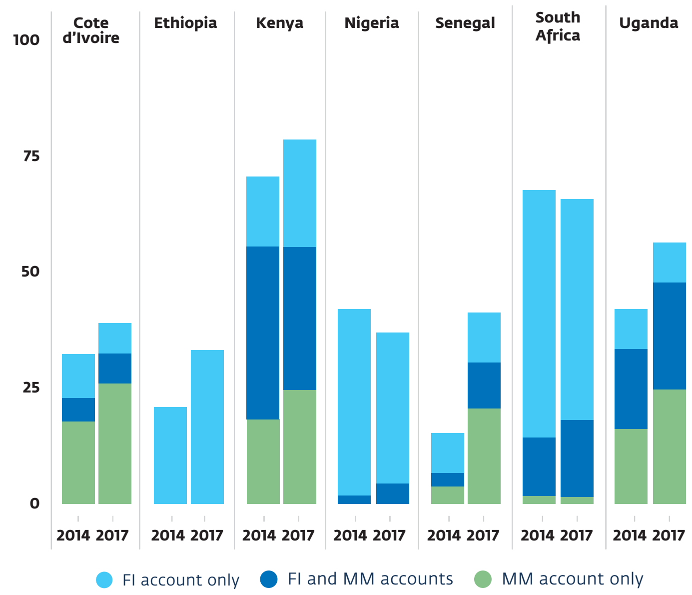
In 2014, mobile money accounts were largely concentrated in East Africa. Now, these accounts are spreading (Figure 1). In West Africa the share of adults owning a mobile money accounts has risen to about 33 percent in Burkina Faso, Cote d'Ivoire, and Senegal—and to 39 percent in Ghana. In Gabon and Namibia, nearly 45 percent of adults have mobile money accounts. In East Africa account ownership remains high, particularly in Kenya, where nearly 3 in 4 adults use mobile money.

Account ownership is higher among men and the wealthy

Across Sub-Saharan Africa, 48 percent of men and 37 percent of women have an account, a gender gap of 11 percentage points. The size of the gender gap varies among individual economies (Figure 2). In Nigeria, men are twice as likely as women to have an account, and gender gaps can also be found in economies such as Cote d'Ivoire, Ethiopia, Mozambique, and Uganda. South Africa is among the rare economies where women and men are equally likely to have an account.

Figure 1: Account ownership rose in Sub-Saharan Africa between 2014-2017

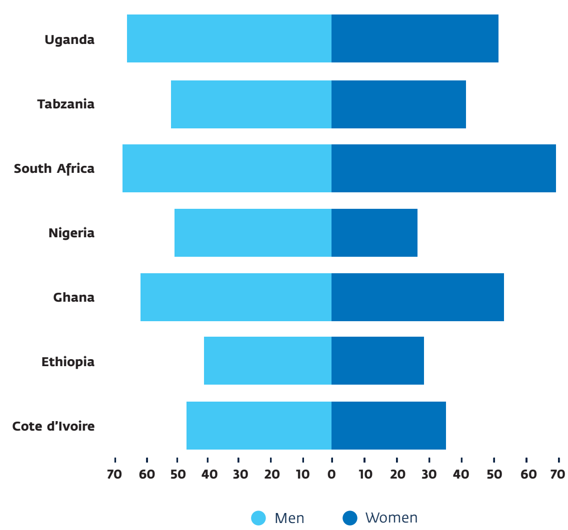
Adults with an account (%)



Source: Global Findex database.

Figure 2: Men are more likely than women to have an account

Adults with an account (%), 2017



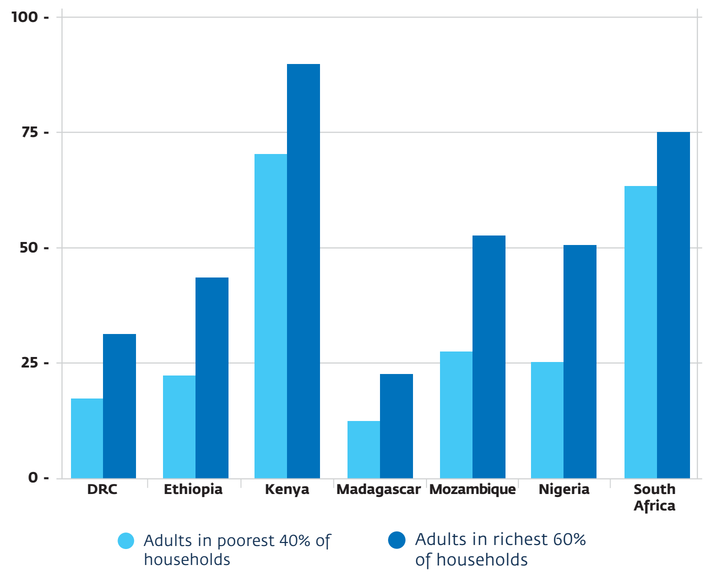
Source: Global Findex database

Sub-Saharan Africa's income gap is 18 percentage points: Among adults in the richest 60 percent of households within economies, half have an account. In the poorest 40 percent of households within economies, a third have an account. Wealthier adults are roughly twice as likely as poorer adults to have an account in economies such as Democratic Republic of Congo, Ethiopia, Madagascar, Mozambique, and Nigeria (Figure 3).

There are some early, and untested signs that mobile money accounts are helping to reduce inequality in access to financial services. Consider the eight economies where 20 percent or more adults have only a mobile money account: Burkina Faso, Cote d'Ivoire, Gabon, Kenya, Senegal, Tanzania, Uganda, and Zimbabwe. In all but two — Burkina Faso and Tanzania — there is no significant difference in the numbers of men and women with mobile money accounts. However, when it comes to the share of men and women who have both mobile money accounts and accounts at financial institutions, nearly all of those countries have statistically significant gender gaps. The picture is similar for the income gap. All eight of the leading mobile money economies have income gaps in the share of adults who have both types of accounts. But only half of these economies—Burkina Faso, Cote d'Ivoire, Senegal, and Uganda—have an income gap in the share of adults who have a mobile money account only. The data are encouraging, but much more research is needed to determine whether mobile money accounts can reduce inequality in access to financial services.

Figure 3: Account ownership higher among wealthier adults than poorer adults

Adults with an account (%), 2017



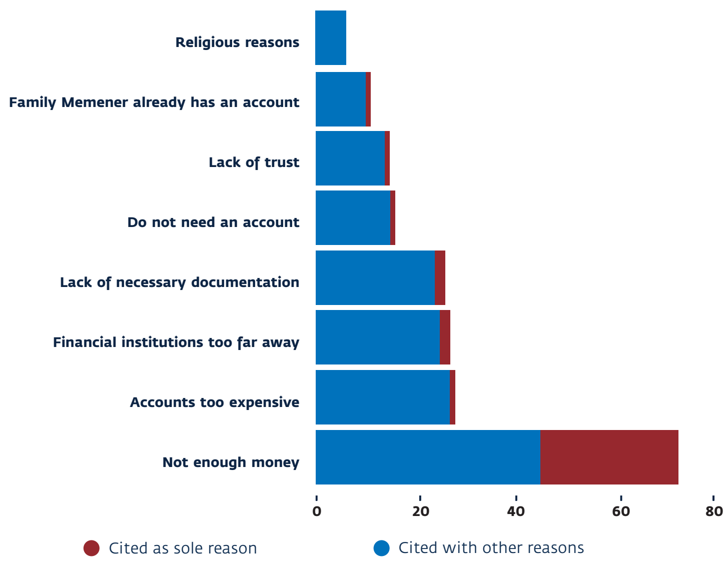
Source: Global Findex database. Note: Data for the poorest 40 percent and richest 60 percent of households are based on household income quintiles within economies.

3 in 4 unbanked adults say they have too little money for an account

Across Sub-Saharan Africa, nearly 340 million adults still have no account at a financial institution. To reveal barriers to financial inclusion, the Global Findex survey asked people why they do not have accounts at financial institutions. Nearly 75 percent of respondents said they had too little money to use an account at a financial institution. Almost 30 percent cited lack of funds as the sole reason for not having an account (Figure 4). The next most commonly cited barriers were high costs, distance to financial institutions, and lack of documentation, each of which was mentioned by about a quarter of adults with no financial institution account.

Figure 4: In Sub-Saharan Africa, unbanked adults face a range of barriers to getting an account

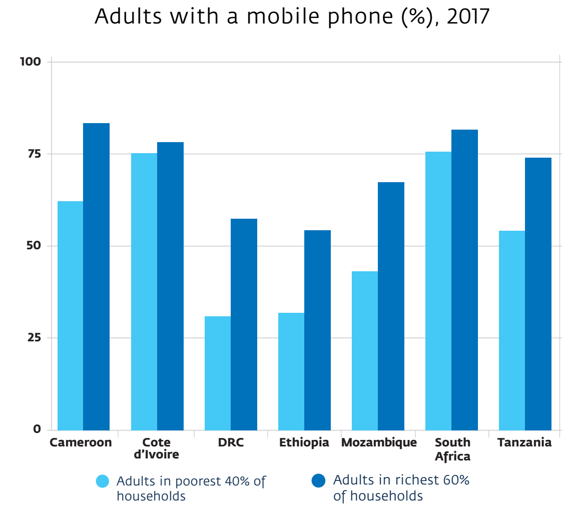
Adults without a financial institution account reporting barrier as a reason for not having one (%), 2017



Source: Global Findex database

The relative importance of barriers varies across economies. High costs are cited by nearly 40 percent of respondents in economies such as Central African Republic, Democratic Republic of Congo, Cote D'Ivoire, Gabon, Kenya, South Africa, and Tanzania; the share exceeds 50 percent in Madagascar, and Uganda. Documentation is a big challenge in Madagascar and Zimbabwe, where nearly half of adults without an account at a financial institution say they do not have the paperwork needed to open an account.

Figure 5: Mobile phone ownership higher among wealthier adults than poorer adults

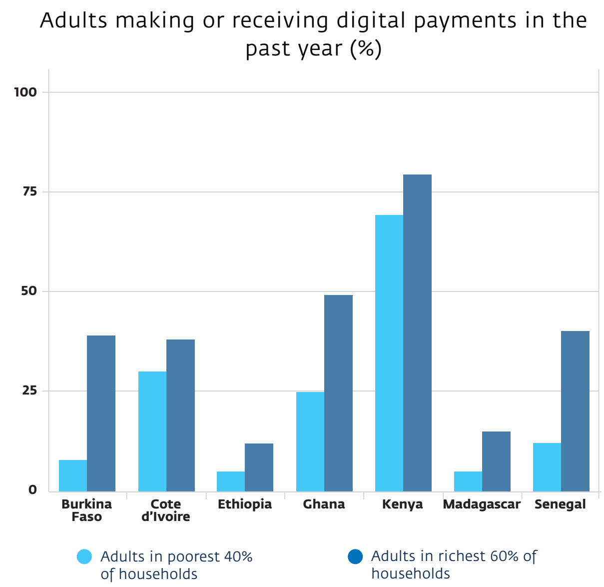


Source: Global Findex database. Note: Data for the poorest 40 percent and richest 60 percent of households are based on household income quintiles within economies.

Digital inclusion: Low mobile phone ownership among poorer adults

Another barrier to financial inclusion is access to digital technology. Mobile phones have been central to Sub-Saharan Africa's financial inclusion achievements—and further progress depends in part on ensuring that everyone has access to this important technology. Poorer adults still lag wealthier adults in mobile phone ownership. Regionally, 69 percent of wealthier adults have a mobile phone, compared to 53 percent of poorer adults—an income gap of 16 percentage points. Gaps of 20 percentage points or more are found in economies such as Cameroon, Ethiopia, Mozambique, Tanzania, and Uganda (Figure 5). Mobile phone ownership is twice as high among wealthier adults than poorer adults in Democratic Republic of Congo and Madagascar. By contrast, income gaps are small or non-existent in Cote d'Ivoire and South Africa.

Figure 6: Increasing shares of adults make or receive digital payments



Source: Global Findex database

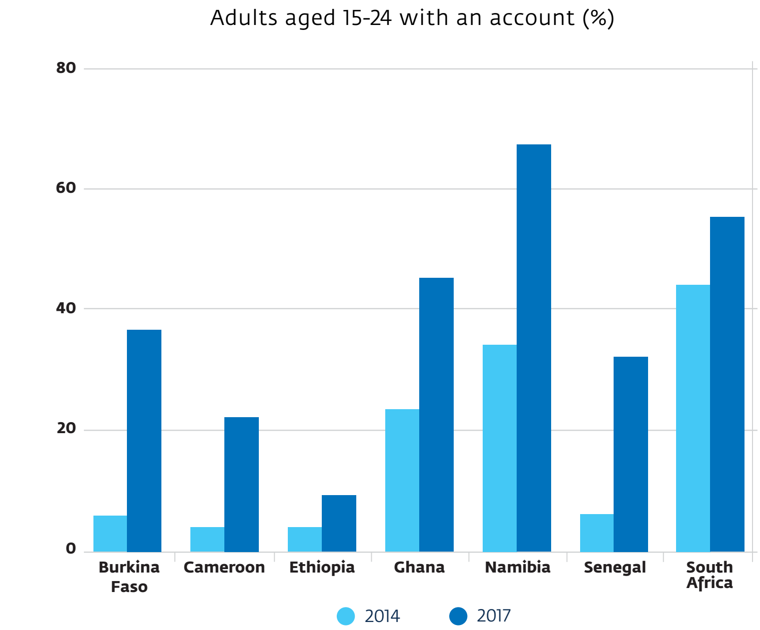
An uptick in digital transactions

Over the last three years, the share of adults in Sub-Saharan Africa who make or receive digital payments rose from 27 percent to 34 percent. These payments can include but are not limited to retail transactions made through mobile phones and the internet, receipt of wages, government payments, or agricultural payments into an account, collecting domestic remittances into an account, and payments through a debit card or credit card. Within the region, use of digital payments tends to be higher in economies where mobile money is widespread. In Kenya, for example, 80 percent of adults use digital payments (Figure 6), which is roughly twice the average in developing economies. The number of adults using digital payments doubled in Ghana as mobile money ownership rose from 13 percent in 2014 to 39 percent in 2017. Elsewhere, the share is much lower, as in Ethiopia and Madagascar, where only about 1 in 7 adults use digital payments.

Use of a debit card or credit card is low in Sub-Saharan Africa, reported by only 7 percent of adults regionally, though the share is significantly higher in economies such as Botswana (17 percent), South Africa (25 percent), Namibia (37 percent), and Mauritius (48 percent). Within Sub-Saharan Africa, about 1 in 10 adults make digital payments for utilities such as water and electricity. Since 2014, the share has increased more than threefold in Namibia—to 21 percent, and roughly doubled in Kenya—hitting 39 percent. Beyond improved safety and convenience, a key benefit of digital utility payments is that they help users get access to vital services such as electricity through pay-as-you-go models.[iv]

It seems likely that mobile phones will continue to outpace payment cards for digital transactions in Sub-Saharan Africa. Regionally, 380 million adults in Sub-Saharan Africa have a mobile phone. That is more than three and a half times the share who have a debit card. Financial service providers operating in the region would do well to focus on mobile phone-based transaction channels.

Figure 7: More young adults are making or receiving digital payments



Source: Global Findex database.

Young people are increasingly making digital transactions

Young people—defined as those between the ages of 15 and 24—are adopting digital payments, particularly in economies where mobile money has spread. In 2014, 20 percent of younger adults in Sub-Saharan Africa sent or received digital payments. Today, 30 percent do so. During the same period, in Burkina Faso and Senegal, mobile money ownership among young people went from 3 percent to roughly 30 percent, while the share of young people using digital payments increased nearly six-fold (Figure 7). Large jumps also occurred in Cameroon, Gabon, Ghana, and Namibia. Yet there remains room for further progress. In Ethiopia—one of the region's largest economies—only about 1 in 10 young people use digital payments.

Women and the poor still lag on making or receiving digital payments

Inequality persists in the use of digital payments. Across Sub-Saharan Africa, the share of women making or receiving digital payments rose by 7 percentage points—to 30 percent. Yet men are still 9 percentage points more likely than women to use digital payments, and in economies such as Nigeria and Sierra Leone, use of digital payments is twice as high among men than women. Regionally, among adults in poorer households, 25 percent now make or receive digital payments, against 40 percent of adults in wealthier households. Wealthier adults are two times as likely as poorer adults to use such payments in economies like Burkina Faso, Cameroon, Malawi, Nigeria, and Zambia.

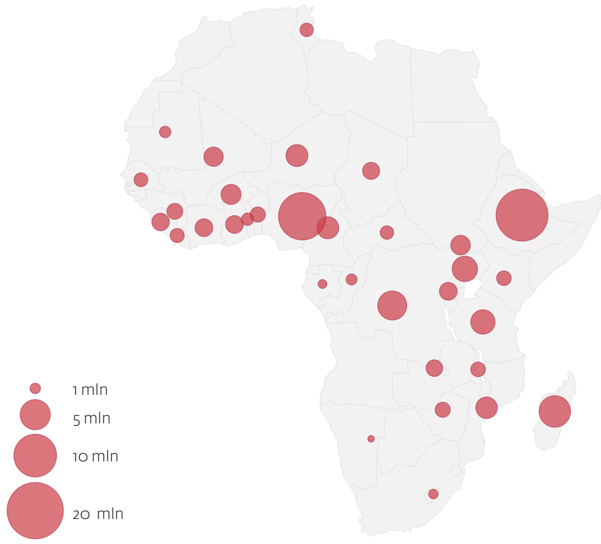
Opportunities to expand financial inclusion through digital payments

Millions of unbanked adults in Sub-Saharan Africa receive routine payments in cash. These payments can be for wages, government social benefits, or the sale of agricultural goods. Moving such payments into accounts can be an effective way to increase access to formal financial services. For employers and the government, digital payments have the potential to reduce costs by removing the need to spend time and resources manually distributing cash payments. For recipients, digital payments can be safer and more convenient, and potentially help build up savings balances. Mobile phones can also serve as an entry point to the formal financial system. Regionally, half of unbanked adults in Sub-Saharan Africa—or 160 million unbanked adults—have a mobile phone. As businesses move to digitize payments, it is important to ensure that formal financial products are affordable and easy to use for the unbanked, many of whom are poor or have limited literacy and numeracy. Vigorous consumer protections must be in place to safeguard new users from financial predation.

Agricultural payments offer one of the most promising opportunities to increase account ownership in Sub-Saharan Africa. Regionally, 95 million adults—equivalent to almost 3 in 10 unbanked adults—receive cash payments for the sale of agricultural goods (Map 2). That includes up to 50 million unbanked women. If these payments were transitioned into accounts, the share of unbanked adults could fall by as much as 40 percent in Uganda, 50 percent in Nigeria, and 60 percent in Ethiopia. Overall in Sub-Saharan Africa, 40 million unbanked adults own a mobile phone but still get paid in cash for agricultural sales. Digital transactions potentially offer a more convenient way to receive payment. In Ethiopia, 7 million unbanked adults—among them 3 million unbanked women—fall into this category, as do 10 million unbanked in Nigeria, including 4 million women.

Map 2: 95 million unbanked adults in Sub-Saharan Africa receive agricultural payments in cash

Adults without an account receiving payment for agricultural products in the past year in cash only, 2017



Source: Global Findex database.
Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less or where the share receiving payments for agricultural products is 10 percent or less.

The common practice of sending money to friends or relatives who reside in another part of the country also offers opportunities for increasing account ownership. Some 90 million unbanked adults — roughly a quarter of the entire Sub-Saharan unbanked population — sends or receives domestic remittances in cash or through an over-the-counter-service such as Western Union. In Nigeria alone, nearly 25 million unbanked adults send domestic remittances. If these remittances were digitized in Cameroon, Cote d'Ivoire, Ghana, Nigeria, and South Africa, the share of unbanked adults in these economies could fall by as much as a third.

Beyond increasing account ownership, digitizing routine payments offers a great promise to increase the use of accounts among adults who already have an account. Regionally, 10 million adults receive government wages, social benefits, or pension payments in cash despite owning an account. That number includes 8 million account owners who own a mobile phone, among them nearly 2 million in Ethiopia and 1 million in Nigeria. Private sector employers could do more in this area. Across Sub-Saharan Africa, roughly 1 in 10 account owners—about 20 million—work in the private sector and get paid in cash. Most of these adults have a mobile phone, including 4 million such private sector employees in Nigeria and 1 million in South Africa.

Conclusion

Sub-Saharan Africa's economies are being transformed as mobile money spreads across the continent. In 2014, mobile money accounts were found mostly in East Africa. Today, these accounts have spread across the region, especially West Africa, creating new opportunities for people to make a wider range of financial transactions. Although women and the poor still lag, the Global Findex shows that governments and businesses could boost ownership and use of formal financial services by transitioning routine cash payments into digital channels.

END NOTES

i See Demirguc-Kunt, Asli, Leora Klapper, and Dorothe Singer (2017), "Financial Inclusion and Inclusive Growth: A Review of Recent Empirical Evidence," World Bank Policy Research Paper No. 8040.

ii Hjort, Jonas, and Jonas Poulsen (2018), "The arrival of fast internet and employment in Africa," NBER Working Paper No. 23582.

iii The full Global Findex dataset and methodology are available at https://globalfindex.worldbank.org/.

iv See, for example, Alexander G. Sotiriou et. al. (2018), "Strange Beasts: Making Sense of PAYGo Solar Business Models," Forum 14, CGAP.