



Making financial markets work for the poor
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Why Use Accounts?

Understanding account usage through a consumer lens

2016

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1. INTRODUCTION

Over the past five years, the move towards digital financial services and simplified account opening procedures has improved the take-up of accounts by the poor. The 2014 Global Findex data highlighted that the number of people without access to formal accounts decreased from 2.5 billion in 2011 to 2 billion in 2014 (Demirguc-Kunt, Klapper, Singer, & Van Oudheusden, 2015). Whilst recognised as a major achievement, it is clear amongst the global community that account ownership alone is not, in itself, the goal of financial inclusion.

The World Bank has encapsulated this objective in their target of universal financial access by 2020 (UFA2020, 2016). Their vision is for adults to have “access to a transaction account or an electronic instrument to store money, send payments and receive deposits as the basic building block to manage their financial lives”. The ultimate goal beyond this initiative is to “reduce the world’s poverty and increase prosperity” (World Bank, 2016).

But how to achieve this goal? Clearly accounts will need to add value to people’s lives to have any impact on poverty or prosperity. This can only be achieved if we understand what people value in accounts and what drives them to use accounts.

Account usage can be seen as a reflection of client value, but is also significant for firm value. If adults do not use the accounts they own, then providers are unable to recoup the cost of opening and maintaining these accounts. A study by GAFIS (2013) highlighted that transactions and minimum balances of bank accounts are critical for the business case of providers. Similarly, the generally limited-use cases of mobile money accounts, combined with low activity rates, make mobile money unprofitable across all but a handful of countries at present (Almazán & Vonthron, 2014). Thus, account usage becomes critical for finding the “sweet spot” in financial inclusion, where providers have a business case to offer financial services to new consumer segments, and new consumers derive value from them, ultimately leading to the development outcomes financial inclusion seeks to unlock.

The available data on account usage shows that finding this sweet spot is a major challenge. For example, the Global Findex survey (2014) found that across the Southern African Development Community (SADC) countries only 25% of account holders actively use their accounts; over 30% of account holders have dormant accounts¹, and more than 40% use them purely as mailboxes to receive income and withdraw it in one lump sum. Similarly, FinScope (2015) showed that in South Africa 5% of self-reported bank account holders never use their account and a further 44% only use it to withdraw cash once a month, i.e. as a mailbox. In Malawi and Mozambique, despite rapid growth in the uptake of mobile money, active usage remains below 30% (Thom, *et al.*, 2015; Chamberlain, *et al.*, 2014). In the Democratic Republic of the Congo this figure is just 10% (Thom, *et al.*, forthcoming). This limited usage has a serious impact on the providers’ bottom line. Already we have observed providers like Vodacom, Barclays and MTN pulling out of markets where low usage of their products undermines their business case (CNBC, 2016; TechCentral, 2016).

¹ Accounts are classified as dormant in this example if the client does not make either a withdrawal or a deposit in a typical month.

Interventions to rectify this low usage have focused on the provider lens, and on improving the environment within which accounts are available and taken up. However, while the provider is an important factor, it is ultimately the consumers' decision-making framework that determines whether they use their accounts or not (Bester, *et al*). Thus understanding this consumer lens is critical to discovering what ultimately drives usage (Bester, Gray, Hougaard, & Saunders, 2016).

This note explores what drives the usage of mobile money and bank accounts. By looking through the consumer lens it seeks to understand what the triggers, drivers and barriers to unlock usage are. It concludes with recommendations for policymakers and providers on how to unlock usage to extend both client and firm value for sustainable inclusion.

2. SCOPE

2.1. Why this study?

Building on existing insights. Whilst it is clear that usage is important, it remains unclear what ultimately drives usage. There have been a number of studies that have sought to unpack these drivers. Eighty20 examined why many South African consumers prefer using financial services distributed through retailers (Eighty20, 2015). A CGAP study looks at what constitutes value for consumers of financial services (CGAP, 2016). Bester, *et al.* (2016) unpacked why adults prefer to use cash and informal financial services compared to bank accounts and digital financial services across six developing countries. Ephraim, *et al.* (FSDT, 2016) highlight that rather than replacing cash, mobile money has made cash more efficient by addressing a key cash weakness (long-distance travel), thereby supporting cash ecosystems.

Account ownership often does not translate to usage. This study focuses on account usage, specifically transactional mobile money and bank accounts. Such accounts are often owned, but not used, which limits the benefits the formal financial sector can provide for consumers. Bank and mobile money accounts have been under scrutiny for this reason as the proportion of mailbox or dormant accounts has increased at the same rate, and in some countries at a faster rate, than account ownership. For example, in Zimbabwe, FinScope found that ownership of bank accounts increased from 24% to 30% between 2011 and 2014 (FinScope, FinMark Trust, 2014). However, over that same time the Global Findex Survey showed that the number of adults with dormant accounts increased from 4% to 25% (Demirguc-Kunt, *et al.*, 2015).

Nevertheless, not all accounts are unused, and those that are used are utilised to varying degrees. There are some customer segments that do use accounts as the core building block to manage their financial lives. However, it is more common for accounts to be used to a limited degree – mainly to make or receive payments over distance or to purchase airtime. According to FinScope, 77% of bank account holders in South Africa leave funds in their accounts at least part of the time (FinScope, FinMark Trust, 2015). In Zimbabwe, as of April 2013, 43% of EcoCash accounts were active (Levin, 2014).

Scope of the study. This study examines what drives consumers' behaviour and usage, or lack thereof, of cash, bank accounts and mobile money accounts.

Account holder focus. Given that we seek to understand how account usage develops, the focus of this study is only on those adults who already have accounts and live in and around major urban centres in South Africa (Johannesburg and Cape Town), and Zimbabwe (Harare). This mitigates against the traditional barrier of an inadequate payments ecosystem which is often viewed as one of the biggest deterrents to usage (InterMedia, 2013; GSMA, 2014). Of course, a key factor is how money comes to be in the account in the first instance. The majority of research participants in this study receive funds directly into their accounts. Arguably, we would expect that such users would find it compelling to use the account to conduct payments, as they face no physical barriers or costs associated with getting cash into the account. Yet, in practice many prefer to withdraw their funds and transact in cash.

The focus on this segment provides insight as to why, even when a fully functioning ecosystem is easily accessible to them, some consumers choose to use their accounts regularly, whilst others do not.

2.2. Defining accounts and exploring the use case

In this note, accounts are defined as transaction accounts offered by a bank or other financial services provider. The underlying proposition of a transaction account is to help account holders *manage* their money. It enables the account holder to deposit and withdraw cash, make digital payments to third parties and store electronic value. In addition, an account often, but not always, supports a money management objective by enabling users to keep track of money as it moves into and out of the account.

The primary use cases of an account are described below:

Digital payments are defined as transfers of value that are initiated and/or received using electronic devices and electronic channels to transmit the instruction. Payment instruments include credit and debit transactions which can be conducted through a number of channels including POS terminals, ATMs, the internet and mobile devices.

When considering the use case of digital payments, it is useful to distinguish between local payments and payments over distance.

- *Local payments* are those in which the payer makes a payment to the final payee and both are physically present at the same location at the moment of the payment: for example, buying a loaf of bread from a merchant.
- *Payments over distance* are those payments where the payer and payee are not in the same location, such as remittances and bill payments. Digital payments can be made over the

counter (OTC) such as Shoprite's money transfer service² in South Africa where payers make one-off digital payments over distance. This study focuses explicitly on account usage, but these OTC payments constitute an alternative for consumers for this use case.

Other critical dimensions of a payment that shape the choice of payment instrument include the size of the transaction, as well as its frequency (how often the payment is made) and certainty, both with respect to timing and amount. Clearly, larger value transactions carry greater risk for the user and would predispose them towards safer mechanisms that protect them from the risk of theft, or enable the transaction to be reversed in the case of error. Likewise payments where the amount and date of the payment are known with certainty can be scheduled and automated.

Store of value. An account's store of value functionality can plausibly meet a number of needs or intentions, including the deliberate accumulation of funds into a sufficiently useful lump sum (saving up) or the preservation of a value balance over time.

The relationship between these two use cases is complicated. On the one hand, as highlighted by Ephraim *et al.* (2016), these digital payments and store of value use cases of a bank account are, in many ways, contradictory. Key needs in terms of digital payments might include speed, convenience and fungibility (I. Mas, personal communication, August 2016). In contrast, with respect to a proposition that intends to support accumulation or store of value, a primary need might be to limit access so as to increase the likelihood that earmarked funds are used for their intended purpose.

On the other hand, storing value in the account over time is effectively a prerequisite for account holders to make regular digital payments. In order to use an account to make regular payments, there needs to be value in the account. This tension is resolved to some degree by noting that a transaction account is principally designed to support transactions or payments, rather than savings. Its store of value functionality is best viewed as facilitating payments rather than for account holders to build up a lump sum.

A transaction account offers two further critical benefits to users, both emanating from the visibility a transaction account creates with respect to the underlying activity that it facilitates. Account usage data is useful in facilitating access to other financial products, most notably credit, and theoretically enables the bank or MNO to interact with the account or wallet holder in a more targeted, or customer centric way. In addition, this data enables users to keep track of their finances by means of notifications of activity or transactions, information on balances as well as summary statements of activity. By making this data available, an account enables users to control their money – the underlying purpose of an account.

² Shoprite's money transfer service has the highest market share in South Africa. It launched the service in 2006 with Capitec Bank and eCentric Switch. Since its introduction, more than 12 million people have been registered as senders or receivers on the system and in 2010 around R10 billion was sent using the service (Eighty20, 2015).

3. METHODOLOGY

Country focus. This study focuses on two countries, South Africa and Zimbabwe, and within these countries on lower income consumers who already own bank or mobile money accounts, and who have a visible need for payment and store of value mechanisms.

Zimbabwe and South Africa were selected as the two focus countries for this research for a number of reasons. Zimbabwe has a high level of mobile money penetration providing an opportunity to contrast bank versus mobile account holders. In addition, there is a high penetration of mobile money usage within the banked base of customers. It therefore offers a useful counterpoint to the hypothesis that mobile money accounts cannot gain traction in markets where banking penetration is high. Further, recent cash shortages in Zimbabwe have provided additional impetus for the adoption and use of digital mechanisms to make payments and store value. South Africa on the other hand has a high penetration of bank accounts and the highest level of account based digital payments in the region. However, that market is noteworthy in that several highly visible mobile money initiatives have failed to gain traction. In addition, there is a large segment of lower income social grant recipients who must receive their incomes into a bank account. Their usage patterns are of particular interest.

Research approach. A mixed-method research approach combining qualitative and quantitative data collection was used to explore the main research questions. Four focus group discussions were held and the findings were used to develop a street-level intercept survey. The research was also supported by an analysis of FinScope data³ from both countries, and individual interviews with a number of financial service providers⁴. **Box 1** provides some detail on the composition of the focus groups and intercept survey respondent base.

³ The FinScope consumer surveys used in this analysis were conducted in Zimbabwe in 2014 and in South Africa in 2015.

⁴ Provider interviews were conducted with Junaid Munshi (MD Vodacom M-Pesa South Africa), Kim Dancey (Legal Head and Specialist Advisor: Digital and Alternative Banking at FNB SA) and Japhet Aritho (COO EcoCash Zimbabwe).

Box 1: Research methods

- *Four focus group discussions:* Two focus group discussions were conducted in South Africa and Zimbabwe, respectively. In South Africa, the first group was held in Cape Town and was composed of SASSA grant recipients⁵. The second group was held in Johannesburg and was composed of participants with bank accounts who were either salaried or self-employed. In Zimbabwe, both focus groups were held in Harare. The first group was composed of salaried employees with a slightly higher income profile than the second group, which mostly consisted of self-employed participants. All participants had either a bank account or mobile money account, or both. See Appendix A for more detail on the profile of the focus group participants. These focus groups were not representative, but were used to obtain a spectrum of usage models to test during the intercept interviews below.
- *Street-level intercept surveys:* Findings from the focus group discussions were used as inputs for the development of a survey. The survey was administered to 600 individuals with an account (bank, mobile money or SASSA) who fall below a predetermined income threshold⁶. Intercept interviews⁷ were used to collect 300 responses in and around Johannesburg and a further 300 responses in and around Harare. A summary of respondent demographics can be found in Appendix B.

4. COUNTRY CONTEXT

4.1. South Africa

South Africa has an advanced financial services sector composed of both domestic and foreign institutions offering a full range of services.

Increased banking penetration. According to FinScope, 77% of South Africa's 37.3 million adults (aged 15 and above) are banked (FinScope, FinMark Trust, 2015)⁸. This has increased considerably since 2004, when less than half of adults (46%) in South Africa were banked. The increase in banking penetration is largely due to two initiatives: the Financial Sector Charter (FSC) and the migration of all social grant pay-outs from cash to a card-based basic bank account.

The FSC aimed to promote access to financial services sector for lower income consumers. A key initiative was the creation of a basic bank account known as the *Mzansi* account. The product was collectively designed by the 'big four' banks⁹ with an agreed bundle of services, a cap on pricing and

⁵ For an explanation of SASSA see section 4.1.

⁶ Less than R8,000 personal monthly income in South Africa and less than US\$500 personal monthly income in Zimbabwe.

⁷ Fieldworkers went to busy areas including shopping centres, markets, taxi ranks, city centres, university campuses, and in and around their own neighbourhoods to find respondents. Respondents were offered a small incentive in the form of airtime to participate in the survey.

⁸ Note that, although 77% of South African adults are banked, not all of these adults have an account in their own name; according to FinScope 2015, 64% of adults have a bank account in their own name.

⁹ ABSA bank, First National Bank, Nedbank and Standard Bank.

no monthly fee, and a common use of the *Mzansi* brand. Although take-up was impressive (six million accounts were opened between 2004 and 2008 (Fisher-French, 2012), usage of the accounts was limited with many using the account as a mailbox, to simply receive and then withdraw their entire income each month. The accounts were loss-making for the banks and the uniform design limited competition between banks (Fisher-French, 2012).

By 2012, most banks had stopped offering *Mzansi* accounts. However, the insights gained from the *Mzansi* experience, along with increased competition from Capitec Bank which targeted lower to mid income consumers with a low cost, simple bank account, encouraged banks to refine their entry level banking propositions. Most banks started offering no-frills, simple bank accounts, which in some cases were cheaper than the *Mzansi* accounts (Fisher-French, 2012). The new entry level accounts were developed to be sustainable for the banks and more useful for account holders.

The second initiative that increased banking penetration in South Africa was the migration of social grant pay-outs from cash to card-based accounts. South Africa has approximately 16.9 million social grant beneficiaries (Ferreira, 2016), equating to roughly 32% of the population. The most common grants are child support grants that support beneficiaries under the age of 18 and the state old age pension paid to qualifying beneficiaries over the age of 60.¹⁰

Prior to 2012, grant beneficiaries largely collected their grant income in cash. However, this method of pay-out was both expensive and prone to fraud. This led to the implementation of a biometric card, called the South Africa Social Security Agency card (SASSA card), linked to an account held at Grindrod Bank. The SASSA card is a debit *MasterCard*: there is no monthly account fee linked to the card and funds can be withdrawn free of charge at specified retailers and cash pay points. Funds can also be withdrawn from an ATM. However, normal withdrawal fees will apply (SAnews, 2013). More details on fees and functionality are included in the box below.

Box 2: Comparing account functionality and fees between SASSA accounts and entry-level bank accounts in South Africa

SASSA accounts have limited functionality both in terms of notifications and payments. The major limitations are discussed below:

- SASSA account holders are able to purchase airtime and electricity from their account using USSD on their cell phone, but beyond this there is no internet or cell phone banking functionality. In contrast, Capitec account holders can access their accounts online, via app on a smart phone, or via a USSD-driven menu on their mobile phones.
- SASSA accounts have limited functionality, both in terms of notifications and payments. Unlike with other accounts, SASSA account holders receive no text notifications of balances

¹⁰ Child support grants (CSG) are provided for children under the age of 18 whose primary care giver earns less than R3,500 per month (or R7,000 per month for couples). The grant of R350 per month is paid to the child's primary care giver. The state old age pension is paid to beneficiaries over the age of 60 earning less than R5,750 per month (or R10,833 per month for a couple). The maximum grant value is R1,500 per month.

or payments made. To make a balance enquiry, SASSA account holders must either contact the CPS Call Centre, go to a supermarket teller, or go to an ATM.

- SASSA accounts offer limited functionality with regard to account transfers. Accounts holders can only transfer the full value of the grant. If they wish to transfer funds, they cannot perform any other transactions on their account in that month (i.e. the full social grant is in the account). In addition, the account into which funds are being transferred must be under the same name as the SASSA account holder.
- At the time this research was conducted, the account facilitated debit orders. However, as of June 1 2016, deductions off the account were limited to one deduction for funeral insurance. This is limited to a maximum of 10% of the total grant value. Deductions cannot be made off the following grants: foster child grant, care dependency grant, child support grant and social grant awarded for a period not exceeding twelve months, as per the amended Regulation 26 (A) of the Social Assistance Act, 2004.

The fees associated with a SASSA card for various transactions are shown in the figure below. These are contrasted with a Capitec Bank account. Capitec offers low-cost, simple bank accounts. It is the most widely-used account with intercept survey respondents (47% of respondents whose main account is a bank account, have a Capitec account).

	CAPITEC (GLOBAL ONE ACCOUNT)	SASSA CARD
Minimum balance	R25.00	N/A
Monthly fee	R5.25	None
Balance enquiry	Free using internet/app, cell phone USSD, Capitec ATM or Capitec branch	Free at retailer POS (balance cannot be checked on cell phone)
Withdrawals	R1.30 at retailer POS R5.50 at Capitec ATM R8.50 at another bank's ATM	Free at specified retailers* R2.19 at non-specified retailers when no groceries purchased and R1.73 when groceries are purchased Withdrawal at ATM depends on the amount: R6.19 to withdraw R100 R9.34 to withdraw R500
Debit order	R3.40	
Returned debit order	R4.75	
Transfer to another account	R1.50 via app/internet banking, R4.00 via branch	N/A
POS card payment	Free	Free
Airtime	Free	R0.50 via cell phone
Electricity	Free	R1.00 via cell phone
Bill/ 3rd party	R1.50 via app/internet R4.00 in branch	

Note*: Specified retailers include Pick n Pay, Boxer, Shoprite, USAVE and SPAR

Figure 1: Capitec bank account and SASSA account fees¹¹

Source: Capitec, 2016; Net1, 2016.

¹¹ Note: where cells are left blank there is no information provided by the provider. N/A indicates the transaction is not supported by the account

According to FinScope, 5.6 million adults have a SASSA account in their own name and a further 18.1 million adults have a bank account in their own name (FinScope, FinMark Trust, 2015). The primary income sources of those who have an account (either a bank or SASSA account) are salaries and wages, and social grants (FinScope, 2015). The data also indicates that by and large, the population with an account earns their income in one lump sum on a monthly basis. For those who receive a lump sum monthly, a primary money management challenge is to allocate funds across multiple needs over the payment cycle.

Despite numerous efforts by mobile money providers to enter the market, none have been successful to date. Various reasons have been given for this, including the high penetration of bank accounts, limited acceptance and agent support, and a rigid regulatory framework. Two of the primary mobile money providers, Vodacom and MTN, announced the withdrawal of their mobile money services in May and September 2016 due to the failure to achieve a critical mass of users. Out of Vodacom Mpesa's one million registered accounts, only 76 000 were active (Goko, 2016).

4.2. Zimbabwe

Zimbabwe's economy has gone through dramatic changes over the past twenty years. Between 1998 and 2008 it experienced hyperinflation, shortages of basic necessities and high unemployment. Following a decade of contraction, the economy recorded real growth of more than 10% per year between 2010 and 2013, before slowing to roughly 3% in 2014 (CIA, 2016).

Migration from bank accounts to mobile money accounts. Confidence in the banking system was adversely affected during the period of hyperinflation and the numerous bank closures severely reduced trust in the formal financial system.

According to FinScope, 17% of the 14 million adults in Zimbabwe personally have a bank account (FinScope, FinMark Trust, 2014), while 49% have a mobile money account. As per the chart below, the majority of those who have a bank account also have a mobile money account. An estimated 12% of the population that previously had bank accounts have since elected to stop using these accounts (Dermish, Hundermark, & Sanford, 2012). Usage of mobile money accounts is more prevalent with just under half (49%) of adults personally owning an account (FinScope, FinMark Trust, 2014).

Over the past five years, a number of mobile money providers have entered the market. Initially, mobile money providers focussed on offering instant money transfers – a valued service given the large unbanked proportion of the population living in rural areas. Take-up of mobile accounts was rapid, supported by highly visible marketing campaigns and simple sign-up processes. By the end of 2013 there were more mobile money accounts than bank accounts in the country (Scharwatt, Katakam, Frydrych, Murphy, & Naghavi, 2014).

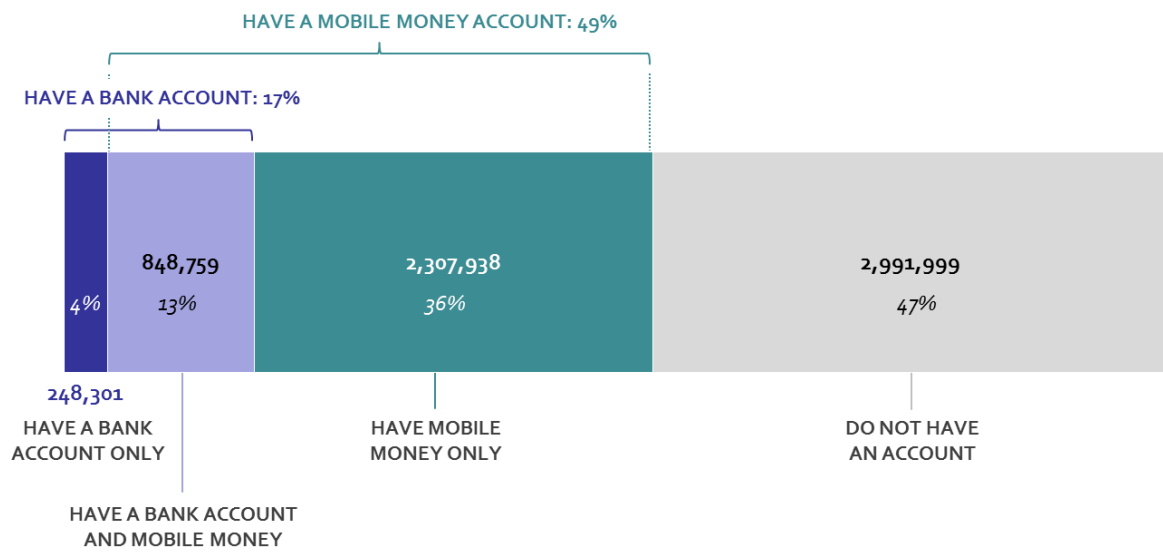


Figure 2: Account ownership among Zimbabwean adults (15+ years of age)

Source: FinScope Zimbabwe (2014)

The mobile money market is dominated by EcoCash, used by 92% of registered mobile money users (FinScope, FinMark Trust, 2014). While the offering initially focused on money transfers, EcoCash has added numerous additional payment instruments as well as a separate savings pocket, insurance product and microloans to its list of offerings.

Box 3: Account functionality and fees in Zimbabwe

Fees associated with an EcoCash mobile wallet are compared with an entry-level bank account offered by CABS bank below. CABS bank is one of the leading retail banks in Zimbabwe.

	CABS BANK (BLUE INDIVIDUAL ACCOUNT)	ECOCASH ACCOUNT
Minimum balance	\$5.00	None
Monthly fee	\$3.00	None
Balance enquiry	\$0.12	\$0.02
Withdrawals (Cash out)	1 % of value Min. \$3.50 for OTC withdrawal at retailer or branch \$2.00 plus \$0.05 stamp duty at ATM	Registered user Depends on amount withdrawn: \$0.60 for \$10 \$3.50 to withdraw \$100 \$4.95 for \$500. Unregistered user (collecting money transfer) Free Limit is \$500 per transaction
Debit order	Not specified	N/A
Returned debit order	Not specified	N/A
Transfer to another account	Money transfer via RTGS \$5.00 at the branch \$3.00 via internet banking Internal money transfer \$1.00 at the branch \$0.10 via internet banking	Sending to a registered user Depends on amount sent: \$0.42 for \$10.00 \$ 2.43 for \$100.00 \$3.00 for \$500. Sending to an unregistered user Depends on amount sent \$1.02 for \$10.00 \$ 5.93 for \$100.00 \$7.95 for \$500 Limit is \$500 per transaction
POS payment	Depends on purchase amount: \$0.10 on value below \$10 0.45 on value above \$10 (both inclusive of \$0.05 stamp duty)	Using USSD, depends on amount: 2% +0.05 for payments under \$50 \$1.50 For payments \$100 and above Using EcoCash debit card, depends on amount: \$0.90 for \$10 \$2.00 for \$100 \$3.60 for \$500 Limit is \$500 per transaction
Airtime	Not specified	Free Limit \$20.00 per transaction
Electricity	Not specified	N/A
Bill/ 3rd party	\$2.00 at the branch \$0.50 via internet banking	Functionality is available but fee not specified

Figure 3: CABS bank account and EcoCash fees¹²

Source: EcoCash, 2016; CABS, 2016

There are some key differences in the accounts described above. EcoCash accounts do not have a minimum balance, and there is no monthly fee.

¹² More detail on EcoCash debit card fees can be found here: www.econet.co.zw/ecocash/ecocash-debit-card-1

The EcoCash account tends to be cheaper for smaller value transactions. For example a \$10 withdrawal from an EcoCash account would cost a registered user \$0.60. If the same amount was withdrawn from a CABS account, the cost would be more than three times this at \$2.05. However the CABS fee is fixed. Larger withdrawals cost less through CABS than EcoCash.

In terms of functionality, the CABS bank account allows for debit orders while the EcoCash account does not.

Source: www.cabs.co.zw/business-conditions, <https://www.econet.co.zw/ecocash/tariffs-limits>

According to FinScope data, the vast majority of bank or mobile money account holders in Zimbabwe rely on farming and piecework which have infrequent income streams. In addition, 56% of account holders generate income from more than one source. The challenges of money management differ significantly depending on income earning patterns as does the 'cash in' challenge for account holders. Those who earn a salary or wage are most likely to be paid directly into a bank account and do not face a 'cash in' challenge, in contrast to those who generate income from farming or small business activity who would typically receive payments in cash.

5. ACCOUNT USAGE PATTERNS

Bank vs. SASSA account usage in South Africa. The intercept survey explored what respondents typically do when they receive money into their account. As per the chart below, in South Africa bank and SASSA account holders have fundamentally different usage patterns. SASSA account holders are far more likely to be account sweepers; more than 90% of SASSA account holders say that they withdraw all funds out of their account as soon as they are deposited versus just 8% of those with a bank account.

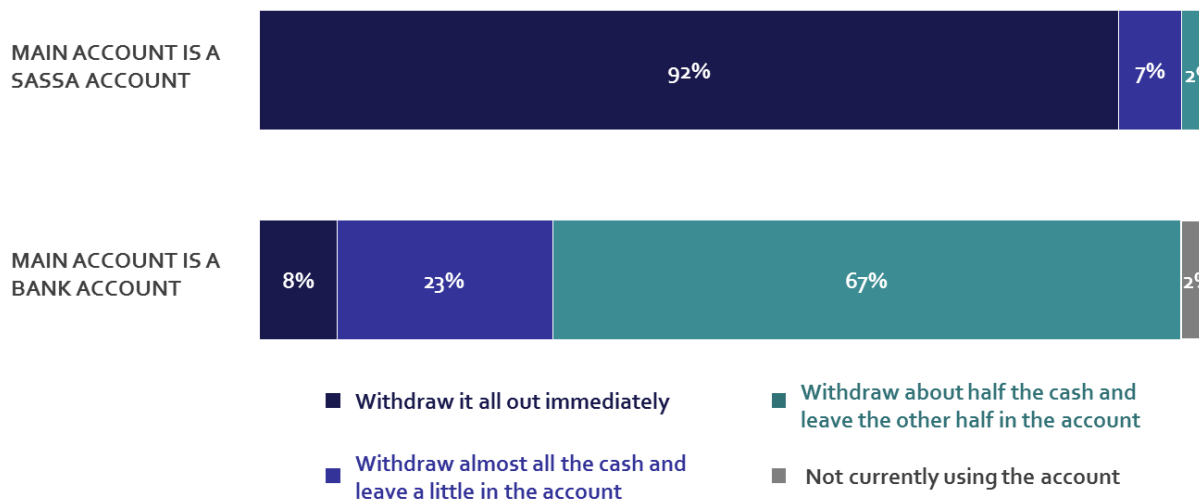


Figure 5: South Africa - What do you typically do when money is put into your account?

These findings are mirrored in the FinScope data, albeit to a lesser extent. FinScope 2015 data indicates that SASSA account holders are three times more likely to sweep their accounts than other account holders; 45% of SASSA account holders sweep their accounts, versus 16% of those with a bank account (FinScope data, 2015). Whilst some of this discrepancy may be due to the relatively lower incomes of SASSA account holders, FinScope data indicates that even when incomes are held constant, SASSA account holders are more likely to sweep their accounts; For account holders with a monthly income of between R1,000 and R3,000, 54% of SASSA account holders say they withdraw all funds from their account as soon as the money is deposited, versus 30% of other account holders. This further suggests that the lack of functionality offered by SASSA accounts has a major influence on the limited usage.

The tendency towards sweeping behaviour by recipients of electronically paid grants is not limited to South Africa. CGAP’s 2012 focus note on social transfers and financial inclusion that considered evidence from four countries, including South Africa, found overwhelmingly that recipients were withdrawing the whole grant amount at once (Bold, et al. 2012)

Bank vs. mobile money account usage in Zimbabwe. In Zimbabwe, intercept survey respondents with just a mobile money account are more likely to sweep their accounts compared to those with both a bank and mobile money account¹³, as illustrated in Figure 6 below. As per the chart below 42% of those with a mobile money account only typically withdraw all funds out of their account as soon as they are deposited compared to 15% of those with a mobile money and bank account. These differences may partially result from the lower functionality of mobile money accounts, but also

¹³ Data for respondents with only a bank account has not been included due to small sample size.

reflect the different types of payments that mobile money accounts are usually used for as compared to bank accounts.

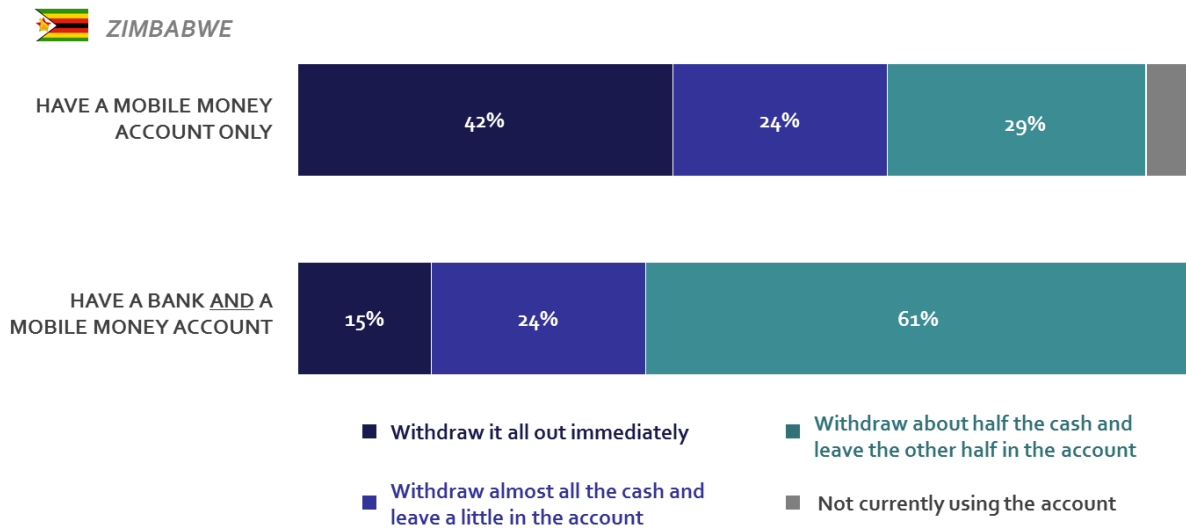


Figure 6: Zimbabwe - What do you typically do when money is put into your account?

Payment methods for common expense items in South Africa and Zimbabwe. The intercept survey also explored how account holders typically pay for various common expense items. This data for both South Africa and Zimbabwe is summarised in Figure 7 below. Because payments can be made using multiple methods, respondents were able to select more than one payment instrument for a particular type of expense.

- **PAY FOR THIS:** Proportion of respondents that currently pay for the various expense items
- **USE DIGITAL:** Proportion of those that currently pay for the item using a digital payment via their account at least part of the time (i.e. may use cash in addition to digital payment mechanisms)

	SOUTH AFRICA			ZIMBABWE		
	PAY FOR THIS	USE DIGITAL PAYMENT VIA ACCOUNT*	USE CASH	PAY FOR THIS	USE DIGITAL PAYMENT VIA ACCOUNT*	USE CASH
AIRTIME	98%	55%	93%	100%	76%	98%
CLOTHING	98%	44%	94%	96%	14%	99%
FOOD & OTHER GROCERIES	97%	60%	96%	96%	33%	99%
TRANSPORT	93%	3%	100%	98%	2%	100%
FURNITURE	65%	20%	92%	54%	12%	93%
ELECTRICITY	62%	23%	91%	57%	37%	87%
MEDICAL EXPENSES	62%	23%	91%	81%	10%	85%
SCHOOL FEES	57%	15%	92%	64%	28%	91%
SEND MONEY TO FAMILY/ FRIENDS**	51%	59%	38%	88%	97%	35%
INSURANCE	49%	64%	39%	29%	64%	41%
TV / DSTV SUBSCRIPTION	42%	30%	88%	37%	59%	55%
LOAN / ACCOUNT REPAYMENTS	41%	64%	48%	32%	59%	58%

Note: *Digital payments include: swiping card, debit order, via ATM or self-service terminal, via cell phone (incl. USSD), via internet banking or via telephone banking

**Send money to friends / family outside of household.

Figure 7: Please tell me if you currently pay for the following items and if so how you currently pay for it?

There are a number of interesting observations. In the first instance, whilst cash often dominates, many account holders are transacting digitally. For some use cases, digital transactions are more common than cash. It is the payments over distance that particularly emerge as the use cases for which digital payment mechanisms are preferred to cash. These include payment of insurance premiums and loan or account instalments, as well as remittance payments. Digital payments over distance are often quicker and more reliable than physically transporting cash over distance. Therefore, it is comparatively easier for providers to offer consumers greater value for payments over distance than for local payments. Furthermore, payments for insurance and credit are often required by the provider to be paid digitally. The types of payment instruments accepted (and not

accepted) by merchants and providers is necessarily a critical driver of the payment mechanism used by consumers.

Secondly, account holders often transact digitally and in cash for the same item. Clearly, context matters. For instance, in South Africa, consumers who purchase groceries in bulk once a month at a large retailers may transact digitally, and then use cash for smaller top-up purchases throughout the month at local spaza shops that only accept cash.

Thirdly, some essential expense items, notably transport, are paid for almost exclusively in cash in all likelihood because it is simply not possible to pay via other mechanisms. In these instances, the digital payments use case may simply not exist. Of course, this may change over time as new digital payment mechanisms are introduced.

Usage patterns across different account types. Data from the intercept survey also highlights the very different usage patterns across account types. In South Africa, over 70% of bank account holders pay for goods by swiping their cards and almost 50% buy airtime monthly. A similar proportion use debit orders. This is noticeably lower for SASSA account holders, who at the time this research was conducted, would have had the ability to transact using this mechanism.

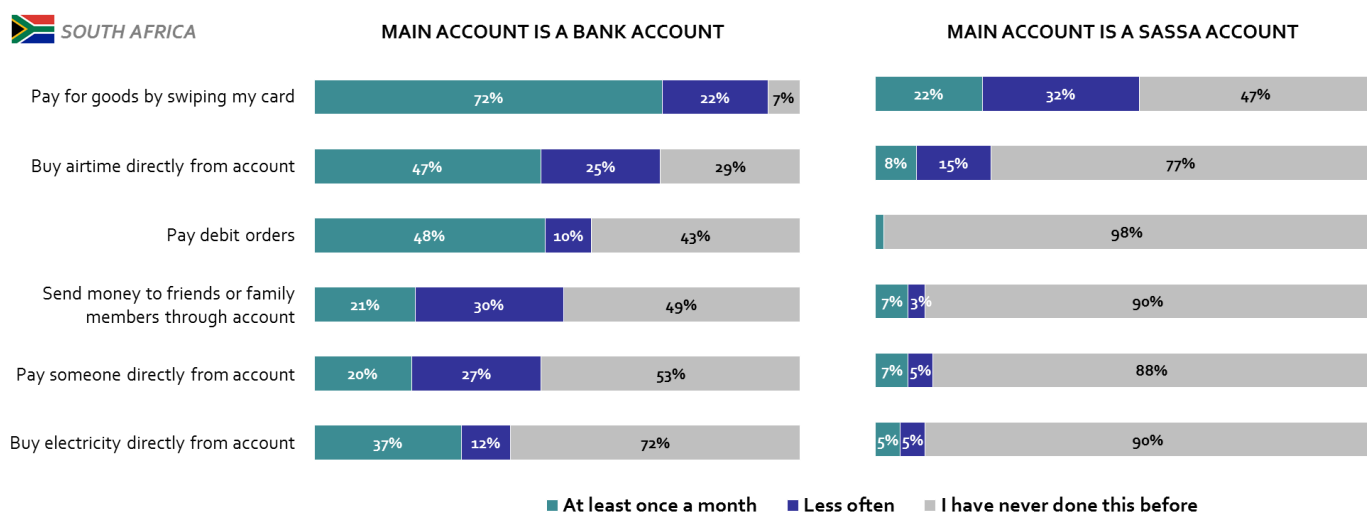


Figure 8: South Africa account usage profile. How frequently do you do the following transactions using your account?

Whilst this reflects the very different profile of customers who have bank accounts compared to those with SASSA accounts¹⁴, it also reflects the different underlying functionality offered by these accounts¹⁵ as per Box 2 above.

¹⁴ 25% of survey respondents with a bank account earn less than R3,000 per month, compared to 97% of SASSA account holders

¹⁵ Note that 23% of respondents that said their main account is a SASSA account also have a separate bank account. This can explain why in Figure 8 above, some SASSA account holders have indicated that they

In Zimbabwe, those with both a mobile money account and a bank account appear to have a far richer digital transaction profile than those with only a mobile money account, as seen in Figure 9. Once again, this is likely to reflect the underlying difference in the user base. According to the survey, only 17% of those with a mobile money account and a bank account earn under \$200 per month, compared to 81% of those with a mobile money account only.

In contrast with South Africa, there is relatively limited use of debit cards to purchase at a point of sale, reflecting both limited acceptance and relatively high cost.

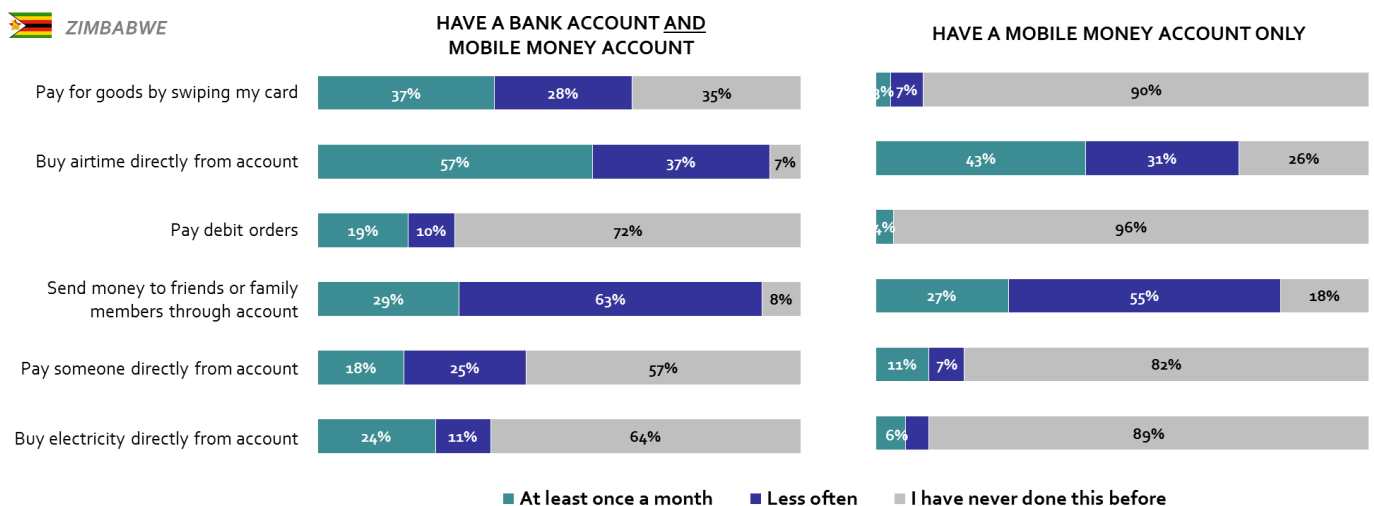


Figure 9: Zimbabwe account usage profile. How frequently do you do the following transactions using your account?

According to data from the intercept survey, respondents who have both a bank account and mobile money account are selective around which account to use. They are more likely to use their mobile money account when paying for airtime, electricity and television subscriptions and when transferring funds to friends and family. On the other hand, purchases for groceries, clothing, furniture and loan repayments are generally made through their bank accounts.

Box 4: How does the reason for opening an account impact on usage?

Intercept survey respondents were asked to provide reasons for opening their accounts. In South Africa, all SASSA card holders are required to open SASSA accounts to receive their grant income. In addition, bank account holders are often required to open accounts in order to receive their salaries; 34% of bank account holders in South Africa said this was the main reason for opening their account. However, not all bank account holders were compelled to open an account; 23% of bank account holders said that they chose to open their account to receive their salaries. A further 15% said they opened their bank account to save money.

conduct transactions, such as sending money to friends and family members, which are not currently supported by SASSA accounts.

In Zimbabwe, 50% of bank account holders said they were required to open their account to receive a salary. However, 12% said it was not a requirement but their choice to receive their salaries into a bank account. A further 10% said that they opened the account to save money.

For mobile money account holders in Zimbabwe, the primary reason for opening their account was to send or receive money (40%), 15% said it was in response to an advert or promotion and 14% said that an agent, family member or friend encouraged them to open the account.

To explore whether these reasons for opening an account have any implications on account usage patterns, a cluster analysis was run. This segmented account holders based on their level of account usage and indicates that in both countries usage of an account **does not** appear to be correlated with the reason for opening an account (required or voluntary). Those who were required to open an account did not necessarily display lower account usage patterns¹⁶.

6. USE OF DIGITAL PAYMENTS FUNCTIONALITY

Use of cash due to absent digital mechanisms. In some instances account holders use cash, not because they prefer to do so, but because it is simply not possible to pay for some expenses, or in some contexts, using digital mechanisms. Whilst this research focused on major urban centres to mitigate the acceptance barrier, it is evidently still present as reported by focus group participants.

"I think some things cannot be changed. We live in local residential areas where you would want to go to a vendor to buy vegetables or buy tomatoes; I don't think you will be able to produce a credit card so that you can buy tomatoes or vegetables, so I think you cannot completely do away with cash"

- Group 1, Harare, Zimbabwe

Box 5: Zimbabwe business owners

The acceptance challenge is more difficult to overcome where merchants try to actively avoid accepting digital payments. During the Zimbabwe focus group discussions, business owners noted that fees associated with receiving payment via mobile money discouraged them from accepting these payments.

"I feel they are inconveniencing us as small business people, whenever someone wants to send me \$20, he will say 'I will send \$20 but the charges are yours' "

¹⁶ Those who were compelled to open an account include SASSA grant recipients as well as respondents who indicated the reason they opened the account was to receive a salary. The cluster analysis segmented users based on usage patterns into three distinct groupings of account holders; low, moderate and high users. There was no clear pattern across the groups with respect to account holders who were required to open their accounts as well as those who chose to.

"EcoCash charges twice, sending and receiving, so the sender will be forced to send \$19 and I will then be charged to withdraw it so I will end up getting \$18 instead of my \$20"

Interviewer: Ok

"The difference that EcoCash takes might be your profit from a deal so at the end you are disadvantaged and yet you need the money"

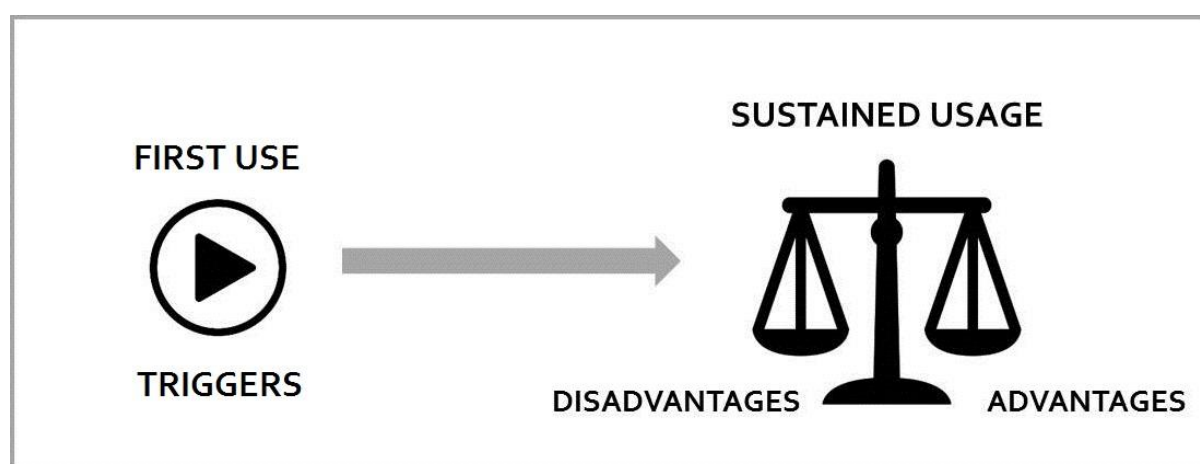
- Group 2, Harare, Zimbabwe

When cash offers greater value. Whilst an inadequate payment ecosystem means that cash payment is the only option in certain situations, there are clearly instances where payments could be made digitally, but are instead being made in cash.

Of course, changing behaviour often comes at a cost, in both monetary and psychological terms. It requires that users overcome inertia and inherent biases in favour of the status quo. They are likely to stick to cash until an alternative payment mechanism demonstrably offers them greater value. It is therefore critical to understand the relative benefits and costs of using digital payments alternatives compared to cash in various contexts.

Digital payment triggers. Whilst consumers may have some notion of the benefits and costs of using a digital mechanism to transact, they would obviously need to make use of the mechanism to have direct experience of this. A specific event, circumstance, initiative, or personal encouragement is often required to *trigger* the initial adoption of the digital account alternative (Hortaçsu, Madanizadeh, & Puller, 2015). The circumstances that frame the use of a mechanism for the first time are thus of particular interest.

Of course, the decision to continue using a payment mechanism is determined by the net benefit derived from that product relative to alternatives in a specific context. The decision-making process



is characterised in [Figure 12](#) below.

Figure 12: Consumer decision-making framework

Usage triggers are those factors that lead to a change in existing behaviour. These are the factors that pushed a consumer to use an account to either store value or make digital payments for the first time.

Usage drivers are those factors that encourage consumers to continue with existing behaviour. Once an account has been used initially, these drivers determine whether the account will continue to be used and to what extent.

Usage barriers are those factors that deter consumers from continuing with existing behaviour. These factors prevent or limit the extent to which accounts are used.

Broadly speaking, these can be summarised for transaction bank accounts and mobile accounts as per the graphic below.

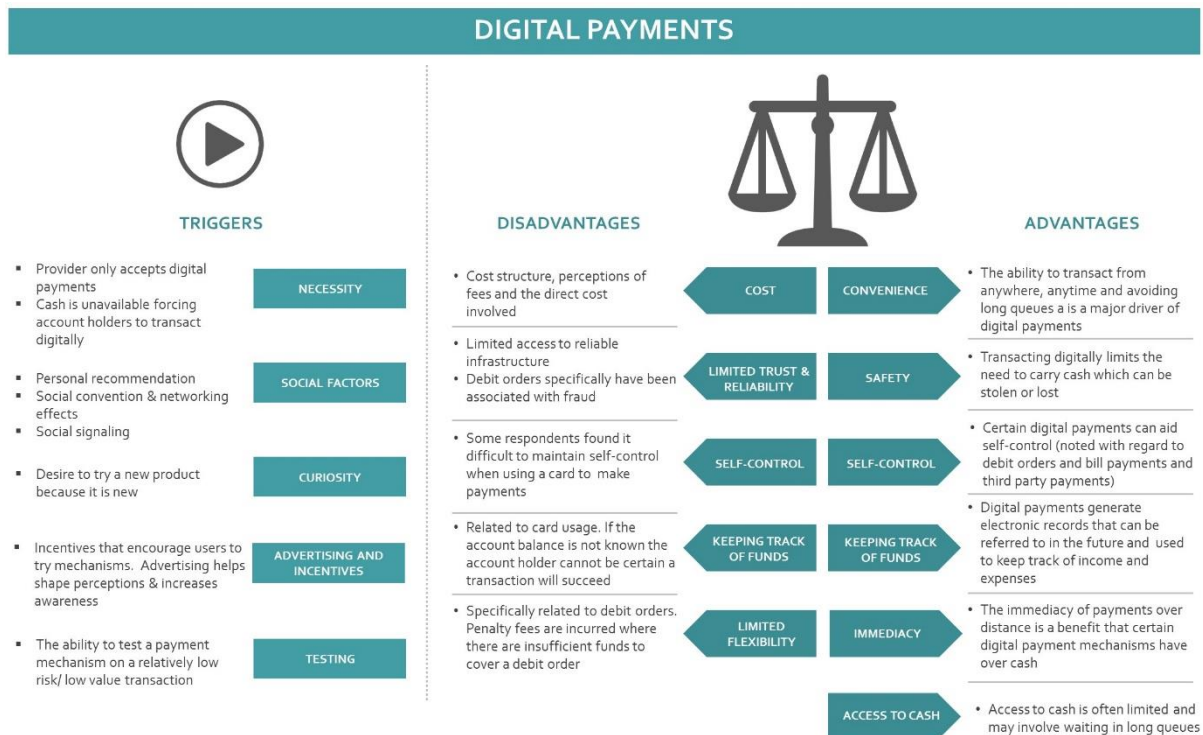


Figure 13: Summary of the major triggers, disadvantages and advantages of making digital payments

Usage triggers include a range of factors including necessity, where providers only accept digital payments, or where cash is not available, recommendations of trusted associates, curiosity and specific incentives. In addition, the ability to test a mechanism with a low risk, low value payment, supported by responsive service in case something goes wrong also supports first time usage.

Key advantages of digital payment mechanisms are that they offer users anytime, anywhere convenience, reduce the risk of theft or loss, can support self-control and keeping track, and are typically more immediate. Of course, they are not without their disadvantages. In the first instance, the payments ecosystem may not be fully developed; some payments simply cannot be facilitated digitally. For those that can, there are often user charges in contrast to cash, which is perceived to be free. In addition, users might be concerned about the reliability of the network. They may also feel they have less control, particularly where payment instructions are initiated by third parties.

Of course, the payments functionality of an account is comprised of the functionality of the various payment mechanisms that it enables. These offer fairly distinct advantages and disadvantages. The findings therefore deal in detail with the individual payment mechanisms that together support the functionality of an account.

6.1. Usage triggers

The circumstances and triggers that encourage users to try a payment mechanism for the first time are of particular interest. From behavioural economics we know that people are often resistant to change: for example, the *status quo* bias refers to people's tendency to prefer to maintain their current behaviour rather than to change (Samuelson & Zeckhauser, 1988). In most cases the perceived switching costs are high. These include learning costs, cognitive effort and financial risk. Various interventions or specific situations can trigger consumers to overcome these and try a mechanism for the first time. In the words of one provider: "It is important to find out what the pull triggers are. Once a customer is on a service you can drive behaviour."

The key triggers of first use of digital payments by account holders are summarised in **Box 9** below and then discussed by specific payments use case in the remainder of this section.

Box 9: Triggers of first time usage of digital payments

Lack of alternatives. In some instances a customer has no choice but to transact digitally as merchants or service providers may only accept digital payments. Likewise, where there are cash shortages, as in the case of Zimbabwe, account holders are forced to transact digitally.

Personal recommendation. The influence of a trusted recommendation or endorsement of a digital payments mechanism can be powerful adoption trigger particularly when accompanied by a demonstration of the mechanism. Friends and family members often encourage account holders to conduct specific transactions for the first time. Agents and bank tellers also play an important role by encouraging usage and actively guiding the account holder through the transaction process. This additional support can be critical to encouraging first time usage.

Social convention and network effects. These play an important role in overcoming perceived switching costs. If many consumers use digital payments this increases trust in the reliability of the mechanism and reduces perceived financial risk.

Social signalling. Perceived status linked to using certain digital payments tools, such as credit cards, can also trigger usage. While this does not speak directly to the functionality of a payment mechanism, it is nonetheless important in the eyes of account holders and can impact on first time usage.

Curiosity. The desire to try out a new product *because* it is new can be a powerful trigger for some consumers to start using digital payments.

Incentives and direct promotions. Many providers implement specific promotions or offer direct incentives to first time users to trigger a change in consumer behaviour. Incentives to encourage users to try digital payments, such as competitions linked to swiping a debit card, are powerful triggers for first time usage. Short-term promotions or time-sensitive offers, such as reduced transfer fees over specific time periods (e.g. Christmas), are also effective in triggering consumers to try new payment mechanisms.

Advertising. Advertising plays an important role in shaping perceptions: it increases awareness of functionality and communicates the benefits of using a product. It also establishes a social norm and creates trusted, ubiquitous brands that are instantly recognised.

Low cost, low risk trial. Providers can reduce perceived switching costs by enabling account holders to test the service on a relatively low risk, low value transaction. For testing to be effective users should be able to rapidly assess success; the faster they can get this feedback, the better.

Intercept survey respondents were asked to think back to the very first time they made use of different digital payments mechanisms and recall the reason for using that mechanism. Results from the survey are summarised by payment mechanism in Figure 13 below.

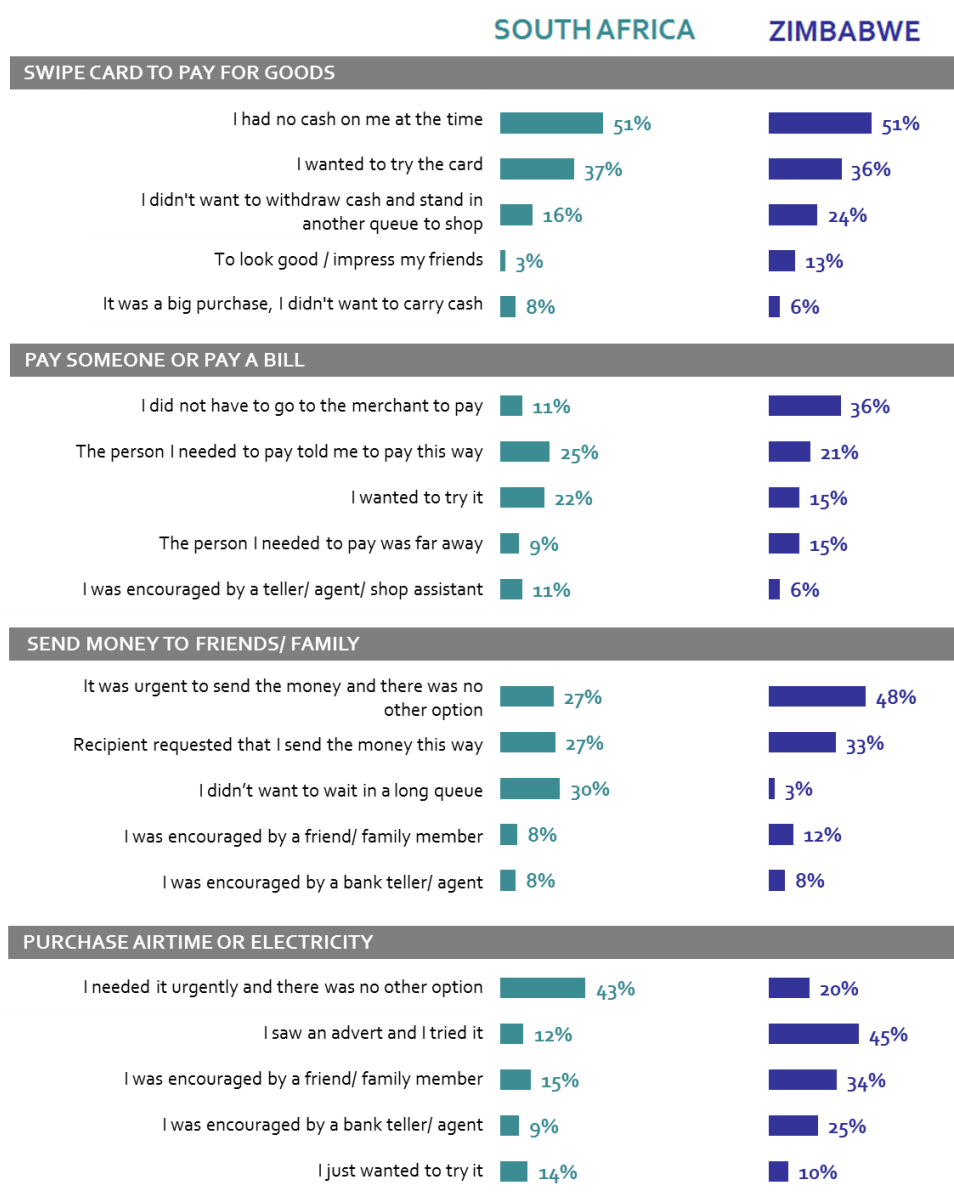


Figure 14: The first time you used this payment instrument, what was the main reason for using it instead of cash? (Multiple response, unprompted. Only asked to those that have conducted each transaction)

The triggers of first time usage for each digital payment mechanisms are discussed in more detail below.

Card payments

Lack of alternatives. In both countries, the main reason given by respondents for using their cards to make a payment for the very first time was because they did not have cash on them at the time (noted by 51% of respondents in both South Africa and Zimbabwe). As noted previously, cash shortages in Zimbabwe as well as the inconvenience of having to get to and queue at an ATM, trigger card holders to swipe their cards.

Social signalling. Status can also play a role in first time usage of cards. In Zimbabwe, the survey data indicates that there is some social status associated with using a card to make payments, although in South Africa very few survey respondents felt the same way. The disparity may in part reflect the relatively high fees associated with card payments in Zimbabwe.

Pay someone or pay a bill

Convenience. Being able to transact from anywhere at any time is a key driver of first time usage. If a payment needs to be made when merchants are closed or far away this can trigger a consumer to try a digital payment mechanism for the very first time.

"In my case, my DSTV was cut when I was at work and when I got home I had to pay using the USSD [Unstructured Supplementary Service Data], because I had a TV series I wanted to watch that night. And also when electricity is cut at night obviously you just use the USSD."

- Group 2, Harare, Zimbabwe

Lack of alternatives. Service providers will also often insist that a payment is made via an account, which can trigger first time usage; 25% of respondents in South Africa and 21% in Zimbabwe said that the payment recipient requested that they make payment via their account.

"At Edgars, in fact it was a command. I paid my account and it was USD 20 [...] they said pay this remaining in our EcoCash."

- Group 2, Harare, Zimbabwe

Money transfer to friend or family member via account

Urgency. In Zimbabwe the urgency of a particular transfer was noted as a trigger for using an account by just under half of respondents. Mobile money transfers are instant, whereas alternative methods such as sending funds with a bus or taxi driver can take time.

The transfer recipient also plays an important role in how funds are sent; 27% of respondents in South Africa and 33% in Zimbabwe said that the recipient requested that funds be sent digitally.

Personal recommendation. Personal interaction also plays a key role in encouraging adoption of digital money transfer mechanisms. Friends, family members and agents can encourage usage by showing the account holder how to conduct a transaction. This was particularly relevant in Zimbabwe where numerous focus group participants spoke of the support they had received from mobile money agents.

Interviewer: Those who got helped from agents, did they show you everything? Taking it step by step how you should deal with that account or how should you understand it? Or they just showed you that specific thing and then...?

"Yah, they go step by step showing you the procedure when you want to transfer be it to send money or to withdraw. "

- Group 2, Harare, Zimbabwe

In South Africa, a major trigger for transferring funds through an account is to avoid standing in a queue to access over-the-counter services offered by retailers. The photos below illustrate how long these queues can be. The photos were taken at a shopping mall in Germiston, Johannesburg.



Photo taken on a public holiday, mid-morning



Photo taken on a Wednesday at around 14:30

Figure 15: Queues of people waiting to access the Money market counter in Johannesburg

Purchasing airtime or electricity

Advertising. Advertising plays a critical role in encouraging account holders to purchase airtime or electricity for the first time via their account. This came through strongly in the Zimbabwe focus group discussions where participants specifically highlighted the very visible marketing campaigns conducted by EcoCash. In Zimbabwe direct personal recommendations also emerged as a key driver of first time usage

Low cost, low risk trial. Airtime purchases are also small enough to enable testing. For testing to be effective users should be able to rapidly assess success; the faster they can get this feedback, the better.

R: It probably took me a long time to start using it [mobile money account] maybe because I didn't trust it. I didn't trust the services, I didn't...I wasn't sure how it was going to be working out"

M: Then how did you get sure? Can you take us through how you started to trust? How did you get sure?

R: I think for me because when I opened it, I think I put \$2 in it. It stayed there for as long as I can remember, no charges came through. Then when I wanted to buy airtime, I bought airtime for I think for \$0.50...

M: Yes.

R: For \$5 then, and then through other people...

M: Yes.

R: You hear other people talking of big moneys...

- Group 1, Harare, Zimbabwe

In South Africa the ability to conduct the transaction immediately was a key factor encouraging usage when the airtime or electricity was needed urgently.

6.2. Disadvantages of digital payments

The intercept survey asked respondents what they do not like about making digital payments. This section unpacks the main disadvantages, financial and non-financial, for using accounts to make digital payments. These are not the adoption barriers which restrict potential consumers from accessing a bank account, but rather those factors that reduce the value derived from digital products relative to the alternatives. A number of factors, financial and non-financial, emerged. These are summarised in in Box 6 below and then discussed per payments use case in the rest of this section.

Box 6: Major disadvantages of digital payment mechanisms and accounts

Fees. A significant barrier to making digital payments are the fees associated with the specific payment mechanism or account. The direct cost of making a local cash payment is zero. Indirect encashment fees to obtain cash are not perceived as part of the cost of any subsequent cash transaction, because the cash is often already in hand. Thirty two per cent of respondents in South Africa and 44% in Zimbabwe are likely to be receiving at least part of their incomes in cash to begin with¹⁷. For these respondents, depositing these funds into an account in order to transact digitally may involve additional fees.

Self-control. This research focuses on low income individuals. It is unsurprising that a key theme that emerged is the need for payment mechanisms to support self-control and actively manage the use of limited funds between payment cycles. Some respondents indicated that certain digital payment mechanisms, such as card payments, make it difficult to control spending; having access to the card in effect offers access to an entire balance.

Keeping track. Another theme that was highlighted numerous times during the focus groups, and to a lesser extent in the survey, is the need to be able to keep track of funds – to know exactly what funds are available to make payments. Cash is tangible; it can be held and counted easily. In contrast, it can sometimes be fairly difficult to determine the balance available in an account. This is a critical requirement; if the balance is unknown the account holder cannot be certain a transaction will succeed. In addition, in the case of SASSA accounts, bank statements are not easily accessible.

Trust and reliability. For digital payments to be trusted they must be reliable. Payments need to work as expected every time. Payments that do not go through due to systems error or downtime make digital payments less reliable. In addition, access to reliable infrastructure, in particular the internet or mobile networks, is required to make certain digital payments.

Functionality. Account holders obviously cannot make use of functionality that does not exist. For example, while SASSA account holders can swipe their debit cards to make payments and can

¹⁷ Respondent is self-employed, employed by an individual (as a domestic worker) or employed by a small business owner.

purchase airtime and electricity, they cannot electronically transfer funds from their SASSA account to any other account, nor can they pay for transport digitally on commonly used networks.

Ease of use. In some cases, accounts are not easy to use. For instance, in the case of SASSA, users cannot access their accounts via cell phone banking channels to check balances for example. This limits their usefulness.

Payment lag. Whilst some digital payments are immediate, others may take a few days to clear resulting in delayed receipt.

Of course, bank and mobile money accounts enable a range of payment mechanisms. These can differ with respect to some of the dimensions highlighted above reflecting the underlying product design. Intercept survey respondents, for instance, highlighted lack of control as a disadvantage of card payments, with fees on that mechanism highlighted as a disadvantage in Zimbabwe.

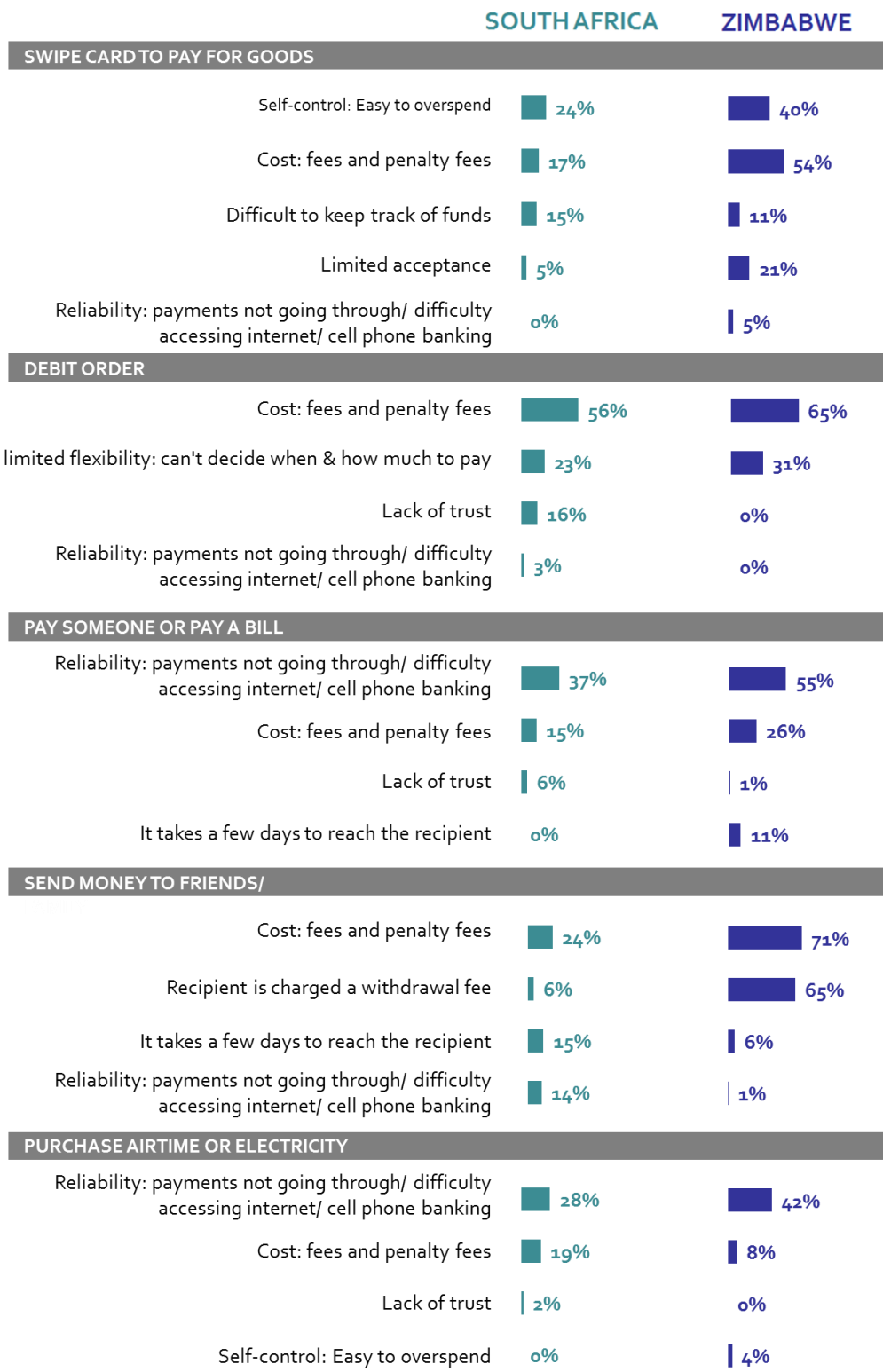


Figure 16: What don't you like about making the following payments through your account? (Multiple response, unprompted. Only asked to those that have conducted each transaction at least once)

Disadvantages associated with each payment mechanism are discussed in more detail below.

Card Payments

Fees. As noted previously, card payments are noticeably less common in Zimbabwe than in South Africa; over half the respondents in that country noted associated fees as a key disadvantage compared to 17% in South Africa. In South Africa debit card payments are generally free. This is not the case in Zimbabwe.

"Point of sale at OK, at any supermarket, is very expensive. The moment you use your bank card and the moment you go back home you do cell phone banking, you check and you see how much money has been deducted from that point of sale. No, I wouldn't want to do shopping for food stuffs using my bank card, it's more expensive."

- Group 1, Harare, Zimbabwe

Self-control. Difficulty maintaining self-control when making payments via a card emerged as a barrier to usage in both South Africa and Zimbabwe (noted by 24% and 40% of respondents respectively). To avoid overspending, some participants preferred taking cash to make payments when they go shopping. When paying with a card, the card holder has access to all their funds in their account so it can be difficult to control spending. When payments are made in cash the payer is limited to the amount of cash they have on them. So they can impose discipline by reducing the amount of cash held at any time.

"I carry my phone everywhere and I am a hopeless spender. When I go out I can leave my card at home and just take a R200 with me. If it's on my phone I know I will use it"

- Bank account holder, Johannesburg, South Africa

Keeping track. Distinct from this, some participants highlighted difficulty in keeping track of funds on a card as a barrier to using a card. If the balance is unknown the account holder cannot be certain a transaction will succeed. This was noted as a barrier to using cards as a payment instrument in both South Africa and Zimbabwe. However it was particularly relevant for SASSA card holders in South Africa who, unlike other account holders, receive no SMS text notifications of transactions and are unable to check their balances on their cell phones. Focus group participants spoke of feeling nervous when swiping their cards to make payments as they are unsure if the balance is sufficient to cover the transaction.

"I want to feel that I have money"

"And while you are swiping you don't see how much is left "

"Especially with the SASSA card"

Interviewer: Why especially with the SASSA card?

"Because the SASSA card doesn't give you the notifications onto your phone"

Interviewer: Let us talk about the emotions, is it a different feeling paying cash than swiping?

"When I swipe, in mind I'm asking myself how much is left there?"

- SASSA account holders, Cape Town

Debit orders

Fees. The most significant barrier to using debit orders is the fees; noted by 56% of respondents in South Africa and 65% of respondents in Zimbabwe. Debit order fees include fees charged for each transaction, as well as penalty fees that are incurred if the debit order is rejected due to insufficient funds. These fees can be disproportionate to the debit value, leaving the account holder considerably worse off and sometimes unable to make-up the shortfall.

Lack of flexibility. A related disadvantage noted by respondents in both South Africa and Zimbabwe is the lack of flexibility when paying by debit order; the payment instruction relating to both the amount and timing of the deduction is initiated by the vendor. While some respondents find this characteristic of debit orders beneficial as it instils discipline, others disliked the rigidity. To avoid having to pay for debit orders, a number of focus group participants spoke of withdrawing funds from their accounts before debit orders come off.

"I would go and draw my money before the debit orders go off"

Loan and account obligations are often settled with debit orders. One respondent in Johannesburg referred specifically to "running away from debt" as a reason for pulling all funds from an account. As noted, if the debit order is not paid the account holder will be subjected to a penalty fee.

Abuse. Because external parties initiate the debit order transaction, the mechanism is open to abuse. Fraudulent debit orders expose the value stored in the account to theft, making account holders less likely to trust the account mechanism in its entirety. In this instance, flaws embedded within a digital payments use case clearly compromise the stored value use case. Some focus group participants in South Africa highlighted unauthorized debit orders coming off their accounts, and authorized debit orders that continue to deduct funds even after full payment has been made.

"The reason for that is that, what I heard from people and which I have experienced; the SASSA money that you have is less [than expected]. Then you go and investigate and you get the story that airtime is bought from your money"

Interviewer: Why? Did you sign that you are going to buy airtime from your money?

"No I did not buy airtime, but my money was less so that means somewhere along the line, someone is swiping people's money"

"It was on the news a month ago about the people that steal SASSA money"

- SASSA account holder, Cape Town

Pay someone or pay a bill

Trust and reliability. Limited reliability emerged as the most significant disadvantage associated with account-based third party payments in both South Africa and Zimbabwe. Many respondents indicated that they had experienced problems accessing internet banking or cell phone banking/ USSD. In addition, some bill payments had not been successful.

"I think for bills it's now, it's still a bit difficult because for instance, two months back I tried to pay my City Council bills with EcoCash. I paid \$39 for my rates; eh the City Council didn't receive that \$39. And Econet is not helping at all. So I am still owing \$39 to the City Council.

Interviewer: So the transaction eh the money left your account?

"Yes, the money left my account, I have got proof. But uh Econet they are just telling me no we are sorting it out we are sending it to City Council but nothing has come through"

- Group 1, Harare, Zimbabwe

Money transfer to friend or family member via account

Money transfers to friends and family are considerably more common in Zimbabwe. The intercept survey indicates that 87% of respondents have sent money via an account at least once (almost all via a mobile money account) versus 44% of respondents in South Africa.

Fees. A major pain point with money transfers via an account, particularly in Zimbabwe, are the fees associated with the transaction. These are perceived as being too high. In the case of EcoCash there is a fee to send the funds levied on the sender and a fee levied on the receiver to withdraw the funds. Many see this as a "double charge":

"Honestly, I think I am still trying to get my head around the double charges, I can't get over them. I have to send someone money they charge me, and on someone that I have sent money they also want to charge it, why? It's like being charged double for the same transaction which is very unfair"

- Group 1, Harare, Zimbabwe

Some focus group participants described how they actively avoid using mobile money for certain transactions because of the fees:

"For example I have a friend who needed \$60 from me and he called me around 3 pm and told me he needed to buy fertilizers etc. so I told him to meet me. We were supposed to meet somewhere but unfortunately he left before I was there so we arranged for another day rather than to use EcoCash. I delayed with the money just to avoid the charges"

"I prefer a bus driver or the conductors, so when they come here I will just go collect the money"

Interviewer: Ok, why do you prefer this method?

"There are no charges"

Interviewer: The driver carries the money free of charge?

"Not really, but they charge the sender and you [as the receiver] are not charged"

- Group 2, Harare, Zimbabwe

Ease of use. In Zimbabwe focus group participants indicated that navigation menus and transaction prompts when using mobile money to transfer funds are intuitive and easy to use. However, numerous respondents noted that they do not like sending money via their mobile money accounts because it is easy to make a mistake and send money to the wrong person or merchant.

"I once paid on the wrong account whilst paying for DSTV and the money was gone but I later got it back but it was an inconvenience at that time"

"As for me I sent money to the wrong person using EcoCash, I had to go to Econet to reverse the transaction"

- Group 2, Harare, Zimbabwe

Trust and reliability. Almost all participants who had made errors in the past were able to reverse these transactions. Nevertheless, the initial sense of panic after detecting the error was top of mind, and may make users more cautious in the future. Payment confirmation prompts may help to reduce the likelihood of error. In addition, accessible and responsive recourse channels may also provide a degree of comfort that erroneous transactions can be reversed quickly.

Immediacy. While money transfers via a mobile money account are generally instant, this is not necessarily the case for bank to bank transfers which can take considerably longer to reach a recipient. This can compromise the proposition of this payment mechanism, as noted by a small proportion of survey respondents in both South Africa and Zimbabwe.

"I used to send through a bank but it usually took days to clear so that my daughter will have something to use"

Interviewer: How many days would it take?

"About 5 days"

- Group 2, Harare, Zimbabwe

Purchasing airtime or electricity

Airtime and electricity payments were grouped in the intercept survey. However, in both South Africa and Zimbabwe, airtime purchases via an account are more prevalent than electricity purchases. In part, this reflects account functionality; while all bank accounts support airtime purchase, this is not the case with electricity.

Trust and reliability. With regard to airtime and electricity payments, reliability is the most significant barrier to usage in both South Africa and Zimbabwe, noted by 28% and 42% of intercept survey respondents that had used their accounts to make this payment. A lack of reliability in completing mechanisms means that the product fails to deliver on the consumer's expectations, creating a negative feedback loop, uncertainty and a rapid erosion of trust in both product and provider. This was mirrored in focus group discussions;

"Sometimes you can try to buy airtime but the network won't be sufficient enough. But you will realise later that when it was failing to connect it was actually connecting and buying airtime each time I was trying"

- Group 2, Harare, Zimbabwe

Fees. Many providers in South Africa and Zimbabwe do not charge fees for airtime purchases, with the business case supported by commissions paid by MNOs. Unsurprisingly, transaction fees associated with making these payments were only noted as a disadvantage by a minority of respondents (9% in South Africa and 8% of respondents in Zimbabwe).

6.3. Advantages of digital payments

While some digital mechanisms can be limited and less suitable than cash given a specific need or context, many account holders do make use of payments functionality offered by their bank or mobile money accounts. This section explores the primary benefits of digital payment mechanisms that drive usage as identified by account holders.

Box 7: Advantages of digital payments

Safety and security. Making payments via an account limits the need to carry cash which can be lost or stolen. Unsurprisingly, this is more of a concern with larger payments.

Convenience. Convenience was identified as a primary benefit of digital payments by consumers in both South Africa and Zimbabwe. Certain digital payments including bill payments and money transfers allow payers to avoid standing in long queues or going to a particular location to make an over the counter payment. There is also the convenience of not being restricted to operating hours to make payments.

Access to cash. Access to cash is often limited. Account holders often have to stand in line to withdraw cash. In Zimbabwe, there have been cash shortages at ATM's and other cash out points and merchants often do not have small change.

Risks associated with physical currency. There can also be risks involved in using cash such as the prevalence of fake notes. This was only mentioned during the focus group discussions in Zimbabwe, as was the physical condition of notes which can sometimes be torn.

Self-control. While some consumers indicated that cash gives them greater control over their spending and budget, certain payment mechanisms such as debit orders help account holders better manage their funds.

The ability to track payments. Paper receipts can be lost or destroyed, while digital payments generate an electronic record of transactions that can be referred to in the future as proof of payment or to keep track of income and expenses.

Immediacy. The immediacy of payments over distance, particularly remittances, is a benefit that certain digital payment mechanisms have over cash.

As with the barriers to usage, drivers of digital payments manifest themselves differently across the different digital payment mechanisms as illustrated in Figure 11 below.

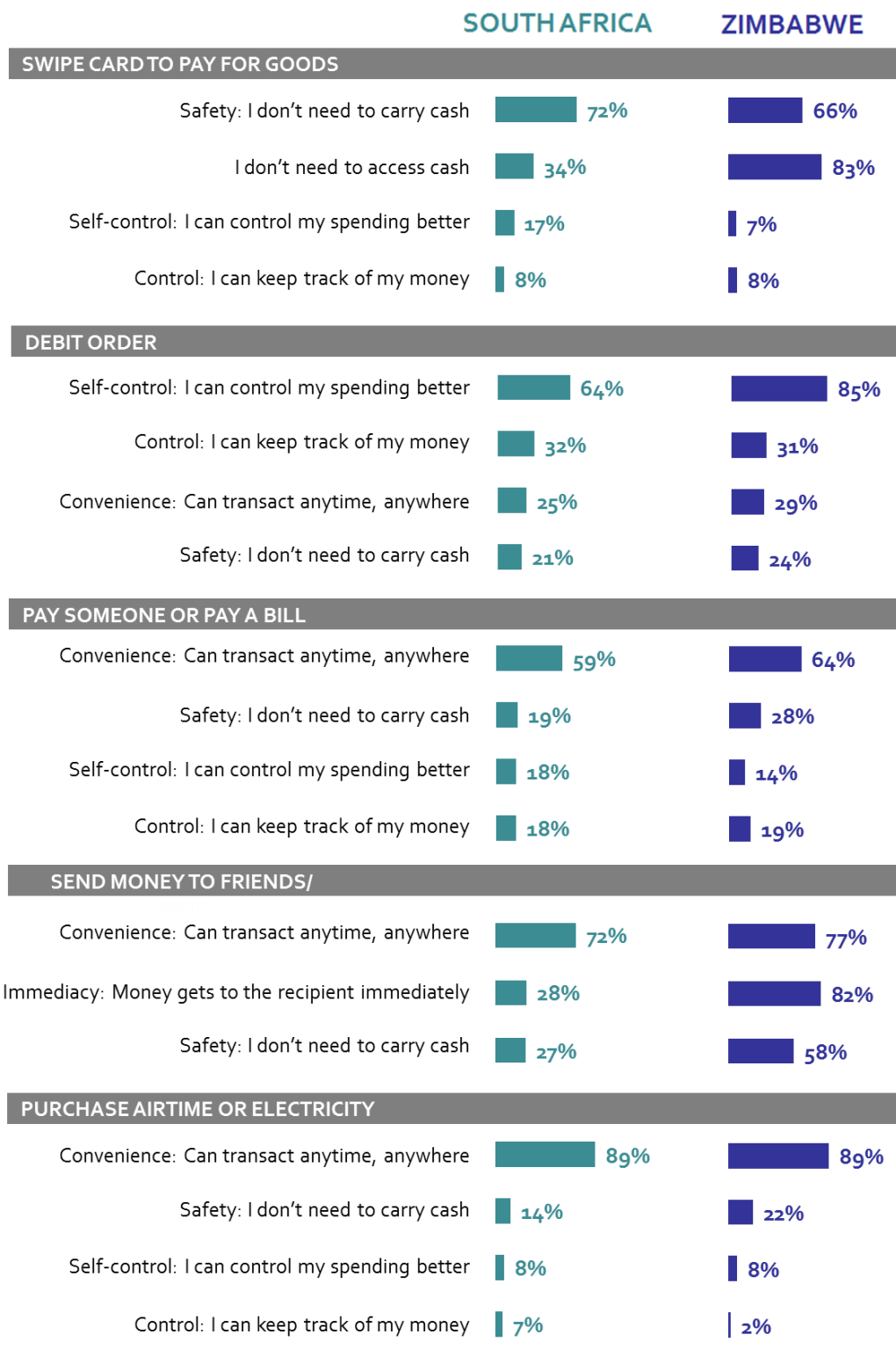


Figure 17: What do you like about making the following payments through your account? (Multiple response, unprompted. Only asked to those that have conducted each transaction at least once)

The factors supporting usage for each of these payment mechanisms are discussed in more detail below.

Card Payments

Safety and security. Using a card to make payments limits the need for cash which can be lost or stolen. Safety and security unsurprisingly emerged as major drivers of card usage in both South Africa and Zimbabwe; noted by 72% and 66% of intercept survey respondents respectively.

"I feel safe using plastic money"

Interviewer: You feel safe using plastic money?

"Yah, I feel safe. I don't have to move around with cash..."

- Group 1, Harare, Zimbabwe

Access to cash. While the tangibility of cash is a key advantage to some consumers, it also means that physical notes are required. In Zimbabwe, there have been cash shortages at ATM's and other cash out points and merchants often do not have small change. In addition, accessing cash often means standing in long queues at the ATM to withdraw funds. These disadvantages of cash make card payments (and other digital payment mechanisms) desirable.

"Another challenge that I sometimes usually see when I use money, when I use cash, is when there is no change"

Interviewer: There is no change?

"Yes, the cents change. It's a problem unlike when you are using a card, they just deduct what is there"

- Group 1, Harare, Zimbabwe

Debit orders

Self-control. While debit order instructions are initiated by external service providers who wish to access customer funds reliably, the intercept survey found that around half of debit order users choose to pay via debit order. The mechanism clearly offers a compelling proposition to account holders. A key benefit of the mechanism is that it supports self-control, noted by 64% of respondents in South Africa who use the mechanism and 85% in Zimbabwe. These respondents view debit orders as a useful commitment device for ensuring that important payments are made in full and on time.

"When my husband's money comes in, the first thing that goes off is the house, and then we know that the house is paid. And then we can work out what is left for food"

- Bank account holders, Johannesburg, South Africa

The ability to track payments. The ability to keep track of payments was also noted as an advantage of this mechanism by respondents as was convenience; the customer does not need to be present to make the payment.

Pay someone or pay a bill

Convenience. Making bill payments and payments to other third parties directly from an account using either internet or cell phone banking/ USSD is convenient as the payer can transact from

anywhere and at any time. This was noted as an advantage by 59% of intercept survey respondents in South Africa and 64% in Zimbabwe.

Access to credit. In addition, the digital fingerprint created by a digital third party payment can be useful and can facilitate access to credit.

"If I use the bank to pay my staff, with the same bank I will create a good relationship with bank in case I need a loan"

- Group 2, Harare, Zimbabwe

The ability to track payments. The traceability of funds also helps account holders maintain a record of payments. Paper receipts can be lost or destroyed while digital payments generate a record of transactions that can be referred to in the future as proof of payment or to keep track of income and expenses.

"Normally, when we pay using cash especially school fees. They give you those receipts and then when you lose those receipts and then they misplace their records sometimes it can be a challenge"

Interviewer: It's a challenge?

"Yes. But if you go through the bank, they will have all the records, you can go back for a statement"

- Group 1, Harare, Zimbabwe

"What EcoCash recently did for me actually it was amazing. You know I was owing Avenues [a retailer] some money. And then I started paying them through EcoCash then they later sent me a statement saying that I was owing them \$148 but then I had to go back to my transactions and I went to them with my phone. These are my transactions, I paid all my dues to you. So I think it was easy for me to track back my transactions"

- Group 1, Harare, Zimbabwe

Self-control. Self-control also emerged as a usage driver, noted by 18% of South African respondents and 14% of Zimbabwean respondents. Focus group participants noted that the ability to make payments immediately using a digital mechanism rather than having to wait to visit the vendor or recipient of the payment reduces the risk that the money will be used for a different purpose.

Money transfer to friend or family member

Immediacy. While cash can be useful for local payments made in person, it has obvious limitations with regard to remote payments. Transporting cash over distances is risky and takes time. The convenience of being able to transfer funds at any time and from anywhere is a major driver of using an account to send money to friends and family outside of the household, noted by 72% of respondents in South Africa and 77% of respondents in Zimbabwe,

"As for me I will support the mobile banking. I think it's fair no matter how much they take my money, I do this at a convenient time, at a convenient place, (Yah), whenever I want. I don't

have to queue up to get my money or to queue up to send someone money. If I want to do it at midnight it's me around 5 a.m. it's me. Convenient time, convenient place so no matter the charges it's okay."

- Group 1, Harare, Zimbabwe

Safety and security. Safety and security of transferring funds is cited as an advantage more often in Zimbabwe (noted by 58% of respondents) than in South Africa (noted by 27% of respondents). This may reflect differences in the dominant alternative mechanisms used to send funds in each country. In South Africa many people send money over the counter at retailers, which often involves long queuing times but does not pose much of a security risk. In contrast, in Zimbabwe many people previously sent money with bus and taxi drivers:

"I once used that mode [buses] a long time ago because it was the only mode to send money those days. So I paid the conductor so that he could give my mom. So it so happened that he got fired that day at work and went away with our money and was never to be found again."

- Group 2, Harare, Zimbabwe

The fact that digital transfers are immediate is considered an advantage by the vast majority of users in Zimbabwe.

Airtime or electricity purchase

Convenience. Airtime and electricity payments are typically low value payments that can vary both in terms of amount and timing. The major driver of airtime and electricity purchases is the ability to transact at anytime and anywhere.

7. USE OF STORED VALUE FUNCTIONALITY

The primary focus of this research is on the use of digital payment mechanisms enabled by transaction accounts. The usage of the account's store of value functionality was not explored in as much detail in the intercept survey. That said, the research gathered some data on this aspect, broadly summarised in this section.

Whilst the intention of a transaction account is not to facilitate savings, some respondents opened their accounts with this specific intention in mind; in South Africa, 15% of respondents with a bank account (non-SASSA) said that they opened up their bank account to save money while in Zimbabwe 10% of respondents with a bank account and 7% of respondents with a mobile money account said they opened the account to save.

In order to facilitate savings activity, some providers have created separate savings accounts linked to the underlying transactional account. EcoCash Save described in **Box 10** below is one example.

Box 10: EcoCash Save

The EcoCash Save account was launched in late 2013 in partnership with Steward bank. The EcoCash Save account can be easily opened by any subscriber via an EcoCash USSD menu option. Once the account is opened, a user can immediately transfer money from their EcoCash wallet to the savings account (TechZim, 2013).

There are various savings account options with varying minimum balances and minimum monthly contributions ranging from an EcoCashSave account with no minimum balance and no mandatory monthly contributions to an EcoCashSave Plus that requires a minimum balance of \$100 and a mandatory monthly contribution of \$100. Interest rates range from 4% per annum to 5.5% per annum. There is a maximum investment deposit balance of \$20,000 on the account.

Account holders are also able to access loans ranging from \$15 to \$500, depending on how much they have in their EcoCash Save account. To qualify for a loan the account holder must have saved at least \$5 for three months or more.

Bank accounts compete with multiple alternative mechanisms that enable users to store value including both formal and informal mechanisms. Focus group participants make use of multiple mechanisms to support different objectives for short and long term needs. A few participants spoke about keeping cash at home.

"If I want to put money away for my three kids I put the money in a shoe box"

- SASSA account holders, Cape Town

Informal savings clubs are also popular with participants in both countries. Members join savings groups and submit agreed upon amounts each month. Savings are pooled and either shared out among members at a certain time of the year, or the savings are rotated among the group so that one member receives a lump sum. In certain cases, contributions may be paid in cash to the group and the pooled savings are stored in an account.

Various commodities and assets were also used to store value, particularly in Zimbabwe where participants mentioned livestock, methylated spirits and glycerine. These are purchased when surplus funds become available and sold when cash is required.

R: I'm also buying goats.

M: What? Goats?

R: Yah.

M: Okay, goats.

R: So those with goats I can buy and I will take them to the rural areas.

M: Okay, for resale?

R: Yes, at a certain point.

- Group 2, Harare, Zimbabwe

The key disadvantages and advantages identified by surveyed account holders of using a transaction account or mobile account to save are summarised in the chart, and explored in more detail below.

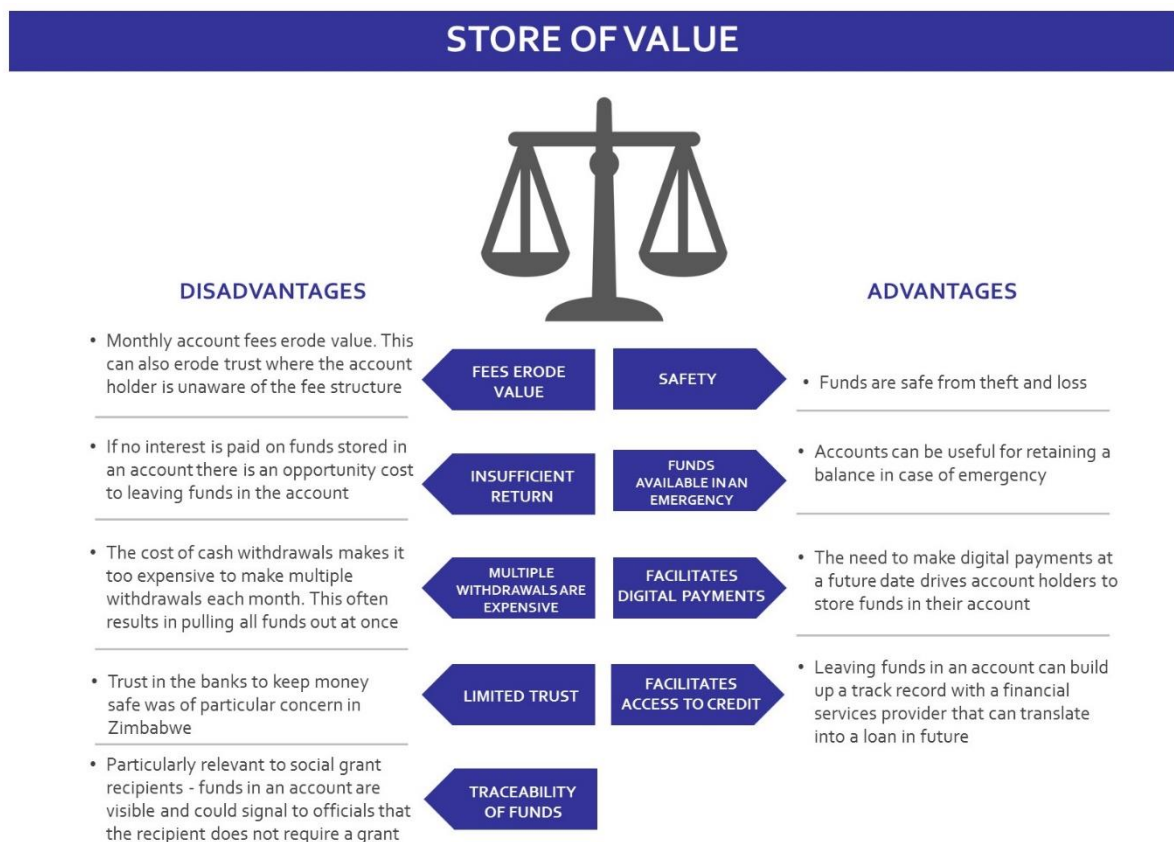


Figure 18: Disadvantages and advantages of using accounts to store value

7.1. Disadvantages of using an account to store value

As noted, the vast majority of SASSA account holders and a sizeable proportion of mobile account holders withdraw entire balances in one transaction (see Figures 5 and 6 above). The intercept survey explored the motives for withdrawing all or almost all of funds in an account. Unsurprisingly, those who withdraw funds immediately indicate that they need the cash immediately to pay off expenses, as per figures 19 and 20 below¹⁸. This reason was given by a higher proportion of SASSA account holders in South Africa and mobile account holders in Zimbabwe, reflecting in part the lower incomes of these respondents compared to bank account holders.

¹⁸ The data for South Africa is divided into bank account holders and SASSA account holders. For Zimbabwe the data is divided into respondents with a bank account and those with a mobile account. Note that the question was asked separately for each of the accounts so respondents with both account types answered the question for each type of product

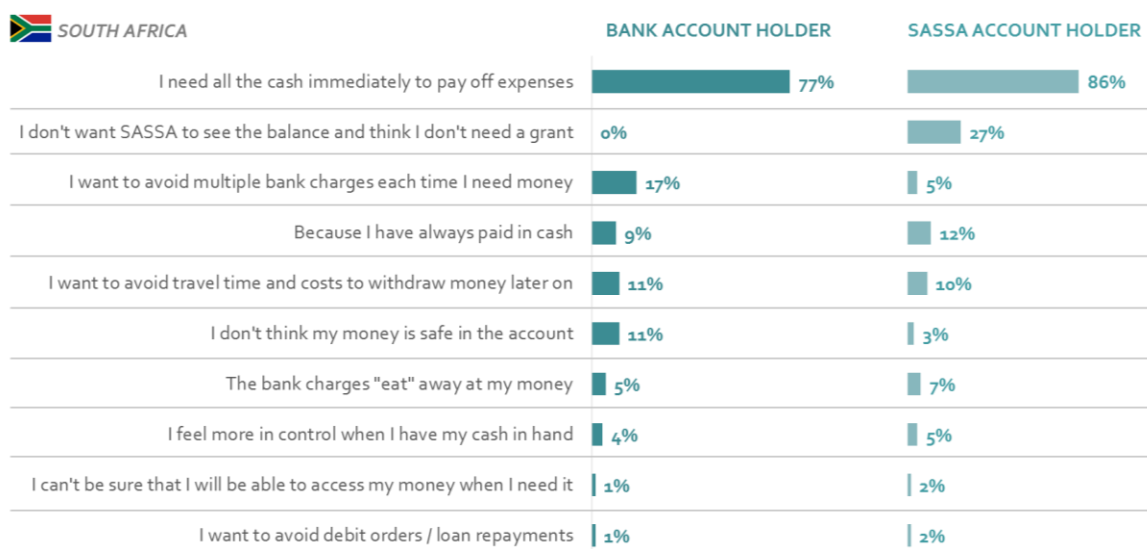


Figure 19: Why do you withdraw all/most of your money in one go and not leave some in the account?
(Unprompted, multiple response)

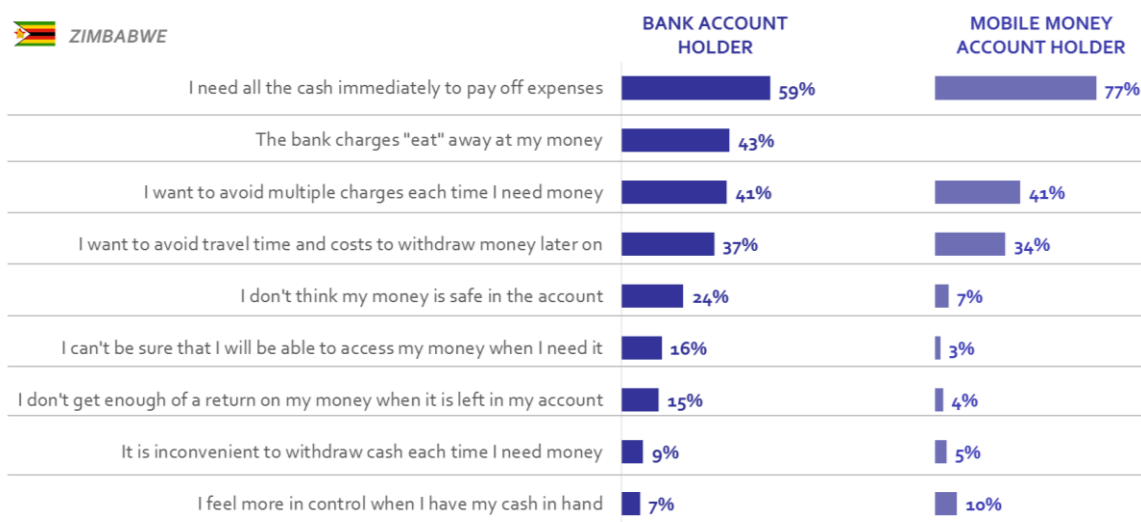


Figure 20: Why do you withdraw all/most of your money in one go and not leave some in the account?
(Unprompted, multiple response)

In Zimbabwe, monthly account and transaction fees are also key factors that detract from a savings proposition. These and other factors that predispose account holders to withdraw all funds immediately are briefly discussed below.

Fees erode the value. The erosion of stored value through fees on accounts was a frequently cited concern about storing value in an account. This is primarily a factor for bank accounts, since there are no monthly fees charged on mobile money accounts.

Insufficient return. In Zimbabwe focus group participants highlighted that mobile money accounts do not pay interest, and therefore do not cover the opportunity cost of storing their money in an account.

Multiple withdrawals are expensive. The major barrier identified across the two countries relates to the fee structure. The cost of cash withdrawals makes it too expensive to make multiple withdrawals each month. Therefore if a consumer has a number of cash payments to make each month, it is cheaper to take out all the funds at one time.

"I used to leave it [money in the bank] and I went to the bank at intervals and collect it. But every time I would withdraw in the bank then the bank would charge me again. So at the end of the day when I calculated, I went to the bank ten times in a month...So if they are charging USD 1.80 for each and every withdrawal... At the end of the day it becomes an expense."

- Group 1, Harare, Zimbabwe

Trust. Trust in the banks to keep their money safe was of particular concern for Zimbabweans, whereas this is less of a factor for Mobile Network Operators (MNOs). This inherent distrust of banks by many Zimbabweans follows the erosion of value of bank savings in the course of hyperinflation that began in the late 1990's and subsequent dollarisation of the currency in 2008. As noted by Bester et al. (forthcoming) the net result of dollarisation was that much of the monetary savings held in financial institutions were revalued to proportionately low USD amounts following the suspension of the Zimbabwean Dollar. This direct experience of loss of value has severely eroded consumer trust in banks. In fact, a number of focus group participants perceived the banks to be at fault for the severe loss of savings many of them personally experienced.

Traceability of funds. Account usage creates a digital fingerprint that can be traced, while the use of cash is largely anonymous. While this is often very useful for account holders, in some cases the traceability of funds is a deterrent to account usage. Business owners for example may prefer not to accept electronic payments in order to hide income and avoid taxes. By reducing the level of acceptance of electronic payments in the market they limit take-up and usage of digital services across the board. Likewise consumers might also prefer transactions and balances to remain hidden. In South Africa some grant recipients fear that if they were to leave funds in their SASSA accounts they would signal to officials that they do not need the grants they receive.

Interviewer: So I can't save it there?

"No"

Interviewer: Why not, what happens to it?

"They will say that you don't need that money"

"They will think that you are employed somewhere or getting money somewhere else"

- SASSA account holders, Cape Town

7.2. Advantages of using an account to store value

Intercept survey respondents who leave balances in their accounts were asked what they like about doing so. This data is shown in figures 17 and 18 below.

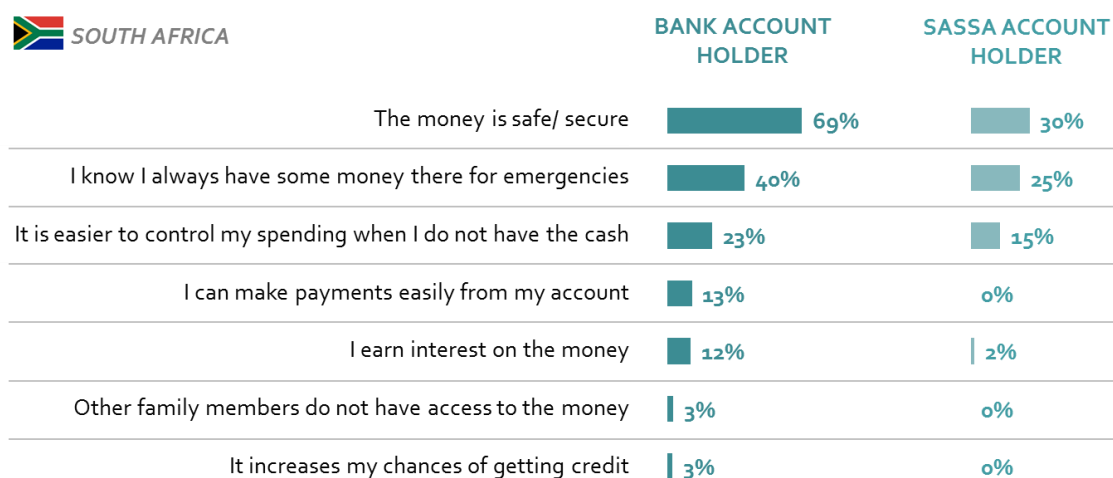


Figure 21: South Africa. What do you like about leaving/ storing money in your account? (Multiple response, unprompted. Only asked to those that have left money in their account)



Figure 22: Zimbabwe. What do you like about leaving/ storing money in your account? (Multiple response, unprompted. Only asked to those that have left money in their account)

These advantages of storing value in accounts identified by the survey respondents are discussed below.

Safety. By far, the most frequently cited factor that drives usage of accounts as a store of value is that money is safe in the account.

Funds available in an emergency. Funds in an account can be less accessible than cash for many account holders, and therefore better suited to retaining a useful balance in case of emergencies. A

number of mobile money account holders, for example, indicated that they store some money in their mobile accounts for this reason.

"I save money in there in case of emergencies like if something happens at home to my kids I can quickly organise a taxi and I will be able to pay them via EcoCash."

- Group 1, Harare, Zimbabwe

Facilitate digital payments. In order to make digital payments from their account, a consumer must first ensure that there are sufficient funds held within that account. The need to make digital payments over time can therefore act as a driver to store value digitally.

Facilitate access to credit. An important reason for storing value in an account identified in the focus group discussions, although not widely noted among survey respondents, is to build up a track record and relationship with a financial services provider that can translate into a loan in the future. Credit, particularly small value loans, is often critical for low income households to manage their short term liquidity or to respond to a financial shock. By making regular use of accounts users can create a line of credit that mitigates against future risk.

"For a credit record, for when you want to buy a house one day."

- Bank account holders, Johannesburg South Africa

8. BANK VS. MOBILE MONEY ACCOUNTS

Bank and mobile accounts broadly offer the same use case: they both enable users to manage their money through digital payments and stored value functionality. However there are differences in the underlying payment mechanisms supported by the accounts, the channels through which account holders access these mechanisms, as well as in fees associated with each transaction. Clearly these impact materially on the consumer's experience of using these two account types.

In South Africa, the take-up of mobile money accounts have been limited. Various reasons have been given for the limited take-up including the high penetration of bank accounts and alternative options for conducting money transfers, limited acceptance and agent support and a rigid regulatory framework.

In countries that have experienced high take-up of mobile money services, this is largely linked to the need to send and receive remittances. These payments require the safe transfer of funds over distance and an efficient cash-in cash-out network that is accessible to both the sender and the receiver. Mobile money solutions in some countries established this network leveraging the footprint of agents aligned to the offering, significantly enhancing the proposition of having an account. In South Africa, this was not the case. Banks already had an extensive network of branches and ATMs enhanced by formal retailers who support cash-in, cash-out transactions for accessible, well priced over the counter remittance services. In addition, most bank accounts offer simple, cell-

phone based transfer services that allow for money to be sent to an unbanked party and collected via the extensive ATM network.

The experience in Zimbabwe is in stark contrast to that of South Africa. In Zimbabwe, it appears that the two account types are often viewed as complementary by consumers. FinScope data indicates that 77% of Zimbabwean adults that have a bank account also have a mobile money account (FinScope, FinMark Trust, 2014).

Data from the intercept survey indicates that respondents with both a bank account and mobile money account are selective around which account they use for specific payments. Mobile money accounts are more likely to be used when transferring funds to friends and family outside of the household, paying for airtime, electricity and television subscriptions, whereas bank accounts are more likely to be used when paying for groceries, clothing, furniture, and loan repayments. These usage patterns can be explained by a number of factors described below.

Functionality. There are some differences in functionality between the two accounts. For instance, bank accounts allow debit orders while mobile accounts in Zimbabwe do not. In some cases providers require payment to be made via debit order.

"They will be able to put a stop order on your bank account not on your EcoCash account, so I think that's the main reason. So for me I use the bank account to service loans mostly. But EcoCash for maybe daily, airtime, the small transactions"

- Group 1, Harare, Zimbabwe

Whilst both account types offer money transfers, when using a mobile money service the transfer is instant, whereas this may not be the case when transferring funds via an account. Transfers between accounts at different banks can take a few days to clear.

"Some of my relatives do have bank accounts but they are different from my bank, their banks are different, so if I have to send money I have to do a RTGs which is very expensive and takes some time."

- Group 1, Harare, Zimbabwe

With regard to cross border transactions, focus group participants spoke of bank accounts as being 'international' as they allow the account holder to send and receive money from friends and family members overseas.

Fees. The fee structures of bank and mobile money accounts differ. For example in Zimbabwe, most mobile money accounts do not have a monthly fee. Rather, account holders pay for each transaction they conduct. This pricing basis was preferred by focus group participants. Bank accounts on the other hand are generally associated with a monthly fee. This makes them less useful for account holders whose incomes are infrequent and variable. In addition, bank accounts often require a minimum balance.

Numerous comments made by focus groups participants referred to bank accounts being used for large transactions while mobile money services are used for smaller, day-to-day transactions. This

perception is reinforced by the fee structure of the accounts; generally bank account fees are relatively more expensive for low value transactions. In addition, transaction limits associated with mobile money accounts do not apply to bank accounts.

"A bank account is accessible to buying furniture. If you want to buy your furniture they can tell you lay bye as long as you have a bank account. Then as for EcoCash you can do it for day to day things; you want airtime, you want to send money to your grandma something like that. So your bank account is convenient when you are dealing with durable items. Then the EcoCash is just for small things, the things that you do on a daily basis which doesn't cost you much."

Distribution network. In Zimbabwe a major advantage of mobile money is the extensive, accessible agent network. This was noted by numerous focus group participants that use mobile money to "avoid the long queues at the bank". In addition these wide distribution networks extend into areas where no banks are present. An agent list on EcoCash's website indicates that there are over 1,800 agent locations in Zimbabwe. The banks' distribution networks generally do not extend into more rural areas. Often mobile money services are the only option for transferring funds to family in rural areas because these family members do not have bank accounts.

"Mobile banking is convenient, imagine remote areas where there are no banks, you can just go to a supermarket and transact or do a cash out and use the money"

"Then I started thinking oh, I think mobile money can work for me. Let me try it and I think one of the main drivers for me was the issue of trying to send to people who could not access banks"

- Group 1, Harare, Zimbabwe

Due to their limited distribution networks, a number of banks in Zimbabwe have started integrating with EcoCash to leverage their agent network. Currently eleven banks have linked with EcoCash to allow their account holders to pull funds from their bank accounts into their mobile money accounts free of charge. While this may seem counterintuitive with banks allowing a competing provider to access their customers, it appears that banks are willing to hand over day-to-day transaction functionality, including cashing-out, to mobile money providers in order to avoid the need to extend their distribution networks.

Access to accounts. It is considerably easier to open a mobile money account compared to opening a bank account. To open an EcoCash account, a customer can visit any EcoCash agent, and they only require an Econet sim card and a copy of their identification document. The process takes approximately three minutes (EcoCash 2016). In contrast, to open a CABS bank account, a customer must enter a branch with proof of residence, a passport photo and copy of identification. They are then required to complete numerous forms¹⁹ before the account can be opened.

¹⁹ Account opening form, mandate card form and an optional internet banking form

9. IMPLICATIONS FOR PROVIDERS AND POLICYMAKERS

Cash is a formidable competitor. Consumers already have access to a tool that enables them to make payments, namely cash. Cash is perceived to be free; it is universally accepted and embodies many valuable features such as tangibility. In designing payment solutions that seek to displace cash, providers clearly need to understand the relative strengths and weaknesses of proposed solutions given the specific context of the transaction in question.

The use case is important. Payments vary and so solutions must vary too. Accounts must therefore support a range of payment mechanisms, each with a relatively narrow focus, and clear value proposition that addresses payment-specific pain points. For example, mobile money services often initially focus on transferring money over distance. As the user base grows additional functionality was added.

Consumers may need a push to trigger a change in behaviour. There are switching costs, both monetary and non-monetary, in using a new product. The research highlights the importance of specific triggers in encouraging account holders to use functionality for the first time. Personal encouragement, particularly from family and friends, but also from bank tellers, agents and shopkeepers can be a powerful. Likewise, advertising can be effective in building trust and establishing a certain behaviour as a social norm, while direct promotions and incentives can also help consumers overcome inertia.

Cost is a major barrier to usage of accounts. It goes without saying that user charges have a clear impact on usage. In some cases transactions are free – for instance card purchases at the point of sale in South Africa and airtime purchases through EcoCash in Zimbabwe. These are unsurprisingly often the first services to be adopted and play a critical role in familiarising users with and building trust in digital mechanisms.

Financial service providers need to consider the cost structure, perceptions of costs as well as direct costs.

- In certain instances transaction fees are regarded as just too high. For example, in Zimbabwe users prefer to pay cash for purchases rather than use their cards because of the costs; while these costs may not individually seem too high, they add up when multiple payments are made.
- Aside from the level of fees, the fee structure is critical. In Zimbabwe, focus group participants mostly preferred a pay-per-use approach, which preserves account balances until there is a transaction (as is the case with the EcoCash mobile money account). In contrast, focus group participants in Johannesburg seemed to prefer a single monthly fee that covers all transactions. This offers them certainty regarding monthly expenses and is simpler to keep track of.
- Pricing structures should also consider the account holder's perception of what is fair. Zimbabwean focus group participants view practises such as not paying interest on

savings balances or charging both senders and recipients for a money transfer service as unfair. While this may not deter usage, particularly in light of limited available alternatives, this perception undermines the development of a trusted relationship between account holders and financial service providers.

- The incidence of cost on transactions that terminate in cash is also critical. As noted, remittance services in Zimbabwe require both senders and users to pay; senders pay for the transfers, and recipients pay to cash out. In Zimbabwe, numerous focus group participants said they avoid conducting money transfers because of this. Likewise, business owners are reluctant to accept digital payments for the same reason; they must pay to cash out. Of course, the ideal may be for the transaction never to terminate in cash but to remain within the digital ecosystem. However, where there is high leakage into cash this pricing basis arguably deters take up and may retard the evolution of the digital ecosystem as a whole.
- Another key issue is penalty fees that are sometimes levied where account balances are too low to support a transaction. This is particularly the case with debit orders. This mechanism is clearly a useful commitment device for both account users and service providers to ensure that important payments are made. However, there may be times when account holders are unable to meet their obligations. Often, missed debit order fees are disproportionate to the debit value, leaving the account holder considerably worse off and sometimes unable to make-up the shortfall. Once again, the risk created by these fees deters usage and predisposes account users towards cash.

Whatever the pricing level or structure selected it is imperative that it is clearly communicated to the account holder. When account holders are surprised by fee deductions this severely impacts on trust and is likely to inhibit usage.

Users optimise a portfolio of payments, not only a single payment at a time. While this research asked respondents to reflect on the advantages and disadvantages of individual payment mechanisms supported by bank and mobile accounts, it did not explore how respondents optimise the portfolio of payment mechanisms they use. No doubt this is critical. Given that account holders need to retain some cash within their payments portfolio, and that it is costly to withdraw, it may be optimal for them to leverage a single cash withdrawal to cover other transactions that could be conducted digitally. As digital payment solutions evolve to support transactions that are overwhelmingly conducted currently in cash, such as transport, the role of cash in other transactions might decline.

Usage patterns may not be linear. Often the usage of digital mechanisms is episodic and driven by context. While usage patterns cluster to some degree, with account sweepers clearly distinguishable from those who predominantly use digital mechanisms to transact, the data indicates that the journey towards digital adoption is far from linear. Account holders may sometimes transact digitally and in cash for the same purpose, in different contexts.

Country differences matter. The comparison between Zimbabwe and South Africa illustrates the importance for providers of fully understanding the context in which they are operating. Simply transplanting a successful model from one country into another may not lead to success.

Payments are a two a sided market. Payments involve a payer and a payee and solutions must work for both parties in order to gain traction.

The breadth of digital payments acceptance is critical. Merchant acceptance of digital payments is a critical prerequisite for the adoption of local payments but the business model incentives do not always make sense for providers to accept and promote digital payments. This paper focuses explicitly on consumers that already have access to a developed payments ecosystem in order to understand the drivers of account usage through the consumer lens. However, as with consumers, providers also need to make the decision to offer consumers the option to pay digitally. Understanding what drives providers to offer digital payments is core to building the payments ecosystem and is effectively the other half of understanding how a market moves towards digital adoption. This is an area that requires further research and investigation.

Transaction accounts and store of value. If banks and mobile money account providers want consumers to support the store of value objectives, additional mechanisms are required. EcoCash for example has set up separate savings pockets to help create the friction users require to store value effectively.

Functionality to support money management. Aside from enabling users to successfully complete various transactions easily, accounts must meet 'meta' needs for control and keeping track. As discussed, notifications help consumers keep track of their accounts so that they feel more in control and can identify problems sooner rather than later. Text notifications and easy access to account balances and simple statements can help users feel more in control.

Functionality also extends beyond the product – effective functionality means there is a developed ecosystem. The development of the payments ecosystem presents a chicken and egg situation where customers will only leave funds in their accounts to purchase everyday items if there is widespread merchant acceptance, and merchants will only offer digital payments if there is sufficient customer demand.

Marketing and promotions. Marketing in the form of advertising and promotions increases awareness of functionality, helps build trust and reshapes perceptions of costs and risks of using a service for the first time. This was most evident in Zimbabwe; focus group participants ascribed their willingness to try various payment instruments directly to advertising or promotions offered by EcoCash specifically.

This research has also highlighted the importance of mechanisms that support risk free or low risk user testing. Specific promotions that give new users a small amount of money to test the account could help trigger usage.

Servicing. Agents in Zimbabwe have been essential in driving the adoption of mobile account services. Many focus group participants described how agents had encouraged them to open an account in the first instance, and then supported them when using various features for the first time.

In contrast, in South Africa where take-up of mobile accounts has been limited for a number of reasons, focus group participants from Johannesburg indicated that M-Pesa agents were unable to communicate the advantages of having a mobile money account and could not provide adequate support to account holders.

Building trust and recourse when things go wrong. Having clear avenues for recourse could go a long way in reducing the perceived risks associated with using an account. If account holders know that they will receive help if something goes wrong, they would be more likely to use their accounts for digital transactions. Negative experiences such as long waiting times to reach a call centre agent, and problems that are not solved timeously, or to the account holder's satisfaction, can deter future account usage.

In South Africa, unauthorised debit orders erode trust in bank accounts. In 2015, nearly one million debit order disputes were lodged every month, with many linked to unauthorised and fraudulent debit orders (Fin24 news, 2015). This is a particular concern with regard to SASSA accounts and use of the mechanism on SASSA accounts has therefore recently been severely restricted.

Data. Providers collect large amounts of useful data on their account holders. This data can be used to track usage patterns over time and explore adoption journeys for individual users and the market as a whole. However, in most cases access to data on account transactions would require the active cooperation of the provider. However, data generated on SASSA account holders is potentially within the line of sight of SASSA and other interested regulators or policymakers. It would be useful to explore what data is available, where it resides and what protocols would govern access.

Better reporting on key metrics including reliability, disputes and costs would help providers proactively improve their service offerings.

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APPENDIX A: FOCUS GROUP RESPONDENT PROFILES

Zimbabwe Focus Group Participant Profile		
	Group 1	Group 2
Number of respondents	10	10
Have a bank account	10	3
Have a mobile money account	9	10
Gender		
Male	6	5
Female	4	5
Age		
25 – 29	4	3
30 – 39	5	6
40 – 49	1	1
Employment status		
Employed full time	10	1
Employed part time	-	1
Self-employed	-	8
Unemployed	-	-
Personal monthly income		
\$100 - \$200	1	3
\$201 - \$300	2	7
\$301 - \$400	7	-
Household monthly income		
\$201 - \$350	2	10
\$351 - \$500	6	-
\$500+	2	-
Note: All respondents lived in and around Harare		
South Africa Focus Group Participant Profile		
	Group 1	Group 2
Number of respondents	10	10
Have a SASSA account / bank account	10	10
Have a mobile money account	3	9
Gender		
Male	4	5
Female	6	5
Age		
25 – 29	1	2
30 – 39	4	6
40 – 49	1	2
50 - 59	-	-
60 - 65	4	-

Employment status		
Employed full time	2	7
Employed part time	3	2
Self-employed	-	1
Unemployed	5	-
Personal monthly income		
R 2 000 – R 3 999	8	1
R 4 000 – R 6 999	2 ²⁰	9
Household monthly income		
R 2 000 – R 3 999	7	1
R 4 000 – R 8 999	3	7
R 9 000 – R 14 999	-	1
Refused	-	1
Note: All respondents in Group 1 lived in Cape Town. Respondents in Group 2 lived in Johannesburg. Group 1 composed of grant recipients (have a SASSA account). Group 2 composed of people with bank accounts but no SASSA accounts.		

²⁰ At first glance this may appear high for the personal income of grant recipients. However, to qualify for a child support grant, if a single parent, then they must earn less than R3 500 per month. If married then the combined income must be less than R7 000 (so one parent could earn R4 000 and the other R3 000 and they would qualify). To qualify for an old age grant the recipient must earn less than R5 750 per month.

APPENDIX B: SURVEY RESPONDENT PROFILES

Zimbabwe survey respondent profile	
Number of respondents	300
Gender	
Male	50%
Female	50%
Age	
18 – 24	20%
25 – 29	24%
30 – 39	33%
40 – 49	14%
50 – 59	2%
60+	6%
Refused	1%
Race	
Black	99%
Coloured	1%
Highest Level of Education	
Primary school completed	4%
Some high school	13%
Form 4 completed	32%
Form 6 completed	12%
Post high school qualification	39%
Employment status	
Self-employed/ have my own business	27%
Employed by a big company / private company	16%
Work for the government	12%
Employed by an individual (e.g. domestic worker)	9%
Student	9%
Housewife	8%
Employed by a small business owner (e.g. spaza shop)	8%
Unemployed	6%
Pensioner	5%
Personal monthly income	
No personal income	2%
\$1 - \$100	27%
\$101 - \$200	24%
\$201 - \$400	23%
\$401 - \$500	23%
Refuse / Not specified	1%
Note: All survey participants either had a bank account or a mobile money account	

South Africa survey respondent profile	
Number of respondents	300
Gender	
Male	48%
Female	52%
Age	
18 – 24	17%
25 – 29	27%
30 – 39	30%
40 – 49	14%
50 – 59	3%
60+	6%
Refused	3%
Race	
Black	95%
Coloured	4%
Indian	1%
Highest Level of Education	
Some primary school	2%
Primary school completed	4%
Some high school	31%
High school completed	41%
Post matric qualification / certificate	22%
Employment status	
Employed by a big company / private company	38%
Unemployed	15%
Self-employed	15%
Employed by a small business owner (e.g. spaza shop owner)	10%
Employed by an individual (e.g. domestic worker)	8%
Pensioner	6%
Work for the government	5%
Student	2%
Housewife	1%
Personal monthly income	
No personal income	3%
R1 - R3,000	36%
R3,001 - R5,000	30%
R5,001 - R7,000	13%
R7,001 - R8,000	9%
Don't know	2%
Refuse / Not specified	7%
Note: All survey respondents had either a bank account or a SASSA account	