
Exploring the use of Mobile Money Services among Tea SACCOs in Rwanda: **Challenges and Opportunities**

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Introduction

This project explored the social impact of mobile money services among tea Savings and Credit Co-operatives (SACCOs) members in Rwanda following the implementation of a payment automation project funded by Access to Finance Rwanda (AFR). In this project, banking operations of two SACCOs were automated and integrated with a mobile money platform, Tigo-Cash. This integration aimed to help the SACCO members to access their money through the mobile money platform and reduce the time tea farmers and pickers spent visiting their SACCOs to receive their wages and salaries in cash. It was envisaged that both farmers and pickers would spend more time working on the tea farms and this would improve their productivity in terms of the amount of tea delivered to the factory, as well as the quality of tea delivered.

This research investigated the experiences of members of the targeted SACCOs in order to understand the opportunities and challenges that emerged from this automation. Further, the study sought to assess any potential spillovers of transitioning agricultural cooperatives to a mobile money payment system. The project was guided by the following research questions:

1. How do demographic and socio-economic dynamics affect uptake of mobile money services in Rwanda?
2. What are the costs and benefits to farmers for using mobile money?
3. What factors might limit access to and usage of mobile money services?
4. What are the value propositions to mobile money services users by different stakeholders in the value chain?
5. What are potential ways to increase the value of mobile money payments in the lives of farmers?
6. What regulatory aspects need to be addressed to drive the growth and sustainability for mobile money in Rwanda?

Methodology

The research approach was qualitative in nature and used a combination of diary studies, focus group discussions, individual in-depth interviews, observations and key informant interviews. The research team also collected limited quantitative data on research participants to explore the demographic characteristics of the respondents.

Key Findings

- The most significant demographic factors influencing the uptake of mobile money services among the respondents were age and *ubudehe*¹ category. Younger people tended to use the services more. The respondents in *ubudehe* 3 had better access to, and uptake of, mobile money services compared with *ubudehe* 2.
- Ownership of mobile phone or SIM card were directly correlated with the usage of mobile money services.
- The integration of SACCO banking systems with mobile money has had a positive impact on the SACCO members by streamlining salary payments from the SACCOs to tea farmers and pickers. This has reduced both the travel and waiting time on payment days and hence created more time to work on the tea farms. This has had a positive impact on both quality and quantity of tea harvested.
- During the COVID-19 lockdown, the portfolio of mobile money services used by tea farmers and pickers grew from withdrawals and buying airtime to include other services such as using mobile money platforms to pull funds from the SACCO accounts, sending money, business transactions, payment for goods and services, and paying bills.
- The main challenge faced by respondents was unavailability of mobile money agents in their locality and even where agents were available, they frequently ran out of cash to serve their clients. The usage of super-agents affiliated to the SACCOs was found to be a potential strategy to solve the cash availability issues for the agents.
- There was a general lack of trust toward agents especially among the older respondents who were less literate and were compelled to share password or PIN information with agents. This limited their usage of mobile money services due to the associated security concerns.
- The agent related challenges were compounded by the fact that respondents tended to be over-dependent on agents even in cases where transactions could be done from the mobile wallet using the self-help codes without the assistance of the agent.
- Respondents also reported high transaction fees when using mobile money, especially during the pre-COVID-19 period. The waiver of transaction fees during the COVID-19 lockdown increased the usage of mobile money services and although the transaction fees were reinstated after the lockdown, the positive effects of low transaction fees remained, indicating that high transaction fees inhibit mobile money usage.
- The study revealed infrastructural challenges that limit the usage of mobile money including poor network connection and frequent downtime of the system, especially in Rusizi.
- The study revealed that mobile payment systems are relatively easy to use, although those who have not used the services have a perception that it is hard to use. After the COVID-19 lockdown, this perception changed substantially as evidenced by increased usage.
- One of the main value propositions that emerged from the study was the need to provide comprehensive training at the local level on how to use mobile money and the opportunities that exist in using the service. Although COVID-19 restrictions encouraged mobile money usage, changing the mindsets of customers regarding the safety and reliability of mobile money services is needed to build sustainability.

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1. This refers to a system of poverty classification in Rwanda where households are classified into socio-economic classes known as 'Ubudehe categories' with *ubudehe* 1 being the extremely poor and often supported under government different social protection while *Ubudehe* 4 are the well to do in the society (Nizeyimana et. al, 2018).

Recommendations

- Both MNOs and SACCOs should consider providing digital financial training as well as literacy training in order to increase the knowledge and confidence of using mobile money services. This will also eliminate the security concerns that are a major hindrance to usage of mobile money services. Further, SACCO management should survey members who are not involved in the mobile money disbursement scheme and identify barriers to uptake so that these challenges can be addressed in the training plan. USAID, AFR, and other actors in this space could consider supporting a comprehensive training program on mobile money services so as to address the digital literacy problems.
- Regulators such as the Rwanda Cooperative Agency (RCA) should better understand the unintended consequences of some policies including the requirement that all training for members should be sanctioned and validated. This rule currently denies SACCOs the opportunity to identify and address challenges through peer-to-peer training. Removing or amending such obstacles should be considered.
- To inform further intervention in this sector, there is a need for RCA, in collaboration with USAID, AFR, and other potential actors to visit other non-tea SACCOs which are using automated systems to see what systems they are using. This should include SACCOs in both urban and rural areas to explore effective money transfer systems in different geographic contexts. In addition, automation services could be provided to more SACCOs in diverse sectors and locations.
- MNOs should work to improve connectivity in the study regions (which is currently poor) and reduce inconsistencies in network coverage. It is also important for the MNOs and other stakeholders to consider investments in network infrastructure improvements in remote districts. They should also work with SACCO management to address issues with the platform which connects SACCO accounts to mobile money wallets.
- MNOs and other stakeholders should explore strategies of increasing the number of merchants who are able to provide the mobile payment service in the rural areas to encourage the use of the service among rural communities.
- Given that there is a reasonable penetration of both mobile phones and mobile money, another useful consideration for USAID, AFR, and other actors could be to pilot several targeted functionalities aimed at increasing the benefits of mobile money users beyond the traditional mobile money functions. A starting point would be piloting mobile payment functions, that could increase the movement of money from mobile money wallets to bank accounts (to encourage savings).
- Our findings suggest that SACCO-owned kiosks are an attractive alternative to the independent MNO agents, providing improved security and generally boosting confidence in mobile money. These kiosks should be placed in rural neighborhoods to reduce travel time to agents. The use of multiple MNOs in providing the mobile payment scheme for the SACCOs should also be explored.
- MNOs should consider increasing the number of agents at the village level as well as including the use of super-agents as franchises in their business model. This will help to expand mobile money usage among rural communities.