



No. 228 September 2020

## Promoting mobile money use through training and text-messages in Malawi

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### Key messages

- Financial education that is reinforced with text message reminders is an effective way to increase knowledge and use of mobile money services
- Integrating mobile money into Village Savings and Loan Associations improves access to and use of financial services among unbanked people

### Various initiatives attempt to increase financial inclusion in Malawi

The financial inclusion rate in Malawi is low. In 2017, only 34% of adults had a bank account<sup>1</sup> and only 21% had activated a mobile-money account<sup>2</sup>. In low-income countries like Malawi, mobile money is increasingly promoted as a strategy to increase financial inclusion, which is linked to poverty reduction and improved economic performance.

Over the past five years, the Government of Malawi has introduced policies to encourage financial inclusion: the Malawi Financial Sector Development Strategy for 2016-2020 and the 2015 Payment Systems Act. These policies aim to expand the reach of digital payments (including via mobile money), increase savings through savings groups such as Village Savings and Loan Associations (VSLAs), and improve levels of financial literacy.

VSLAs are rapidly becoming more popular and large sums of money are transacted through them. In 2015, Malawi had 37,461 VSLAs with 610,596 members, representing 7% of the adult population at the time<sup>3</sup>.

While a few savings groups in Malawi have started using mobile money savings accounts, little is known about how to promote the practice, nor their impact on the financial behavior of the members. VSLAs and mobile money services are promoted in isolation by the government and telecommunications companies, respectively.

Taking advantage of the prevailing positive policy environment, a team of **local PEP researchers designed and conducted an experiment to identify promotion strategies that encourage the digitalization of VSLAs and uptake of mobile money by the members.**



Photo: Feed the Children / Amos Gumulira

### What are VSLAs and digital VSLAs?

Village Savings and Loan Associations (VSLAs) are savings-led microfinance organizations, administered at the local level.

They are accessible and attractive to low-income individuals, particularly women, who cannot afford bank fees and other costs of formal financial services.

Using mobile money platforms in VSLAs is known as “digital” or “electronic” VSLAs. Digital VSLAs can reduce risks, such as cash theft, and allow absent members to make deposits or take loans from the group.

Other benefits may include VSLA groups operating as agents for the platforms, which would generate more resources for distribution within the group. Introducing these services could also cut group transaction costs and help members send and receive money securely.

<sup>1</sup> Demirgüç-Kunt, et al., 2018, *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution* Washington, DC: World Bank. doi:10.1596/978-1-4648-1259-0

<sup>2</sup> United Nations Capital Development Fund, 2018

<sup>3</sup> Ministry of Finance, Economic Planning and Development, 2015

## The experiment

The PEP research team designed and conducted an experiment to study the effects of financial literacy training, reinforced by text message reminders, on the knowledge and use of mobile money among VSLA members.

The team partnered with a local NGO, Emmanuel International, and two mobile phone companies, Airtel Malawi (Airtel) and Telekom Networks Malawi (TNM) to implement a randomized control trial. In December 2018, 342 members of 21 VSLAs in southern Malawi (Machinga and Mangochi districts) received financial literacy and mobile money training, reinforced by weekly text message reminders (the treatment group). Another 298 individuals from 21 other VSLAs constituted the control group.

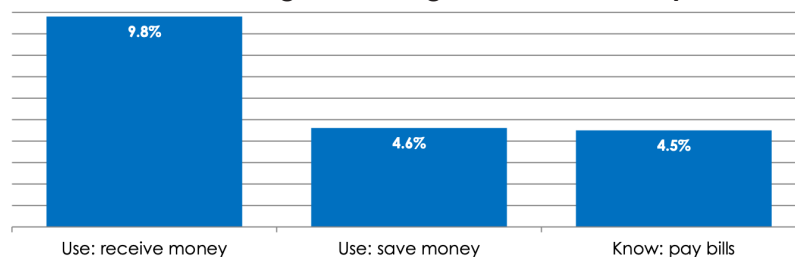
All participants were surveyed on their knowledge and use of mobile financial services before and after the treatment group received the training and reminders. The team also collected data on mobile money account activation and use, as well as administrative data (April-May 2019) for participants who had access to a TNM or Airtel telephone account.

In particular, the team sought to identify:

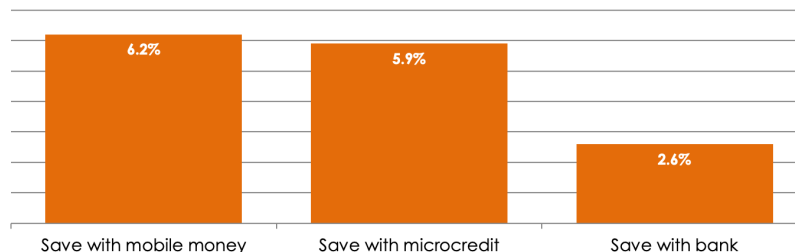
- Any changes in the knowledge of mobile money uses among treated VSLA members
- Whether the intervention was effective in improving use of mobile money and for which services
- Any other financial behaviours that the intervention prompted among treated VSLA members.



Influence of training and reminder text messages on knowledge and usage of mobile money



Influence of training and reminder text messages on financial behavior



## Key findings

**Members of Village Savings and Loan Associations (VSLAs) who receive financial literacy training reinforced by text message reminders are more likely to report that they use mobile money and have access to formal financial services** (compared to those who do not receive the training and text messages).

The intervention led to:

- Higher reported use of mobile money for sending and receiving funds
  - Treated VSLA members were 9.8% more likely to receive and 4.6% more likely to save money using a mobile money application, compared to the control group.
- More people report saving with formal financial institutions
  - The number of people saving with mobile money, micro-credit group, and bank savings increased by 6.2%, 5.9% and 2.6%, respectively, compared to the control group.
- Increased knowledge that mobile money can be used to pay bills
  - Knowledge increased by 4.5% for the treatment group compared to the control group.
  - This is one of the least known and used services in mobile financial transitions.

### The intervention was more effective in less-developed areas.

Comparing the effects of the training and text message program between the less economically developed district of Machinga, and the more-developed district of Mangochi revealed some significant differences. Treated VSLA members in Machinga were more 3.3% likely to have a bank account, compared with their counterparts in Mangochi. By the same measure, they were also more likely to save with other financial institutions (banks by 3%, microcredit groups by 4.7%, and mobile money by 7.4%). Similarly, more treated individuals in Machinga reported that they had learned mobile money could be used to pay bills, save money, and obtain a loan (increases of 6.8%, 9.9% and 6.7%, respectively).

**The effectiveness of the intervention was linked to trust in mobile money.** Participants who indicated their trust in mobile money services during the baseline survey were more likely to own and use a mobile money account at the end of the intervention.



## Conclusions and policy implications

**Financial education that is reinforced with text message reminders is an effective way to improve knowledge and uptake of mobile money services. Integrating mobile money into VSLAs thus improves access to financial services among unbanked people.**

In particular, this type of intervention can increase financial inclusion and outreach in rural areas. That the intervention had a greater effect in less economically developed areas suggests there is untapped demand in these places.

That people who trust mobile money were more likely to benefit from the intervention indicates that engendering trust in this technology will be important for its success.

### Recommendations:

- Initiatives to encourage the digitisation of financial transactions should combine training with text message reminders.
  - Mobile money promotion should focus on areas with the least formal financial sector development.
- Mobile money services should target established and trusted groups, such as VSLAs, to encourage the digital financial operations at the group and member levels.
  - Mobile money operators should work with NGOs to tailor their services to suit the needs of groups such as VSLAs.

