Policy Brief

partnership for economic policy pep

No. 208 February 2020

How the cost of mobile money is hindering uptake in The Gambia

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Key messages

- **Designing price schemes that work for users may increase mobile money adoption rates and lead to higher levels of financial inclusion.**
  - **Prices are a barrier to the adoption of digital financial services, even among middle-income households.**
- **Information initiatives must accompany new price schemes.**
  - **An information campaign increased awareness but did not increase uptake, as fees were still (perceived as being) too high.**

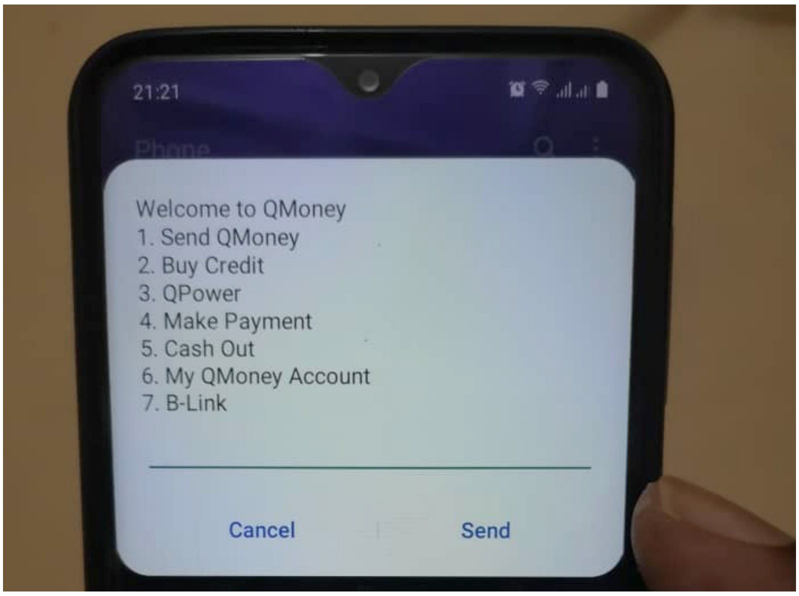
Financial inclusion in The Gambia remains low despite mobile money initiatives

In The Gambia, a large portion of the adult population is financially excluded. Only a quarter of adults have access to bank accounts[1]. However, nearly two-thirds have access to mobile phones[2]. As such, technology that uses mobile phones to offer financial services is seen as key to increasing financial access and inclusion.

In 2016, two of the biggest cellphone companies in The Gambia—Qcell and Africell—introduced mobile money services: QMoney and Afrimoney, respectively. Together, these two mobile money service providers have about 800 mobile money service points (agents) across the country.

While these kinds of services have been widely-adopted in a number of developing countries, and particularly so in Africa, the mobile money adoption rate in The Gambia remains low. There are only around 5000 active users of QMoney as many of those who open wallets fail to use them afterwards[3].

A variety of reasons for the low adoption rate have been suggested, including: the lack of information about the services available on the platform, an insufficient number of agents, high services fees, and a lack of trust. Understanding the reasons behind people's reluctance to use mobile money services is essential for designing policies that can increase financial inclusion in The Gambia.



What are Digital Financial Services (DFS)?

Access to financial services, such as mobile money, via a digital platform such as internet or mobile technology devices, e.g. mobile phones.

In many developing countries, access to mobile phones outweighs access to formal banking services[4].

DFS are heralded as a way to foster financial inclusion in developing countries, which is considered a driver of economic growth.

African leaders, hoping to catalyze financial inclusion by promoting access to DFS (particularly among the unbanked population), have recently committed to extend DFS access on the continent to about 400 million more people, 60% of whom are women[5].

[1] Jabbi 2017 [2] GSM 2017 [3] Qcell administrative data
[4] GSM 2018 [5] Bill and Melinda Gates Foundation, 2019

The analysis

A team of local PEP researchers investigated to what extent a lack of awareness and the cost of service fees hinders mobile money service adoption, and to what extent information and discount initiatives can overcome these barriers.

To do so, the team developed a randomized controlled trial (RCT) targeting mobile phone users in The Gambia who had opened mobile money wallets but had not used them in at least the three months before the start of the study.

The study involved 1011 QMoney customers who were randomly assigned to one of three groups: one control group and two treatment groups. In collaboration with QMoney, participants in the treatment groups received either a 15% or a 30% discount on withdrawal charges and both groups received monthly call reminders about their discount for six months.

As well as analyzing administrative data from QMoney, the team also conducted baseline (pre-treatment) and post-treatment surveys to capture changes in knowledge and attitudes towards mobile money.

Key findings

Treated individuals were substantially more aware about the uses of mobile wallets, compared to participants in the control group.

- The intervention increased awareness that a wallet can be used to pay a merchant by about 34% and to transfer payments by about 20%.

However, only a small proportion (about 10%) of the treated individuals increased the use of their wallets.

- Treated participants were more likely to perceive the service charges to be expensive, compared to control participants.
- Mobile money services are not being used by the poor.
  - Those who do use mobile money tend to be in the middle income bracket.
  - More than 90% of users in the sample are educated and only about 17% regard themselves as poor relative to others in their community.
- The usage difference between the treatment and control groups was not significant.

Safety, trust in agents, and service reliability were not found to explain the low adoption of mobile wallets.

Conclusions and **policy implications**

Despite the intervention successfully raising awareness about the services offered on the mobile money platform and the high reputation of the platform, the meaningful price discounts failed to increase usage. Results from the administrative and post-treatment survey data indicate that **the discounts did not succeed in significantly catalyzing usage.**

The team's findings indicate that the perception of high service charges is the reason for low usage. Indeed, if prices are an obstacle to adoption among middle-income users, they will present a greater barrier to poor users.

To foster the adoption of mobile money in this or similar contexts, **policies or initiatives are needed to address both the lack of information and (perceived) high prices**. Designing price schemes that work for users is likely to be important for increasing adoption rates. Additionally, more awareness campaigns about mobile money services are needed to encourage adoption, particularly among the poor. These campaigns should aim to show that the fees are fair, relative to the services provided.

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This brief summarizes outcomes from PIERI-20165 supported under the PAGE II initiative (2016-2020). To find out more about the research methods and findings, read the full paper, published as part of the **PEP working paper series**.

PAGE II is a global research and capacity-building initiative for Policy Analysis on Growth and Employment in developing countries. PAGE II is supported by the Department for International Development (DfID) of the United Kingdom (or UK Aid) and the International Development Research Centre (IDRC) of Canada.