



CAN E-TRANSFERS PROMOTE FINANCIAL INCLUSION IN EMERGENCIES: A CASE STUDY FROM ETHIOPIA

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Ethiopia - Sara Murray/Mercy Corps

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ABBREVIATIONS

DFS	Digital Financial Services
ETB	Ethiopian Birr (national currency)
ETC	Ethiopia Telecommunications Corporation
E-transfer	Electronic cash transfer
FGD	Focus Group Discussion
HDDI	Household Dietary Diversity Index
KII	Key Informant Interview
MFI	Micro Finance Institution
NBE	National Bank of Ethiopia
P2P	Person-to-Person payment
PIN	Personal Identification Number
SMFI	Somali Microfinance Institution
TOPs	Transitioning Out of Pastoralism
USD	United States Dollar

EXECUTIVE SUMMARY

BACKGROUND

The Electronic Cash Transfer Learning Action Network (ELAN) launched this research to build an evidence base around connecting emergency electronic transfer (e-transfer) recipients with additional financial services. They also wanted to learn if, when, and how e-transfers can promote sustained uptake and use of digital financial services (DFS).

This case study explores an emergency assistance project implemented by Mercy Corps in Ethiopia's Somali and Afar Regions from April through September, 2016. The project sat within the larger, five-year Pastoralist Areas Resilience Improvement through Market Expansion (PRIME) program and was designed to meet immediate household needs without undermining market systems and long-term development gains. Five thousand pastoralists and transitioning out of pastoralism (TOPs) households received three cash transfers of 45 USD each; of those, 2,067 participants received mobile transfers through new HelloCash mobile money accounts.

Unlike this series' two previous case studies, **e-transfers were chosen with a specific financial inclusion objective.** Mobile phone purchase was subsidized through the program and considerable time was spent by Mercy Corps and its implementing partner, the Somali Microfinance Institution (SMFI), to introduce mobile money – a new product – to the target area.

RESEARCH METHODOLOGY

In-country research for this study relied on household surveys, key informant interviews (KIIs), and gender-segregated focus group discussions (FGDs; Appendix 1). Two hundred thirty-seven individuals (86% female) participated in the household surveys and 30 individuals (54% female) took part in FGDs. In addition, researchers analyzed HelloCash transaction records from the same 237 household survey participants, which provided detailed records of participant's mobile money account usage. The research took place between the second and third cash transfers (August and September, 2016).

This case study took a more rigorous approach to data collection and analysis, relying on an exploratory, cross-sectional analysis. However, the research was conducted on an active project in the midst of program activities and, as such, is unable to measure sustained use of mobile money products. Transaction data does offer a snapshot of usage patterns during and shortly after the project, providing valuable insights about mobile money acceptance among cash transfer recipients newly introduced to the service.

KEY FINDINGS & RECOMMENDATIONS

The research focused on three key questions:

- To what extent do e-transfer programs influence the use of e-transfers among cash transfer recipients?
- What are the key barriers and enabling factors that influence recipients' uptake and use of e-transfer services?
- What measures can and should be implemented in humanitarian e-transfer programs to overcome the barriers to uptake and use?

Prior to the introduction of mobile money, project participants were almost entirely reliant on informal means to conduct financial transactions: Pre-project figures for savings (45% informal, 2% formal); money transfer (18% informal, 6% formal); and borrowing (47% informal, 1% formal) behavior demonstrate an environment almost entirely devoid of formal financial products either available – or desirable – to this group. Participants (99% of whom were illiterate) had no pre-project experience with mobile money and phone ownership rates were low.

After participation, the research demonstrated significant uptake of mobile money services. The project emphasized saving behavior, and 100% of participants were using their HelloCash account to save at project end. Significantly, 43% of those had saved above the required amount. The purchase of air-time top-ups was embraced (75%) and money transfer (17%) was also utilized. Given that participants had had no formal experience with mobile money prior to the project, these figures are encouraging. Almost all program participants purchased mobile phones through the project.

However, barriers did impede more extensive uptake. These include participants' prioritization of immediate household needs; their lack of digital illiteracy; risks associated with accidental account deactivation; and network outages.

While the research did not measure sustained account usage, it did reveal some encouraging trends. Particularly, participants saw value in HelloCash accounts; trusted mobile money agents; and benefited from small-group, high quality training. These enabling factors can be built upon to expand and sustain mobile money use in this region in the future.

In light of these findings, future e-transfer humanitarian programs might:

- Devote resources to high-quality, small group training, in contrast to larger events devoid of hands-on experience.
- Assess demand for financial services prior to project design.
- Understand participants' perceptions of mobile money agents.
- Subsidize mobile phone purchase if program participant ownership rates are low.

1. CASE STUDY BACKGROUND

1.1 PURPOSE & RESEARCH QUESTIONS

The Electronic Cash Transfer Learning Action Network (ELAN) convenes humanitarian agencies and private sector partners to improve the impact of humanitarian cash transfers through the appropriate use of payments technology. Although not traditionally a focus of humanitarian assistance, promoting financial inclusion through the use of electronic cash transfers (e-transfers¹) has gained traction in a number of recent emergencies. There is growing interest in linking humanitarian cash transfer recipients with e-transfer services, like mobile money, that may enable vulnerable populations to better prepare for, and respond to, crises.²

The ELAN launched this research to understand which barriers and enabling factors influence the uptake and potential use of mobile money introduced during a humanitarian assistance project. Emergency projects often target vulnerable populations who are frequently underserved or “unbanked.” The objective of the research is to learn if, when, and how e-transfers can result in sustained uptake and use of e-transfer services like mobile money. The key questions explored were:

- To what extent do e-transfer programs influence the use of mobile money among cash transfer recipients?
- What are the key barriers and enabling factors that influence uptake and use of e-transfer services among recipients?
- What measures can and should be implemented in a humanitarian e-transfer program to overcome the barriers to achieving uptake and use?

This third and final case study was conducted in July, 2016, and examined an emergency cash transfer project implemented by Mercy Corps in Ethiopia’s Somali region (see map). In contrast to the other two case studies, this project had objectives related to **both** emergency response and financial inclusion.

1.2 HUMANITARIAN CONTEXT

COUNTRY & REGIONAL CONTEXT

Ethiopia, Africa’s second most populous country (with nearly 100 million people), has enjoyed rapid economic growth over the past decade.³ These benefits, however, have not translated into sustained improvements for Ethiopia’s pastoralists, who represent about 16% of the country’s population and remain highly vulnerable to weather-related shocks.

Two primary rainy seasons sustain pastoralist herds and supply over 80% of Ethiopia’s agricultural yield. In 2015, they were not successful and contributed to one of the worst droughts in decades. One year later, El Niño-induced drought further strained households and the overall economy in affected areas. As a result, 10.1 million Ethiopians required emergency food assistance to meet their basic food needs, and 2.1 million people suffered from severe and moderate acute malnutrition.⁴

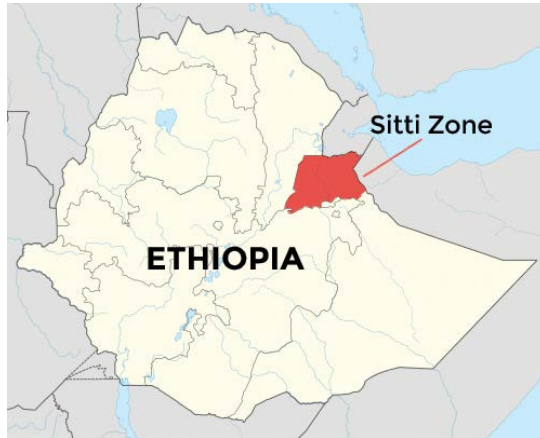
¹ E-transfers refer to a digital transfer of money or vouchers from the implementing agency to a program participant.

² ELAN’s Financial Services Primer for Humanitarians provides an overview of the opportunities and challenges associated with using e-transfers as a pathway to financial inclusion.

³ <http://www.worldbank.org/en/country/ethiopia/overview>

⁴ http://reliefweb.int/sites/reliefweb.int/files/resources/ethiopia_-_synopsis_of_hrd_2016_-_as_presented_in_geneva_7_december.pdf

Figure 1: Map of Sitti Zone



Source: https://www.wikiwand.com/en/Sitti_Zone

Ethiopia's largely-pastoralist Sitti Zone, in northern Somali Region, and Zone Three in southern Afar Region were particularly hard-hit by the droughts. The below average rainfall negatively affected livestock feed and water and resulted in large amounts of livestock death and deteriorated livestock quality. Between July 2014 and 2015, the amount of wheat that could be purchased with the income from selling a goat decreased from 67 kilograms (kg) to 28 kilograms (kg), as reported by FEWSNET. A steep reduction in lactating animals further exacerbated food insecurity. As a result, roughly 954,000 people in Sitti Zone were classified as suffering from an Acute Food and Livelihood Crisis in September 2015.⁵

IMPLEMENTING AGENCY

Mercy Corps is a global humanitarian agency working in over 40 countries to alleviate suffering, poverty, and oppression by helping people build secure, productive and just communities. In Ethiopia, Mercy Corps has delivered both emergency humanitarian assistance and long-term development solutions since 2004. Currently, Mercy Corps leads the five-year (2012-2017), USAID-funded *Pastoralist Areas Resilience Improvement through Market Expansion (PRIME)*⁶ project, which supports resilience among 250,000 Ethiopian pastoralists. The project works directly with pastoralist households through technical assistance and cash transfers and throughout the pastoralist value chains. PRIME also engages strategic partners, such as microfinance institutions and mobile money providers, to sustainably improve access to services that will benefit pastoralist populations.

1.3 OVERVIEW OF FINANCIAL SERVICES IN ETHIOPIA

Ethiopia remains one of the least-banked countries in the world. Only 22% of adults (over the age of 15) have access to a financial account, compared to sub-Saharan Africa's average of 34%.⁷ Eighty percent of the population lives on rural smallholdings that can be ten kilometers or more from the nearest bank branch or ATM.⁸ In 2012, only three commercial bank branches were available for every 100,000 adults, 33% of which were located in the capital city, Addis Ababa.⁹ In rural pastoralist areas served by Mercy Corps, up to 70% of households lack access to financial services and products.¹⁰

Ethiopia's protective regulation of the banking sector – closed to private operators until 1994 and still dominated by the government-owned Commercial Bank of Ethiopia – has played a role in low levels of financial access. Additional constraints have, until recently, included a lack of clear regulations to guide development of mobile banking and Islamic finance products. Encouragingly, guidance on both Islamic and mobile finance has been recently adopted, enabling development of new products in the country. These include HelloCash,¹¹ supported by Ethiopia/Netherlands-owned Belcash Technology Solutions, Inc.¹²

⁵ http://www.fews.net/sites/default/files/documents/reports/ET_Afar-Sitti_Alert_2015_09_23.pdf

⁶ <https://www.prime-ethiopia.org/>

⁷ <http://datatopics.worldbank.org/financialinclusion/region/sub-saharan-africa>

⁸ https://www.microfinancegateway.org/sites/default/files/publication_files/mg-digital-finance-for-all-full-report-september-2016.pdf

⁹ <https://www.brookings.edu/wp-content/uploads/2016/06/fdip2015.pdf>

¹⁰ PRIME baseline, 2013, <https://agrilinks.org/sites/default/files/resource/files/EthiopiaPRIMEVol1final.pdf>

¹¹ <http://hellocash.et/>

¹² <http://hellogebeya.com/belcash/>

and used by Mercy Corps to improve access to financial services for both rural clients and those who prefer Islamic-compliant products and services.¹³

1.4 MOBILE MONEY IN ETHIOPIA

Despite having one of the region's fastest growing economies, Ethiopia falls behind its neighbors in access to, and use of, mobile technology. At 43%, it has one of the lowest rates of mobile penetration in East Africa (compared to the African average of 76%,¹⁴ and it was also among the last countries in Africa to offer mobile banking services. These gaps can be partially attributed to Ethiopia's government monopoly on telecommunications and banking industries (foreign firms are barred from investing in the banking industry).¹⁵ The only mobile telecoms service provider is the 100% government-owned Ethiopia Telecommunications Corporation (ETC).

In 2012, the National Bank of Ethiopia (NBE) issued a directive opening the door for mobile and agent banking.¹⁶ The regulations, however, restrict investments in banking and microfinance institution (MFI) sectors to Ethiopian nationals and require NBE to grant licenses for all mobile and agent banking products. As existing mobile banking technology providers are foreign, these restrictions prompted debates around appropriate revenue sharing models between MFIs, banks and technology providers, and delayed roll-out of mobile and agent banking models.

A number of other barriers have also slowed the implementation of mobile banking, such as limited network coverage; low rates of access to formal IDs¹⁷; and high rates of illiteracy. Additionally, the NBE has informally limited the maximum revenue sharing that mobile banking technology providers can have with banks and MFIs, and requires a hand over of their technology platforms to the operating bank within five years, further limiting non-Ethiopian commercial investment in the sector.

Surmounting all these challenges, BelCash and M-Birr, two mobile services providers, have recently started providing mobile services through a number of banks and MFIs. As of 2014, World Bank figures revealed that only 3% of Ethiopian adults hold mobile financial accounts, though more recent internal numbers from M-Birr and HelloCash have demonstrated rapid uptake of services in certain areas of the country. For example, HelloCash reported reaching 500,000 customers as of July 2016.¹⁸

Mobile Money & KYC in Ethiopia

Opening a mobile money account in Ethiopia is a multi-step process. Prospective clients must first obtain an ETC SIM card, which requires presenting a copy of a valid national ID, two pictures and 15 ETB (0.7 USD) to cover the cost of a SIM card at an ETC service center (normally only present in larger cities and towns). Once a SIM card is obtained, clients then apply for their account with the bank or MFI that offers mobile money services. This process requires presentation of a second copy of national ID documents and photo. These complex processes can dissuade clients with a casual interest in the service, or who lack required documentation.

¹³ <https://cfi-blog.org/2015/07/29/the-politics-behind-mobile-money-in-ethiopia/>

¹⁴ Mobile subscription data as of 2015, provided by ITU; <http://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx>

¹⁵ <http://www.state.gov/e/eb/rls/othr/ics/2015/241555.htm>

¹⁶ Regulation of Mobile and Agent Banking Services Directives No. FIS/01/2012

¹⁷ 40% of Ethiopians lack access to formal identification, which is required for to open a bank account.

https://www.microfinancegateway.org/sites/default/files/publication_files/mg-digital-finance-for-all-full-report-september-2016.pdf

¹⁸ <http://www.telecompaper.com/news/hellocash-accounts-hit-500000-in-ethiopia--1155224>

2. MERCY CORPS' E-TRANSFER PROJECT

2.1 PROJECT DESCRIPTION

During regular programming, the PRIME project assists Ethiopian pastoralists through facilitating financial access (savings and loans). As a result, more than 75,000 households in the Somali and Afar regions have improved access to MFIs and through mobile and agent banking. PRIME encourages pastoral households to save cash during good seasons to use during a shock or stress. However, many vulnerable households still do not have access to financial services, which can be detrimental to their resilience during a drought.

In response to the 2014/15 drought, the PRIME project expanded ongoing activities in Sitti by implementing interventions designed to meet immediate household needs without undermining market systems and long-term development gains. These activities included emergency mobile cash transfers, which aimed to protect livelihood assets and enhance beneficiaries' resilience to shocks, with three specific objectives:

- Provide unconditional cash transfers to enable and encourage purchase of food or agriculture and livestock inputs; cash was provided in envelopes or through mobile money transfers.
- Initiate cash transfers through bank accounts opened with Somali and Afar MFIs, establishing an efficient modality for future drought-response cash transfers and strengthening the links between the emergency intervention and development programs through market and MFI expansion.
- Facilitate training for cash recipients through MFIs to encourage savings habits, building absorptive capacity of beneficiaries for future drought.

The project targeted 5,000 pastoralist and transitioning out of pastoralism (TOPs) households in Sitti Zone, Somali Region, and Zone 3, Afar Region. Of the 5,000 households targeted, 2,067 in Sitti Zone received their cash through HelloCash mobile money transfers. Each project participant received three cash transfers of 45 USD (1,000 Ethiopian Birr-ETB) each.

As only 10% of project participants had access to personal cell phones, the project allowed participants to purchase phones at a subsidized rate and on credit if they would be receiving their transfers via HelloCash. Phones cost approximately 466 ETB (21 USD). The project covered 50% of the price of the phone and all costs associated with the new SIM card; the remaining balance (233 ETB/ 11 USD) was taken from the participant's cash transfer. For those who accepted to phone on credit, 89 ETB (4 USD) was deducted from each of the three cash transfers.

Participants were identified and selected by community leaders, with support from Mercy Corps. The project aimed to reach households in the lowest wealth quartile that met some of the following vulnerability criteria:

- Female-headed households,
- People with disability,
- Households with lactating mothers,
- Households where one or more children suffer from acute malnutrition,
- Low-income pregnant mothers, elderly and people dropped out of pastoralism due to this year's drought,
- Households that lost all or most of their livestock by the prolonged drought.

Table 1: Program Details

LOCATION	ZONE 3, AFAR REGION & SITTI ZONE, SOMALI REGION
Program Length	6 months (April 1 – September 30, 2016)
Total Number of Recipients	5,000 (The 2,067 who received transfers through mobile money, as opposed to physical cash, will be examined in this case study.)
Number of Cash Transfers	Three
Frequency of Cash Transfers	Monthly
Cash Transfer Amount	45 USD
Service Provider	Somali Microfinance Institute, with a mobile money service called HelloCash
Donor	USAID
Implementer	Mercy Corps

An important aspect of program design included a requirement that program participants retain a portion of their cash transfer (100 ETB/ 4.50 USD) in their Somali Microfinance Institute (SMFI) account, which was intended to promote familiarity with the SMFI account and encourage savings. While Mercy Corps was not able to enforce this requirement using technology, there was clear messaging to beneficiaries that leaving 100 ETB in the account was a program requirement, and (as discussed further in the account usage section), beneficiaries seemed largely willing to follow that program directive and leave some balance on their SMFI account.

2.2 SERVICE PROVIDER SELECTION

Mercy Corps partnered with the SMFI to deliver cash transfers through its Belcash-enabled mobile HelloCash platform. Selecting and signing an agreement with SMFI was a straightforward process, since it is the sole MFI in the region providing mobile money services and financial products in compliance with the Somali population's sharia requirements.

Although no SMFI branches or HelloCash agents existed in Mercy Corps' target communities, SMFI was willing to establish new agents and branches to facilitate the mobile cash transfers and expand their market coverage.¹⁹ Over three months (between April and June 2016), SMFI established HelloCash agents in targeted project areas in close cooperation with Mercy Corps. For many SMFI/HelloCash agents, Mercy Corps' e-transfer recipients were their first clients. This was also the first time that mobile money has been used to facilitate cash transfers in the Somali region.

Through the HelloCash platform and agent networks, SMFI offers a number of services, including money transfers (sending and receiving), bill payment, the ability to purchase goods and services from HelloCash agents, airtime top-ups and the ability to store money in personal HelloCash accounts.

¹⁹ Mercy Corps has supported SMFI since its founding in 2011, as part of a long-term strategy to improve access to financial services in pastoralist areas of Ethiopia. Mercy Corps played an instrumental role in SMFI's adoption of the HelloCash mobile banking platform by connecting SMFI with the technology service provider (BelCash Technology Solutions) that developed and manages the HelloCash technical platform. Since 2012, Mercy Corps has also supported SMFI's roll-out of HelloCash through business plan development, partnership strategy development and advocacy around mobile money regulations.

2.3 PARTICIPANT REGISTRATION, ORIENTATION & DISBURSEMENT

Registering project participants as SMFI/HelloCash clients and preparing them for the project required a multi-step process which involved Mercy Corps, local authorities, ETC, and SMFI. Key processes included:

- 1. Coordination with local authorities:** Mercy Corps staff introduced the project to district and village (*kebele*) level officials, working with them to establish program participant numbers per village and to select participants based on established vulnerability criteria.
- 2. Secure ID documents for project participants:** A majority of project participants lacked official, government-issued ID documents to meet KYC requirements. Mercy Corps worked with *kebele* administration staff in each project location to secure official ID documents for project participants.
- 3. Hold registration events in targeted villages:**
 - a. Register:** Participants first registered for their ETC SIM card with ETC staff and agents²⁰ and then opened a HelloCash account with SMFI staff and agents. ETC and SMFI agents were equipped with smartphones to take photos of participants and their ID documents, which eliminated the need for paper copies of ID documents and photos. Participants left these events with active ETC SIM cards and HelloCash accounts.
 - b. Receive a phone:** As described in the previous section, Mercy Corps subsidized and facilitated loans (provided by SMFI) for participants who opted to receive cell phones. 98.8% of project participants took advantage of this phone loan offer and received their phones during the registration events.
- 4. Hold nutrition, financial literacy and HelloCash account use trainings:** Mercy Corps and SMFI held joint full-day trainings in each *kebele* on nutrition, financial literacy and HelloCash account use. These trainings would convene large groups of between 150-500 participants, and relied on posters, flyers and flip chart drawings to support the trainings.

Nutrition training sessions taught households about dietary diversity and encouraged the purchase of healthy, balanced food purchases.

Financial literacy trainings focused on the definition, advantages and potential sources of savings. This training also reviewed how savings can support both expected and unexpected future events, defined optional vs. necessary expenditures and explained the role of assets in household finances. **HelloCash** sessions covered the basic functionalities of cell phone use and HelloCash account use, including instruction on how to check account balances and receive/send transfers through their accounts. These sessions also emphasized the possibility of HelloCash as a way to save for the future.



²⁰ Participants that already had an ETC SIM card could continue using that SIM card, though this was the case for only 24 of the 2,067 (1.2%) of participants.



2.4 PROJECT PARTICIPANT PROFILE

The demographic and vulnerability profiles of Mercy Corps cash transfer recipients are useful in understanding their receptiveness to mobile money, especially in comparison to national and global patterns. Participant characteristics are presented below.

Table 2: Participant Profile Summary

	PRIME CASH TRANSFER PROJECT PARTICIPANTS
Average Household Size	4.7*
Literacy Rate	99% unable to read**
% Households with female head	72%*
Average age	41*
Infrastructure & mobile money proximity:	72% of participants lived less than 30 minutes from the closest mobile money agent**
Access to ID documents	99% of households (estimated) lacked access to ID documents prior to the project (compared to a national average of 40% ²¹)
Mobile phone access before the project	10% had access to a personal phone; 37% had access to a household phone**

*Source: PRIME Quarterly Report, April – June 2016. This data reflects summary statistics of all 2,500 households receiving cash assistance in Sitti zone – both through mobile and physical means.

**Source: Household survey conducted for this study

²¹ Identification for Development (ID4D) dataset, World Bank; McKinsey Global Institute analysis; cited in https://www.microfinancegateway.org/sites/default/files/publication_files/mg-digital-finance-for-all-full-report-september-2016.pdf; program staff estimate of PRIME participant households lacking IDs.

3. RESEARCH METHODOLOGY

In-country research for this study relied on household surveys, key informant interviews (KIIs), and gender-segregated focus group discussions (FGDs). In addition, researchers analyzed a sample of project participant transaction records from Hello Cash, which provided detailed records of participant's mobile money account usage. The research took place throughout the Sitti Zone between the second and third cash transfers (August and September, 2016).

Research & Project Implementation Timeline:

JUNE 6-22, 2016

First electronic cash transfer sent to participants



AUGUST 10, 2016

Second electronic cash transfer sent to participants



SEPTEMBER 4-6, 2016

Third electronic cash transfer sent to participants



JULY 18 - AUGUST 14, 2016

Household surveys (1st round)



SEPTEMBER 21-26, 2016

Household surveys (2nd round)



AUGUST 22-26, 2016

Focus group discussions and key informant interviews



SEPTEMBER 9, 2016

Detailed project participant transaction data extracted from Hello Cash system

Table 3: Research Participants – Summary

RESEARCH PARTICIPANTS	
Survey respondents*	237
% Women	86%
FGD participants	30
% Women	54%

*HelloCash transaction records were analyzed from all survey respondents.

Household Surveys: Enumerators trained and supervised by Mercy Corps used tablets equipped with Open Data Kit (ODK) forms to interview 237 survey respondents (86% female) in the first round and 207 during the second round surveys (shortly after the second and third cash transfers). The same households were interviewed for both rounds of surveys, with the exception of 30 households who were unavailable for second round surveys (due to migration or other reasons). Unless otherwise noted, analysis in this case study relies on responses collected in the first round of surveys.

Survey participants were selected through random sampling from the group of 2,067 project participants who had received cash transfers through Hello Cash. Respondents were located in Sitti Zone across three local districts (Afdem, Erer and Mieso).

Analysis of Household Surveys: While the other two case studies in this research series (from Bangladesh and Zimbabwe) relied primarily on descriptive statistics, this study relies on an exploratory, cross-sectional analysis.²² In addition to descriptive statistics, the analysis of the data used two approaches, depending upon the type of question.

²² The study uses p-values to determine statistical significance, and all data reported in this document is p<0.1 or lower.

One (cross-tabulations) is used to identify frequency of certain responses, or to compare characteristics between different responses. For example, in comparing how use of the SMFI account differs between respondents who prefer different modalities of transfers in the future, we provide a cross-tabulation of each usage against the preferred modality.²³

The other (multi-variate cross-sectional regressions using ordinary-least squares regressions) examines the relationship between two variables of interest, while controlling for confounding factors. Using the example above, a regression allows us to compare account use and modality preference among respondents of similar age categories. Similarly, we can control for gender, education, and livelihood source. However, since these regressions are purely cross-sectional, they do not prove causation. There may remain unobserved variables not included in our regressions which drive the relationship between explanatory and outcome variables.

Transaction Records: Hello Cash system transaction records for the same 237 household survey participants were also analyzed. They encompass use of the HelloCash accounts between the time of account opening through September 9, 2016, and November 13, 2016. Transaction data includes balances held on the account on certain dates, as well as the number and amount of:

- Person-to-person (P2P) transfers²⁴
- Cash-in (deposits)
- Withdrawals
- Payments for goods and services
- Airtime top-ups

Focus Group Discussions: Four focus group discussions (FGDs) were held with 37 project participants (20 females and 17 males) in the Afdem wordea of Sitti Zone.

Key Informant Interviews: KIIs were conducted with Mercy Corps and MFI staff and agents. For more details on research participant characteristics, see Appendix 1.

Methodology Limitations: The research was conducted on an active project in the midst of program activities, in stark contrast to the series' other two case studies. Specifically, surveys were conducted in between the first and third cash transfers and qualitative research was conducted between the second and third transfers. Transaction records were analyzed just after the third and final cash transfer. As such, the research is unable to measure *sustained* use of mobile money products. Therefore, we cannot extrapolate on future HelloCash usage by program participants based upon these research results. However, the transaction data offers an accurate snapshot of usage patterns during and shortly after the program, providing valuable insights about mobile money acceptance among cash transfer recipients who are newly introduced to the service. Access to transaction data also helps eliminate biases and weaknesses inherent in self-reported behaviors that rely on a participant's recollection of behavior.

²³ Cross-tabulations demonstrate the direct relationship between two variables, but they do not indicate a causal relationship; the perceived relationship between the two may actually be due to other factors. For example, outside factors such as a respondent's age may drive both use of the SMFI account and preference for preferred modality in the future.

²⁴ Transfers not coming from Mercy Corps, e.g. money sent from one family member to another.

4. FINDINGS

This research intended to answer the following questions:

- To what extent did Mercy Corps project participants use their mobile money accounts after their registration as HelloCash clients?
- What key barriers and enabling factors influenced participants' uptake and use of mobile money?
- In future humanitarian e-transfer projects, which measures can and should be implemented to support uptake and use of mobile money among project participants?

4.1 FINANCIAL BEHAVIOR & MOBILE MONEY USE PRIOR TO THE E-TRANSFER PROJECT

Understanding project participants' financial practices and choices **prior** to the project is critical to gaining a full picture of what mobile money is "competing" against (in terms of existing financial management practices and tools), and understanding why mobile money may be used or ignored. Research participants were asked about their pre-project behavior related to money transfers, saving, and borrowing.

As described in section 1.3, Ethiopia has low rates of access to financial services. Qualitative research that took place in and around Biki, a town of nearly 10,000 people, revealed the scope and impact of that limited access. Biki lacks any formal financial institutions, with the closest MFI and bank branch over 30 km away. The town chairman discussed how the "total absence" of financial services in the area impacts businesses and households:

"People depend on other individuals to hold cash for them; sometimes [in] large amounts. In a recent case, a man ran off with 300,000 ETB [approximately 13,000 USD] he was holding for someone. Robberies are also a risk with this much cash around, and there are few chances for saving and investing here." (Source: KII, Biki Kebele Chairman, August 2016)

Pre-Project Savings: Prior to the e-transfer program, only 2% of survey respondents had any sort of formal savings (i.e., through Banks, MFIs, Cooperatives, VSLAs) while another 45% saved through informal means (including through local traders, storing cash at home, and investments in property, livestock, and jewelry).

Most survey respondents saved for school fees, health care costs, and to purchase livestock. Longer-term goals involved migration from rural, pastoral, areas into urban areas. FGDs reiterated the trend towards informal savings, including hiding money in the house, on their body, in milk containers, or with local store-owners. Many also mentioned investments in livestock an important form of saving. While widely employed, participants noted several disadvantages to informal practices: **"it's difficult to save just at home...so livestock is preferred. But that is also risky since livestock can die"** (Male FGD participant). Banks were perceived as being, "very difficult" due to their fees and the distance and cost of traveling to them.

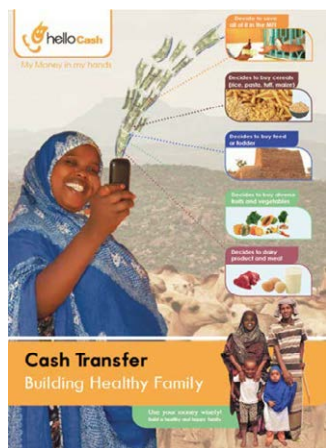
Pre-Project Money Transfers: Among survey respondents, 6% used formal money transfer services/mechanisms (including transfers through banks and remittance agencies), while 18% used informal money transfer services (such as transporters/distributors, informal remittance agents, friends/relatives, self-carry).

Prior to the PRIME project, FGD participants had relied heavily on sending money with friends and relatives who were traveling or through transportation providers, including busses and trucks. (However, the latter was considered highly unreliable.) Some preferred to make the trek themselves, including walking 10 days to neighboring Djibouti (a regional market hub): “[Travel is] risky and expensive, [but] you can’t trust others with your money” (FGD participant).

Pre-Project Borrowing: Almost half of all survey participants had borrowed money, with the vast majority (47%) doing so through informal means (including trade associations, local moneylenders and traders, families and friends). Less than 1% of survey respondents had formal loans through a bank, MFI, or VSLA. In FGDs, participants mentioned that friends, families, and local business owners/shop keepers were their only available avenues of credit.

MOBILE MONEY USE PRIOR TO THE PROJECT

Figure 2:
HelloCash Poster



Mobile money only became available in the project’s target areas as a result of the project. Unsurprisingly, the vast majority of project participants had no exposure to mobile money prior to the cash transfer intervention. FGDs confirmed how foreign the concept of mobile money was for project participants:

“At first we thought this idea [money in a phone] was crazy. [...] Until we saw the posters [with cash coming out of a mobile phone], we didn’t believe it. Now we know there is money inside the phone, coming from the air...but it seemed crazy at first.”

An anecdote shared by a Mercy Corps staff member further revealed how new – not just mobile money – but *mobile phones* were: “Since so many beneficiaries had never owned, or sometimes even used, phones, we often had to teach basics like charging phones and turning them on and off. In the Somali language, the word “charge” (*dabayu*) has the literal meaning “put in the fire”. So after we instructed participants to “fully charge” their phones before using them, one elderly woman tried to put her telephone in a fire! Fortunately someone stopped her before the phone was ruined.” (Abdulmuen Mohammed, Mercy Corps Area Manager)

4.2 MOBILE MONEY USE AFTER THE E-TRANSFER PROJECT

As described above, mobile money was brought to the target areas as a result of the PRIME project and very few program participants had even heard of mobile money prior to implementation. Mobile phone ownership was also low, with only 10% of program participants owning their own phone and an additional 35% having access a household phone.

Unlike other programs profiled in this research series, Mercy Corps asked project participants to maintain a minimum balance of 100 ETB (4.50 USD) to encourage savings habits and use of their HelloCash accounts. Analysis of account records show that many participants saved **above and beyond this minimum requirement** during the program (and kept some balance on their account even after the last transfer). Participants also widely used other HelloCash services and products.

Shortly after the final transfer was received (in early September), 43% of participants saved above and beyond the minimum requirement (100 ETB/4.50 USD), demonstrating willingness to use their HelloCash account to store or save money. In early September, (just after the third and final cash transfer), the

average account balance was 145 ETB (6.50 USD) or 5% of the total 135 USD participants had received over the course of the program.

Two months after the final transfer was made, average balances had significantly reduced (to 51 ETB/ 2.28 USD), though all participants had kept some level of cash in their account and 13% retained a balance above and beyond the requested minimum savings level of 100 ETB.

Table 4: Project Participant Account Balance Records

HELLOCASH ACCOUNT BALANCE RECORDS		
RANGE	# (%) OF PARTICIPANTS	# (%) OF PARTICIPANTS
	AS OF SEPTEMBER 9, 2016	AS OF NOVEMBER 13, 2016
0 Birr	0	0
1 Birr - 100 Birr (4.50 USD)	135 (57%)	207 (87%)
101 Birr - 200 Birr (8.99 USD)	32 (14%)	16 (7%)
201 Birr - 500 Birr (22.48 USD)	46 (19%)	11 (5%)
500 Birr and more (22.48+ USD)	24 (10%)	3 (1%)

FGD participants confirmed their interest in using the HelloCash account for savings, seeing the product as a benefit above and beyond the cash support received:

“We like it because it’s like a bank, you can save for emergencies.” Female FGD participant;

“It is difficult to save [since previous options were limited]; so livestock is normally how we save. But this is risky because the animals may die. HelloCash is a new way to save.” Male FGD participant

Some even recognized HelloCash as a revolutionary development within their communities:

“[HelloCash] is a new big thing for us.” Male FGD participant

“[HelloCash] is one of the wonders of the world!” Male FGD participant

In addition to storing value on their account, some project participants used other available services, as summarized in the table below.

Table 5: Project Participant HelloCash Transaction Records

TYPE OF TRANSACTION	# OF UNIQUE CUSTOMERS USING THIS SERVICE*	# OF TRANSACTIONS	AVERAGE VALUE OF TRANSACTION
P2P (receive money)	6 (3%)	8	178 ETB (7.98 USD)
P2P (send money)	40 (17%)	56	546 ETB (24.48 USD)
Cash In / Deposit	4 (2%)	4	935 ETB (41.93 USD)
Payments (for goods or services)	0	0	0
Top Ups (purchase of mobile phone credit)	178 (75%)	1,409	35 ETB (1.57 USD)

*Out of 237 customer records analyzed in mid-September.

Three-quarters of survey participants purchased mobile phone credit; furthermore, almost one-fifth of project participants used HelloCash’s “send money” service. There was minimal use of the cash-in/deposit, payment and receive money services among project participants. There were no significant differences between men and women in the use of HelloCash services.



4.3 BARRIERS & ENABLING FACTORS

As described above, project participants took advantage of a number of HelloCash products and services. Survey results demonstrated general satisfaction and high level of interest in the new accounts; 73% of survey respondents reported that they plan to continue using their HelloCash accounts in the future.

More program participants preferred mobile money than any other cash transfer mechanism (see table 6). Mobile money, however, was not overwhelmingly preferred: less than half of households (41%) preferred this modality and just over a third of households would opt for physical cash in envelopes, without the bank account.

Table 6: Preference for Future Cash Transfers

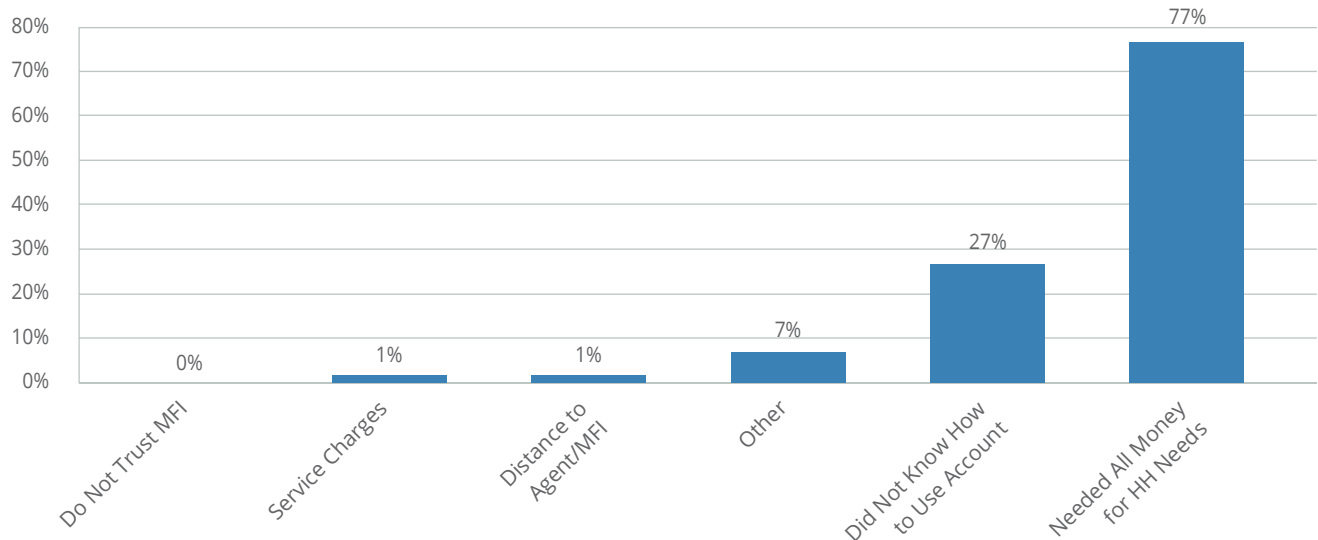
	COUNT	PERCENTAGE
Mobile money	83	41%
Cash in envelope through SMFI account	33	16%
Cash in envelope without bank account	74	36%
Other	13	6%
Total	203	100%

These results demonstrate that while Mercy Corps project participants recognized value in HelloCash and were overall quite satisfied with the experience, physical cash remains an alluring alternative. The following section explores both enabling factors and barriers that contributed to participants’ attitudes and practices related to HelloCash.

BARRIERS

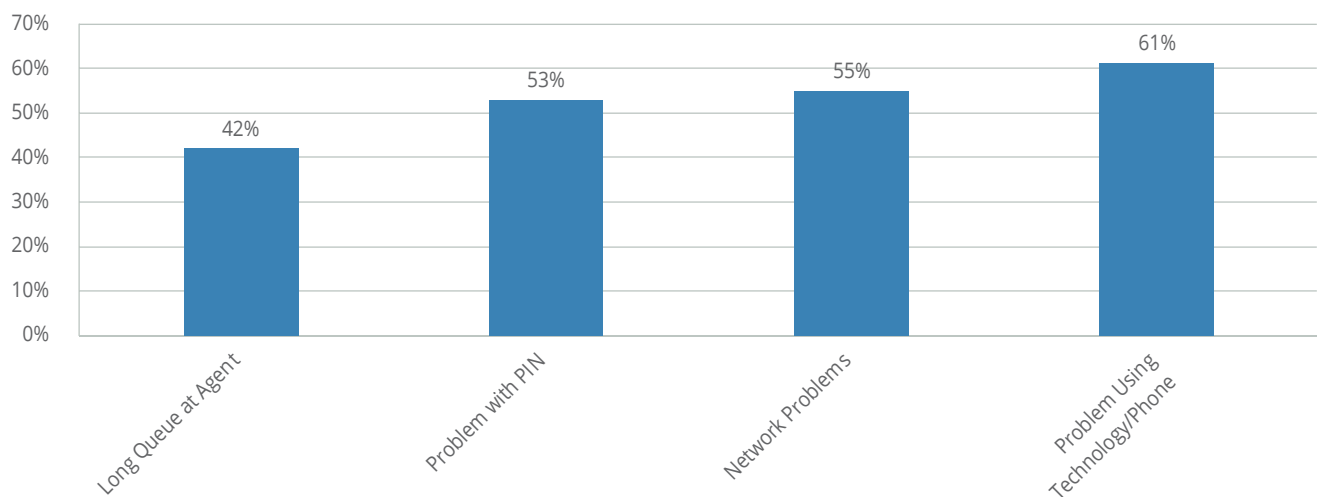
To understand what may have limited, or challenged use of HelloCash among participants, this study looked at both external factors that could influence account use and challenges faced while using the product. The 56% of survey respondents who reported withdrawing nearly all their cash from the HelloCash account cited the following reasons for doing so:

Chart 1: Reasons for Full Cash Withdrawal²⁵



The household survey also asked respondents to explain specific problems encountered during their use of HelloCash. 86% of respondents cited at least one problem, as described below:

Chart 2: Problems Encountered Using HelloCash



The top barriers to uptake and use of HelloCash accounts among participants are explored in more detail below:

1. Highly vulnerable participants prioritize immediate consumption over mobile money use

This drought response project targeted highly vulnerable households that had difficulty meeting basic household needs. The primary motivations for not storing cash in the account were pressing consumption needs (77%) followed by a lack of understanding on how to use the account (27%).

²⁵ Responses from survey participants who withdrew all money except the required savings amount (4.50 USD) from their account during the program.

To understand the relationship between use of HelloCash and well-being, we undertook a regression analysis using well-being outcomes - Household Dietary Diversity Index (HDDI) and Coping Strategies Index (CSI) – against the use of services, while controlling for demographic factors. The analysis used a model that measured frequency of account usage, including the following variables:

- Number of Withdrawals
- Number of Top-Ups
- Number of P2P Transfers Sent
- Household Size
- Pastoralist vs Other
- *Kebele* (village)

The strongest correlation indicated that households that made more airtime top-ups (airtime purchases) also had higher HDDI scores, indicating overall better self-reported economic welfare and more diverse diets. Each additional airtime top-up was correlated with an additional 0.05 points on the HDDI, indicating that the family consumed 0.05 more food groups each day. The average HDDI was 4.5, meaning most families consumed 4 to 5 food groups daily.

None of the other account usage variables (including number of withdrawals or P2P transfers) were significantly correlated with well-being. As this model does not account for the household's prior well-being, the association indicates that better-off households likely make more airtime top-ups because they are able to, and that more vulnerable and cash-constrained households are less likely to take advantage of additional mobile money services.

2. Digital illiteracy

The most frequently cited challenge in using HelloCash (encountered by 61% of survey respondents) was “problems using the technology or phone.” High rates of digital illiteracy were also confirmed through a survey question that tested participants' ability to explain HelloCash's cash-out steps. Of survey respondents, 94% were unable to mention any steps, 3% were able to mention up to two steps, and only 1% of respondents were able to mention all or nearly all steps.

Personal Identification Number (PIN) usage was a particularly difficult step in the cash-out process, and was listed as a challenge by 53% of survey respondents. HelloCash agents, Mercy Corps staff and FGD participants all noted a heavy reliance on agents to enter PINs and complete transactions. Those who had difficulty with their PINs were much less inclined to use mobile money in the future. Specifically, they were 87% less likely to prefer mobile transfers over cash, and 57% less likely to plan to keep using their accounts than those who did not experience PIN problems. These findings indicate an extremely low capacity to independently complete mobile money transactions, as well as a relationship between digital illiteracy and preference for mobile money. FGDs reinforced these findings; many FGD participants were just getting comfortable with the basics of mobile phone operation. Several FGD participants were pleased that they could successfully answer incoming calls, but were still unable to dial out without assistance. Using a mobile phone to conduct mobile money transactions, therefore, represented a huge leap from current capability.

While women and the elderly expressed the least familiarity and comfort with the transfer mechanism during FGDs, males and females showed similar rates of digital literacy in survey responses. Forty four percent of men and 54% of women listed PIN entry as a challenge in the household surveys, and 65% of men and 59% of women reported “problems using the technology or phone” as a challenge. Among program participants, gender did not appear to play a decisive role in participant's capability to use mobile money.

3. Risk of account deactivation discouraged experimentation

FGD participants mentioned that SIM cards could become blocked if a PIN code was repeatedly entered incorrectly. Reactivation required an expensive and inconvenient in-person visit to an ETC branch office (located over 30km away from most FGD participants). Unsurprisingly, these high costs and consequences of blocked PINs reduced many participants' willingness to independently explore other mobile account transactions.

4. Network & electricity problems

Following digital illiteracy, the most frequent problem encountered by survey respondents related to network outages: 55% noted network problems (outages) as an issue in accessing their cash transfer. In KIIs, SMFI executives also cited network weaknesses as one of their primary challenges to offering and expanding the use of HelloCash in the Somali region. HelloCash agents noted that network outages were a barrier to project implementation, and in extreme cases, had delayed delivery of cash to project participants for up to three days.²⁶ Several FGD participants noted that network outages necessitated that they visit an agent several times to complete a transaction.

Unsurprisingly, beneficiaries who experienced network problems were less satisfied with the overall process. Beneficiaries who experienced network problems had lower self-reported satisfaction (0.18 fewer points on the 1-5 satisfaction scale). Relative to those who did not experience network problems, participants who did were 60% less likely to continue using their accounts.

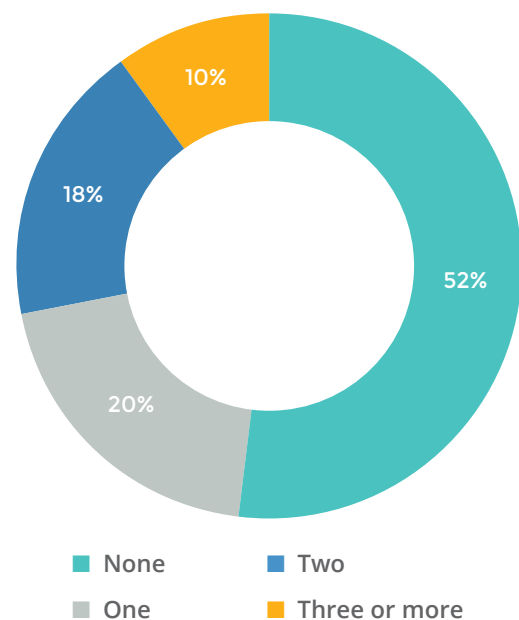
Additionally, many FGD participants and HelloCash agents noted the lack of electricity as a barrier to fully embracing HelloCash. FGD participants from the more rural town (Biki) noted that the total absence of electricity in their town forced them to travel to a neighboring town to charge their phones at a charging station – entailing costs for both travel and the battery charge.

5. Limited knowledge of HelloCash products

Approximately half of project participants (43%) used their accounts to store value, and 75% purchased air-time top-ups through their account. Yet, participants struggled to describe their account's full range of products and services: Among survey respondents, 52% could list no HelloCash products; 20% could list one, 18% could list two, and only 10% could list three or more services available through Hello Cash.

Focus Group participants also demonstrated limited knowledge of the range of available HelloCash products, and how to use them. A male FGD participant remarked, **“At the beginning of the program, we were taught how to save, withdraw money and use to buy nutrient foods... [but] we need more training to be able to use our accounts independently.”** In this same focus group, only two of ten participants were aware of

Chart 3: Number of HelloCash Services Recalled



²⁶ Belcash, in partnership with SMFI, already had a significant agent presence in the Somali region. Recognizing the opportunity to expand market coverage, agents expanded their coverage in parallel to the cash transfer program as an entry point into the market. They will continue operations beyond the cash transfer program.

the option to use the account to send money, but all participants wanted to learn how to use the money transfer service once they learned it was a possibility.

6. Queuing at agent

Forty-one percent of respondents reported queuing for the HelloCash agent as a challenge in completing their transaction. Overall, beneficiaries who experienced a long queue at their agent were both less pleased with mobile transfers and made less use of their services. Their satisfaction with the transfers was significantly lower than for households who did not have long queues (0.5 fewer points on the 1-5 satisfaction scale). They also sent 0.17 fewer P2P transfers valued at 80 ETB less.

ENABLING FACTORS

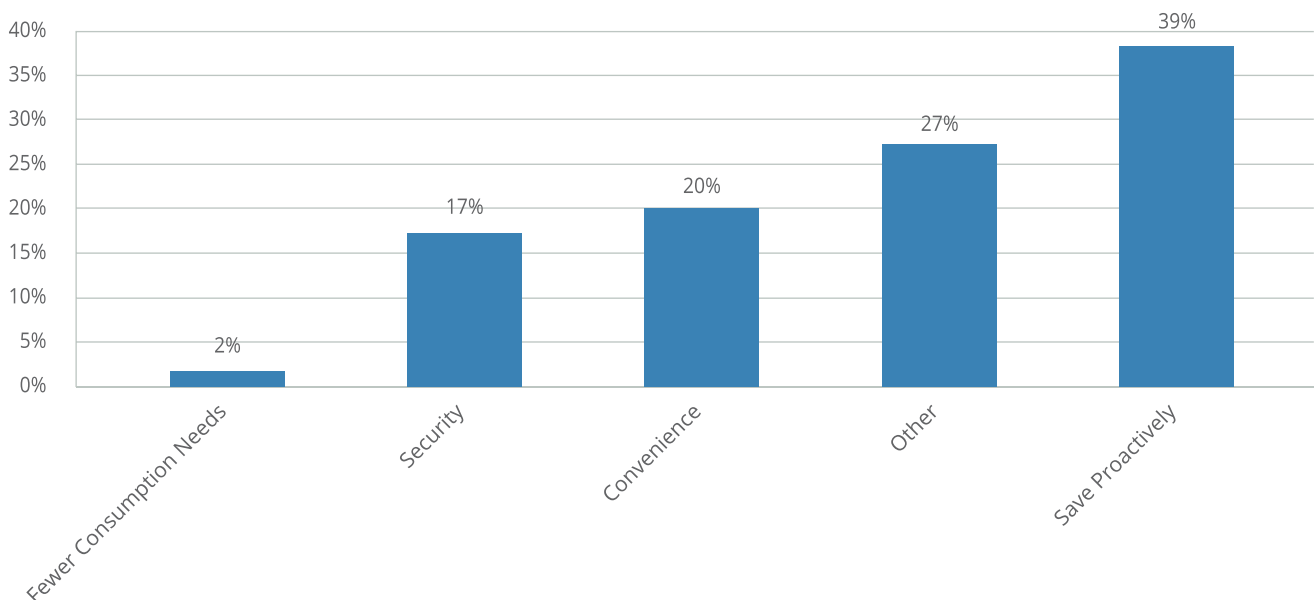
While project participants faced a number of barriers to adopting and using their HelloCash account, these were overcome to an impressive extent. The enabling factors that prompted and supported use of the accounts are explored below in detail:

1. Perceived utility of available products

As noted above, Mercy Corps' project design required that participants keep a small balance (100 ETB/ 4.50 USD) on their accounts following the final cash transfer. Analysis of transaction records showed that 43% of project participants kept an account balance above the required 100 ETB balance. Of those that kept a balance on their HelloCash accounts, 39% cited a desire to "save proactively," while 20% did so for "convenience" and another 17% for "security." This demonstrates that project participants both understood that the HelloCash account could be used to store value and saw their accounts as a useful tool for doing so.

The project's emphasis on expanding access to financial services, including the requirement to save, may have contributed to participants' understanding of their account as a savings mechanism, and recognition of the value in this new tool.

Chart 4: Reasons for Leaving Money in HelloCash Account



FGD participants clearly articulated the value of their account as a tool to prepare for future drought and shocks. As one woman stated: **“We fear more droughts may come in the future, but at this time we are prepared enough to mitigate its impact on our lives... We can sell some of our animals and save the money in our HelloCash [account] and use [these funds] during times of difficulties.”**

2. Trust in agents

Project participants relied heavily on HelloCash agents to overcome digital literacy constraints (further described in the Barriers section above.) FGD participants widely reported relying on agents to complete transactions and as critical sources of support. Agents were well-known and local community members and trust in them was very high. As one female FGD participant responded when asked if she feared that agents could exploit her trust: **“We trust him, we have known him a long time; we believe in him.”**

In addition, when survey respondents who withdrew their entire transfer value from their accounts were asked why, not a single respondent cited “lack of trust in MFI” as a factor in their decision (see Chart 1). The high degree of trust in agents was critical to overcoming participants’ lack of digital literacy.

3. Training

As described in section 2.3 (Participant Registration, Orientation & Disbursement), project participants received both brochures and face-to-face training that covered the mechanics of HelloCash, nutrition, and financial literacy (with a focus on savings). Trainings, however, were loosely organized and delivered to large groups. Not all project participants reported participating in trainings and/or receiving brochures:

Table 7: Training Received by Project Participants (Self-Reported)

	1ST SURVEY	2ND SURVEY
Financial Literacy Training	60%	82%
Nutrition Training	55%	75%
Face-to-Face Training on Account	29%	49%
Brochure on Account	57%	49%

Source: 1st & 2nd round household surveys

Participants who received in-person training knew of 0.7 more services, and were 6.5 times more likely to have used other services than those who did not have in-person training. They were also 2.5 times more likely to prefer mobile transfers over cash in envelopes in the future. However, their **use of services** did not differ significantly from the untrained. By comparison, participants who received a Hello Cash brochure were only 0.3 times more likely to prefer mobile transfers over physical, and 0.3 times more likely to intend to keep using the service. Again, however, their use of services did not differ when compared to those who did not receive a brochure.

FGD participants noted that the training style (large group) did not allow them to test or become familiar with the mobile money mechanism. They suggested that more personalized, hands-on training would

have been more effective (potentially, utilizing a “training of trainers” model led by youth or digitally-savvy community members).

Both female and male FGD participants expressed high levels of interest in additional training, and hoped to become more self-sufficient using HelloCash. It can be expected that more consistent, hands-on training may help at least some participants overcome the digital literacy barriers described above.

4. Competitive fee structures

Fees were not mentioned as a barrier to using HelloCash in FGD discussions, and only 1% of survey respondents mentioned “service charges” as a disincentive to using HelloCash (see Chart 1). As participants clearly articulated the region’s limited savings and money transfer options, HelloCash fees seemed reasonable and justifiable in this context.

5. Phone access & ownership

Ten percent of survey respondents reported owning a personal phone (9% of males and 11% of females) prior to the project, while 37% of respondents (47% of males and 37% of females) reported having access to a shared household phone. Ninety-eight percent of e-transfer recipients purchased a phone as part of the project.²⁷

Prior phone ownership is expected to signal higher levels of digital literacy and may potentially be linked to a stronger grasp of the HelloCash system. Respondents with access to a phone in their household were also more satisfied (0.3 points on a 1-5 scale) with the transfers than recipients who did not have a personal mobile phone. Their use of services was no different. Respondents with access to a phone in were also more satisfied (0.3 points on a 1-5 scale) and two times as likely to prefer e-transfers to cash in envelopes in the future. They also made 1.4 more airtime top-ups than participants without household access to a mobile phone. It is reasonable to presume that project-enabled access to phones is an enabling factor and may contribute to the high levels of enthusiasm and interest in HelloCash.

6. Pre-project use of informal financial services

Households with more access to and use of financial tools²⁸ before the transfer generally had a better understanding of service availability, but did not make more use of HelloCash services.

Informal savings: Respondents with pre-project informal savings were aware of 0.7 more HelloCash services than those without informal savings. However, they actually used the services less. They had 0.2 fewer withdrawals, 2.1 fewer airtime top-ups, 2.3 fewer total transactions, and 154 ETB less total value of transactions.

Informal loans: Respondents with informal loans were 0.48 times more aware of HelloCash services than respondents without informal loans. Their actual use of the services did not differ from respondents without informal loans.

Informal transfers: In contrast to respondents using informal savings and loans prior to the project, those with pre-project experience using informal transfers did not demonstrate better understanding of available HelloCash services (compared to those who did not use informal transfer services). They also used their accounts slightly more (taking 0.4 more withdrawals than respondents without informal transfers). The value of their total transactions was 229 ETB higher than respondents without informal transfers.

²⁷ Mercy Corps negotiated discount rates for phone purchase under the program.

²⁸ As most households did not have access to formal financial services (offered through Banks, MFIs, or even VSLAs), this analysis is based on pre-project use of informal financial services.



7. Transfer frequency & program design

Mercy Corps project participants received three transfers, enabling at least three distinct opportunities to use their mobile money account and develop comfort with the transfer mechanism. This exposure was not enough to significantly improve participant's **ability to use** mobile money. However, the repeat exposure, combined with the project's consistent emphasis on expanding use of mobile money (through training and facilitating access to phones), was successful in sparking a high degree of interest and use of HelloCash services. This is notable in a context where many factors could have worked against uptake: many participants are not even comfortable placing phone calls, and mobile money was an entirely new concept in the program area. Mercy Corps' hypothesis is that the project's focus on continued use of the mechanism and multiple experiences (through the three transfers) helped increase comfort and demand for mobile money. It is possible that a higher number of transfers would have further improved participants' comfort and capability with mobile money.

NON-INFLUENCING FACTORS

Gender

Males and females did not demonstrate significant differences in their use or preferences for HelloCash. They had similar rates of usage of HelloCash services, stated similar reasons for not storing money in the HelloCash account, and did not differ significantly in the problems they encountered with the account. Both sexes planned to continue using HelloCash at similar rates. While some FGD participants noted that women were less familiar and confident with mobile phones overall, gender did not seem to have significant influence on the use of HelloCash.

5. CONCLUSIONS

In contrast to the vast majority of humanitarian cash transfer projects, this case study examined a project with explicit objectives to both meet immediate needs and increase use of financial services (mobile money). This research aimed to answer three questions in the context of Mercy Corps' e-transfer project:

- To what extent do e-transfer projects influence the use of mobile money among cash transfer recipients?
- What are the key barriers and enabling factors that influence uptake and use of e-transfer services among recipients?
- What measures can and should be implemented in a humanitarian e-transfer project to overcome the barriers to achieving uptake and use?

5.1 MOBILE MONEY USAGE AMONG E-TRANSFER RECIPIENTS

Especially compared to other emergency e-transfer projects,²⁹ participants in this case study demonstrated high rates of adoption of mobile money services. Forty-three percent of participants saved above and beyond the minimum project-established savings requirements (100 ETB /4.50 USD), demonstrating strong interest and demand in using the account for storing/saving money. In addition to storing value on their account, three-quarters of project participants used their account for airtime top-ups and almost a fifth used HelloCash's "send money" service. Most importantly, project participants saw the services as offering a new, valuable financial management tool. Several FGD participants noted that the ability to save money in their account would improve how they prepare for, and cope with, future droughts. Seventy-three percent of survey participants planned to continue using their HelloCash account in the future.

5.2 KEY BARRIERS AND ENABLING FACTORS TO UPTAKE AND USE OF MOBILE MONEY

The most prominent enabling factors and barriers are listed in the table below.

Table 8: Summary of Enabling Factors and Barriers

ENABLING FACTORS	BARRIERS
<ul style="list-style-type: none">➤ Perceived Utility of Available Products➤ Trust in Agents➤ Training➤ Competitive Fee Structure➤ Phone Ownership➤ Pre-Project Use of Financial Services➤ Frequency of Transfers & Program Design	<ul style="list-style-type: none">➤ Participant Vulnerability➤ Digital Illiteracy➤ Limited Knowledge of HelloCash products➤ Network & Electricity Problems➤ Long Queues at Agents

²⁹ In the two other ELAN case studies on these questions, a much lower percentage of program participants used their mobile money accounts for saving money; only 12% of participants in Bangladesh and 27% of participants in Zimbabwe.

This project stands apart from the series' other two case studies – Bangladesh and Zimbabwe – in two respects: First, mobile money services were entirely new to participants as part of the overall program's design. Second, the project explicitly aimed to increase access to financial services in addition to meeting emergency needs.

Notably, Mercy Corps actively contributed to many of the enabling factors identified in the study:

- By identifying mobile money as a relevant service for the target population and helping SMFI adopt and expand HelloCash prior to the emergency cash transfer program. Later, Mercy Corps worked with SMFI to expand services to drought-affected target communities.
- Through vetting and selecting HelloCash agents who were trusted by community members
- And through program design decisions, including subsidizing phone purchases, training, and utilizing three transfers to promote familiarity with the transfer mechanism.

Mercy Corps' investment of time and resources in expanding SMFI/HelloCash services entailed taking a risk – it would have been logistically easier, and potentially less costly, to deliver cash in envelopes. And though Mercy Corps had worked for years with pastoralist populations and financial service providers, it was difficult to know if the highly-vulnerable households (who are rarely first adopters of new technologies) would take advantage of their mobile money accounts. In this case, demand for and acceptance of the service validated the initial investment.

While barriers, including digital illiteracy, complicated and limited uptake and use of HelloCash accounts, the overall acceptance of mobile money (at least in the short-term) indicates the product's utility for program participants. It may even help them manage risk and prepare for future emergencies. Elements of the program design, including facilitating access to phones, consistent messaging about the value of the mobile money service and, to some extent, training, supported to project's overall objective.

5.3 RECOMMENDATIONS FOR FUTURE E-TRANSFER PROJECTS

1. Training approach & quality matters

While training was provided on both the mobile money products and their use, these were insufficient to bring participants up to speed. Particularly given the high level of digital illiteracy, large group trainings delivered during busy registration events were not a successful venue for introducing program participants to account details (including basic phone operation, USSD menu navigation, and PIN entry). Participants expressed preference for smaller group trainings or one-on-one support as an alternative. While some illiterate participants may never fully grasp transactions on their phone, more frequent, focused trainings would have a higher chance for success. Training and messaging around the account functionality, while imperfect, seemed more successful. Participants who were unable to operate their accounts could still describe, in general terms, some of the services available and how they offered value as a financial management tool.

Delivering high-quality, small group training is a resource-intensive exercise. It may not be appropriate, or a priority, in all project contexts. Yet all training should ensure that program participants are aware of potential risks they may face by delegating certain functions (such as PIN entry) to agents as a result of their own digital literacy.

2. Assess demand for financial services before finalizing project design

This project took place in a context of extremely limited access to financial services. Though challenging in many ways, HelloCash presented a true alternative to existing (largely formal and non-digital) financial

services available to pastoralist populations, which contributed to interest and uptake among cash transfer recipients. In program locations where more financial services are already established, opening mobile money accounts for cash transfer recipients may result in less uptake and use of services than was seen in this case study.

In any context, assessing need and potential demand for new financial services should happen **before** establishing account use as a program objective, and before significant program resources are invested in supportive activities, like facilitating access to phones and training.

3. Assess perception of agents

Trust and reliability of agents played a major role in this project, and these front-line representatives of financial service providers directly influence participants' experiences. Programs should pay attention to the level of trust participants have in agents, and may want to increase support and supervision by humanitarian agency or partner staff if there are low levels of trust in agents and high levels of digital illiteracy.

4. Subsidize phone purchase on an opt-in basis

In this program, participants who owned a phone prior to the program showed higher levels of satisfaction and use of mobile money services. Phone ownership provides opportunities for participants to become more familiar with basic phone operations, as well as mobile money. Given the relationship between pre-program phone ownership and use of HelloCash, it's reasonable to conclude that facilitating phones access for most program participants contributed to fairly high levels of product uptake and use, and could play a role in future expansion of product use as they gradually increase digital literacy and comfort with mobile technology.

Purchasing phones for an entire program participant population, however, is costly, and competes with the limited funds available to meet basic needs. The approach used in this program (a subsidized, opt-in loan model) enabled participants to prioritize phone ownership if desired. The fact that almost all purchased a phone demonstrates its value to this population. Yet, the project design was flexible enough to provide this access without limiting others' preference for more critical consumption needs.

APPENDICES

APPENDIX 1: RESEARCH PARTICIPANT PROFILES

Focus Group Discussion Participants

DATE AND LOCATION OF FGD	#, SEX AND RESIDENCE OF PARTICIPANTS	AVERAGE AGE
August 23, 2016, : Biki (town), Afdem (wordea), Sitti (zone)	10, female, Biki	50
August 23, 2016 : Biki (town), Afdem (wordea), Sitti (zone)	7, male, Biki	36
August 24, 2016 Biki (town), Afdem (wordea), Sitti (zone)	10, female, Holabora	35
August 24, 2016 Biki (town), Afdem (wordea), Sitti (zone)	10, male, Holabora	42

Key Informant Interview Participants

NAME	TITLE	ORGANIZATION	DATE OF INTERVIEW
Solomon Tsegaye	Deputy Advisor for Research	Mercy Corps	8/25/16
Mustafe Mohamed Amin	Learning Knowledge Management FLTA	Mercy Corps	8/25/16
Bashir Abdi	Financial Services Officer	Mercy Corps	8/24/16
Mustafa Mohamed	Financial Services Specialist	Mercy Corps	8/24/16
Abdulmuen Mohamed	Area Manager	Mercy Corps	8/24/16
Feysal Farah	EMD Field Level Technical Advisor	Mercy Corps	8/24/16
Seid Ahmed	Kebele Chairman, Biki	Community Leader, Biki	8/23/16
Muse Cukiyer	HelloCash Agent, Biki	SMFI/Hello Cash	8/23/16
Mohamed Abdirahman	Executive Director	SMFI	8/25/16
Ahmed Omer	Hello-Cash Compliance Handling Expert-SMFI	SMFI	8/25/16