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PROSPECTS LEARNING PAPER NO.5: CASHING IN ON TRANSFER MODALITIES

Learnings from Prospects programme in the use of Mobile Money and Bank Accounts

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Phase I of the Prospects youth employment program used two different cash transfer modalities, mobile money and bank accounts, for two different employment interventions: an apprenticeship program and an entrepreneurship cash grant program. While these modalities were instrumentalised (e.g. they were primarily used for their administrative efficiency) as a means to support the employment outcomes which were the central objectives of the program, we found that the use of these modalities in themselves generated unanticipated but positive impacts in terms of beneficiaries' access to and continued usage of these financial instruments. The purpose of this paper is not to provide robust evidence about the impact of Prospects on financial inclusion, but rather to highlight the significance of the process through which cash was transferred - beyond the value of the cash itself - in supporting developmental outcomes.

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PROSPECTS, LIBERIA

Prospects is a youth empowerment program implemented by Mercy Corps and funded by the Swedish Embassy in Liberia and Chevron, which seeks to equip young Liberians with the skills, information, and opportunities to find meaningful and sustainable employment or self-employment. Prospects combines direct service delivery with efforts to stimulate positive systemic changes in terms of youths' role in the labour and job hiring markets. The program works across a broad spectrum of youth demographics, engaging over 11,000 youth through a range of services, including psychosocial support, on-the-job training, entrepreneurial support, skills training and job matching services.

Find out more at www.prospectsliberia.com

Background and Context

Presently in Liberia informal saving methods reign supreme. The Liberia National Financial Inclusion Baseline Survey showed that Liberia has an unbanked population of close to 80%.² To be 'unbanked' means relying on cash or informal financial services which can be unsafe, inconvenient, and expensive.³ The large proportion of excluded citizens can in part be attributed to the current economic status of Liberia. After a near economic freeze during the Ebola crisis, normal activities are only slowly beginning to resume. The World Bank reported in 2013 that the Liberian GDP growth was 8.7%; in 2014, during the height of Ebola that number sharply fell to 0.7%. In 2015, however, GDP growth fell further to 0.3%.⁴ The World Bank credits this shock to not only the crisis but also the decline in commodity prices, which led to large amounts of business closures, consequent job losses and reduced fiscal revenues.⁵ It is a difficult period to be banking and saving in Liberia, particularly for youth, who are chronically underemployed. One third of the Liberian population is between the ages of 15 and 35 and though the International Labor Organization reports that half (52.4%) of young people are working, the quality of this employment is frequently low and largely unreliable. Of those currently employed, self-employment represents just over three fourths of the population.⁶ The ILO found that the largest share of the youth population (46.8%) remains in transition, meaning 'they have not yet achieved stable and/or satisfactory employment.'⁷

The ILO succinctly wrote that 'very few young people in Liberia make use of formal financial services.'⁸ Nearly half (45%) of youth do not access any financial services while 30% use an informal Susu saving system method. Susu is an informal sector credit system that can function daily, monthly, or annually with member, and in some cases non-members, having access to saving assistance and loans.⁹ Alternative formal banking methods not yet been widely accepted. Mobile money, for instance, which makes up one part of the emerging field of digital financial services (DFS) and which can broadly be described as a service in which a mobile phone is used to access a financial service, has low rates of use.¹⁰ In Liberia, the UNCDF Mobile Money for the Poor (MM4P) Briefing Note found that mobile phone penetration is 61%,¹¹ which is relatively high for the regional average of 41%.¹² However, despite the

² CBL (2015), 'Central Bank of Liberia: Policy Statement 2015'. Available at: <http://www.cbl.org.lr/doc/2015policystatement.pdf>

³ GSMA (2014), 'State of the Industry: Mobile Financial Services for the Unbanked'. Available at: http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2015/03/SOTIR_2014.pdf

⁴ World Bank (2016), 'World Bank Indicators'. Retrieved from: <http://databank.worldbank.org/data/reports.aspx?source=2&country=LBR&series=&period=>

⁵ World Bank (2016), 'Liberia Overview'. Available at: <http://www.worldbank.org/en/country/liberia/overview>

⁶ ILO (2013), 'Labor Market Transitions of Young Women and Men in Liberia'. Available at: http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_228127.pdf

⁷ ILO, (4)

⁸ ILO, (13)

⁹ ILO, (13)

¹⁰ GSMA (2010), 'Mobile Money Definitions'. Available at: <http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2012/06/mobilemoneydefinitionsnomarks56.pdf>

¹¹ UNCDF (2014), 'Mobile Money During Times of Crisis'. Available at: http://www.uncdf.org/sites/default/files/Documents/bn_liberia_final.pdf

high mobile phone rates, the uptake of mobile money has been slow in Liberia): until April 2016, when Cellcom entered the market, the only phone provider with a mobile money option was the Lonestar Cell who partners with MTN Mobile Money Inc., an authorized financial service provider.¹³ At the end of February 2016, Lonestar Cell had a total subscriber base that accounted for 18% of the Liberian population with no data on how many of those accounts are presently active.¹⁴

Cash Transfer Learnings

Mobile Money Transfers for Prospects' Apprenticeship Program

During Prospects Phase I, 496 youth participated in apprenticeship placements of two-three months with 106 host businesses. Apprentices were paid 25-30 USD every 2 weeks via the most popular commercial mobile money provider over the course of the placement in order to cover transports and meals. This payment method was selected as an administratively efficient system at scale.

The endline survey reported that 41% of the Apprentices were continuing to use mobile money even after the program ended. In the absence of baseline data, this figure can most meaningfully be compared to the 12% mobile money usage rate among Prospects participants who were not exposed to mobile money during the program, suggesting that the continued experience and reinforcement from the Prospects program encouraged youth to integrate mobile money into their lives. Follow-up research of apprentices who continued to use mobile money found that 91% were using it to receive money, 47% were using it to send money and 15% were using it to save money. Yet, usage goes beyond the transferring of funds and was reported by the participants as a popular method to buy air time from mobile phone providers, pay LEC bills, and pay DSTV (cable television) bills.

BENEFITS AND LIMITATIONS OF MOBILE MONEY

There are benefits to using mobile money, especially in the Liberian context. According to the World Bank, 51% of Liberians currently live in a rural setting. This is problematic for the financial sector as the UNCDF found that the vast majority of existing infrastructure for formal banking services is found in Montserrado County, complicating financial inclusion policies but providing an opportunity for mobile money. The Apprentices noted this in their responses, saying that they prefer mobile money because it's fast, reliable and can be accessed from almost any community via their mobile device. Another benefit identified by the respondents is the speed of transactions. Brick and mortar banks are not always centrally located, have long waits and lines, and are, obviously, closed outside of operating hours. The bank limitations acted as motivators for Prospects to continue using mobile money. Naturally, there are reasons why the Apprentices were not using mobile money as well. The users who have an account but are not 'active' users cited not having enough income to use their account and their friends and family not having accounts to transfer money to and from. Apprentices also reported that high transaction costs act a deterrent away from mobile money. The transaction costs for most mobile money providers are fixed within pre-specified fee brackets. Though the transfer costs are not prohibitive, they can be relatively high considering the size of person to person mobile money transfers. Some participants thought that the constant availability of the funds made saving harder. Participants also said that connecting their mobile money accounts to a bank account would make the overall mobile money system more attractive. This was interesting because of the relatively low numbers of youth with pre-existing bank accounts found in other program activities.

¹² GSMA (2015), 'The Mobile Economy: Sub-Saharan Africa 2015'. Available at: <https://gsmaintelligence.com/research/?file=721eb3d4b80a36451202d0473b3c4a63&download>

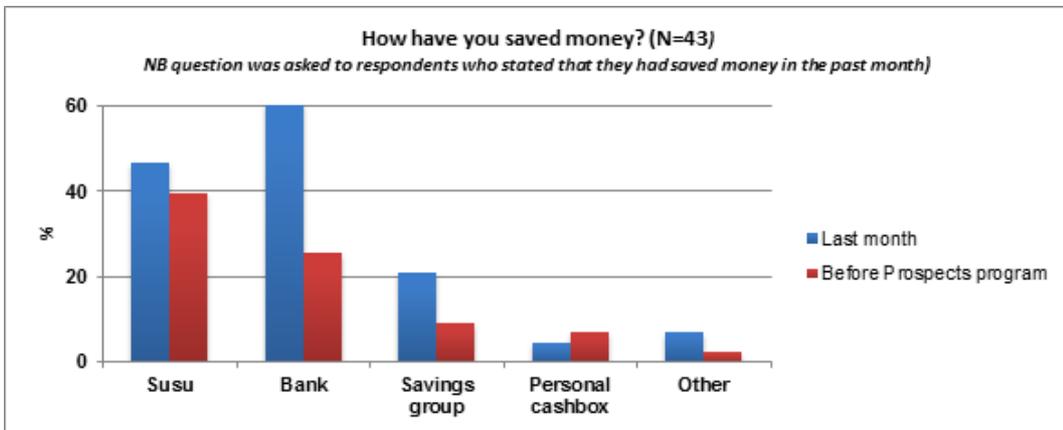
¹³ https://www.mtn.co.za/About_us/Pages/Overview.aspx

¹⁴ IGC (2016), 'Mobile Money in Liberia'. Available at: <http://www.theigc.org/wp-content/uploads/2016/03/Liberia.pdf>

Bank Account Transfers for Entrepreneurship Program

Recognising that self-employment represents a desirable career path for many Liberian youth, Prospects also provides entrepreneurship services. In Prospects Phase I, the program provided 307 500 USD cash grants to young people starting up businesses at first using mobile money or cheques and then shifting to requiring bank accounts for the payments. This shift to bank accounts took place because the bank accounts were more suitable for the larger cash transfers as Mobile Money agents often lack liquidity particularly outside of Monrovia.

In order to assess the sustainability of the program, a follow-up survey of entrepreneurs was conducted between 6 months and 16 months after the business had received the cash grant. The survey, with a sample of 99 businesses, found that slightly fewer than half (43%) reported having been able to save money in the last month. Out of this group, 60% reported doing so through a bank account, an increase of 26% from before having received the grant. Transfers to banks show a much bigger move to savings in banks as compared to other saving methods. While other methods such as Susu and savings groups increased a small amount, none were close to the nearly 120% increase reported by those saving through bank accounts. Positively, the use of personal cash boxes, which can be risky, decreased.



Actively using a bank account did not reduce using other means of savings, with 80% of those who have accounts reporting that they additionally saved through other means. This suggests that using bank accounts does not remove youth from the other informal savings methods but can provide a layer of protection to their funds.

Implications

While financial inclusion is not the direct intention of Prospects and the different activities, it forms part of a holistic approach of economically empowering Liberia's youth: encouraging youth to responsibly manage their finances and be connected to banking services complements Prospects' services designed to help youth find sustainable employment solutions. Of the present options in Liberia, mobile money is a useful and accessible way to manage small and fluid accounts, while for business owners and youth who are looking to move away from daily savings, bank accounts can be smart investments.

Although two different transfer mediums - mobile money and bank accounts – were utilised in Prospects, the underlying theme is that youth were more likely to continue using new financial services because they were required to do so during the program. The experience of Prospects suggests that by paying attention to the modality through which cash transfers are made, beyond simply considering the value of the cash itself, development programs can encourage participants to become engaged with formalised services such as saving and electronic transfers, and potentially open them to loans and other products.

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About Mercy Corps

Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within. Now, and for the future.

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