



# Mobile Money for Enterprise Customers

Addressing the financial services needs of MSMEs in Sub-Saharan Africa

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# Executive Summary

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- Micro, Small and Medium Enterprises (MSMEs) operate in a rich ecosystem, engage in diversified interactions with suppliers, providers and public authorities, and conduct **frequent transactions**.
- While **cash** is the most common payment mode, its use tends to decrease when the transaction size increases. Notably, **mobile money ranked as the second-most used payment mode**, and is used by more than 80% of respondents for professional purposes. The most frequent business use-cases include accepting customer payments and paying providers and suppliers. Mobile money is valued for the proximity and customer service of its agents, and for the flexibility and ease of processing a payment.
- On average, nearly 60% of the respondents face **working capital issues**. It is understood that these difficulties are the main reason for seeking loans, while investment was mentioned less often by surveyed enterprises. 70% of respondents **received credit through informal channels**, which are valued for the minimal guarantee requirements and the flexibility offered.
- The **current journey of online MSMEs** typically involves five steps: online set-up of the business; receiving an order; organising delivery; accepting the order; and potential returns or product exchanges.
- While pain-points would typically differ according to merchant type (small merchant vs. online vendors) there are a **common set of challenges for online MSMEs** which include: **lack of set-up support** in building websites and integrating digital payment solutions; and **non-existent tracking tools** for delivery, payments and refunds. Furthermore, online MSMEs are **ill-equipped to make refunds** and there is a **lack of clarity on customer support** expectations and liability in case of losses/ refunds.

# Methodology

To assess the pain-points and financial services needs of MSMEs, the GSMA partnered with **Sofrecom** to conduct quantitative and qualitative research on the topic in a Central African country with a thriving mobile money industry.

- For the **qualitative phase**, eight focus groups (comprising more than 50 participants) were conducted, gathering senior professionals from a range of MSMEs across different sectors.
- For the **quantitative phase**, 200 interviews were conducted with a mix of formal and informal businesses, spanning urban and rural areas, with respondents who were banked as well as mobile money users. Results have only been shown when statistically significant.

## Criteria for selecting MSMEs:

- Businesses existing for at least three years
- Size of MSMEs by number of 'employees' (full-time dedicated labour force, with or without work contract) of up to 50 'employees':

(cont'd above)

- Agricultural businesses recruited from rural areas
- Mix of rural and urban activities for other businesses
- Mix of banking services users/ mobile money users

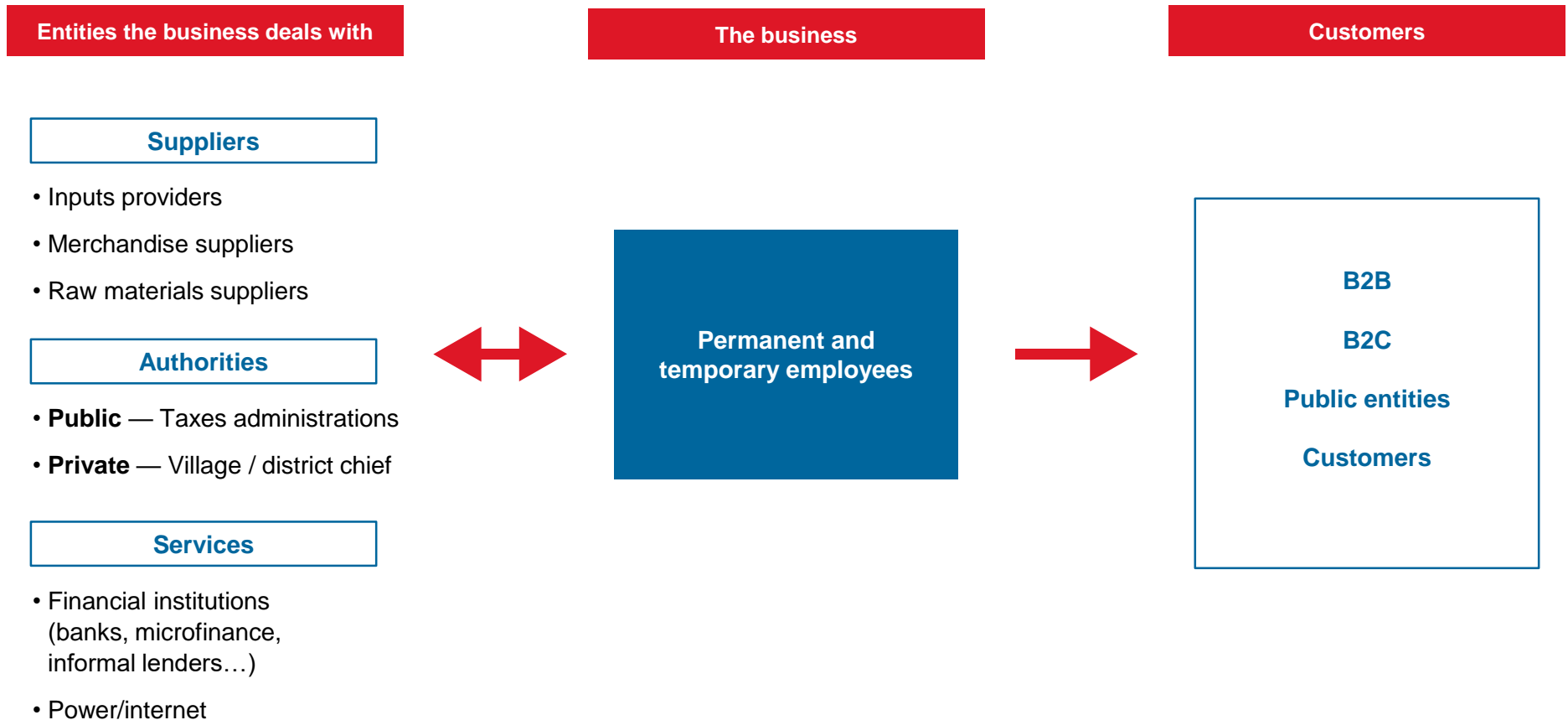
To assess the pain-points and needs of online MSMEs, **Dalberg Design** used a combination of research and prototyping methods, engaging over 50 participants including:

- Merchants selling products and services
- Merchant aggregators
- Payment aggregators
- Delivery and logistic companies
- Delivery men and drivers

Research was conducted in partnership with the GSMA Mobile Money team and a leading mobile money provider in Western Africa. Findings were sub-sequentially validated with a number of e-commerce and mobile money providers in several Sub-Saharan African countries.

# Financial services usage among MSMEs in Sub- Saharan Africa

# SMEs in emerging markets operate in a rich ecosystem, engaging with a broad number of entities upstream and customers





# Over 30% of MSMEs report receiving customer payments several times a day

PAYMENTS RECEIVED

PAYMENTS MADE

## FREQUENCY OF CUSTOMERS TRANSACTIONS

Less than once a month

7%

Several times a month

33%

Several times a week

27%

Several times a day

34%

Question: How often do you receive customer payments?



# MSMEs typically process payments several times a month

PAYMENTS RECEIVED

PAYMENTS MADE

## FREQUENCY OF EXPENSES PAYMENT

Less than once a month

6%

Several times a month

44%

Several times a week

38%

Several times a day

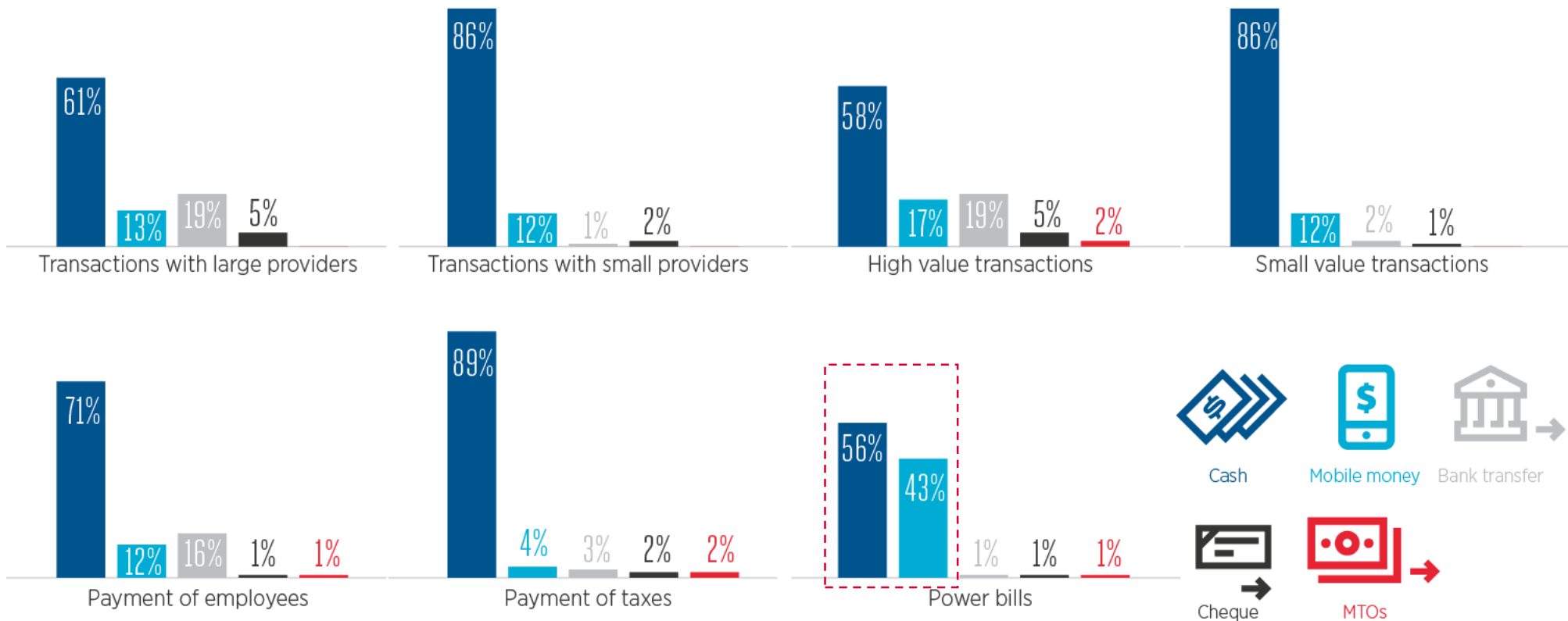
13%

Question: How often do you pay your professional expenses?



# While cash remains the predominant payment method, mobile money represents the second most used payment method

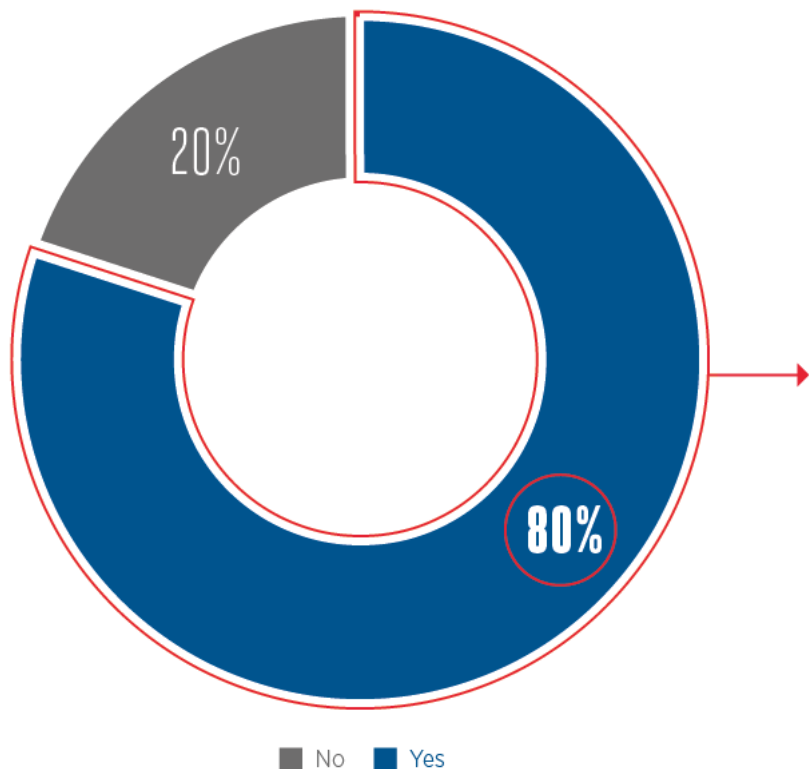
## PAYMENT METHOD DEPENDING ON USE CASES



Question: Depending on the type of transaction, what payment method do you prefer?

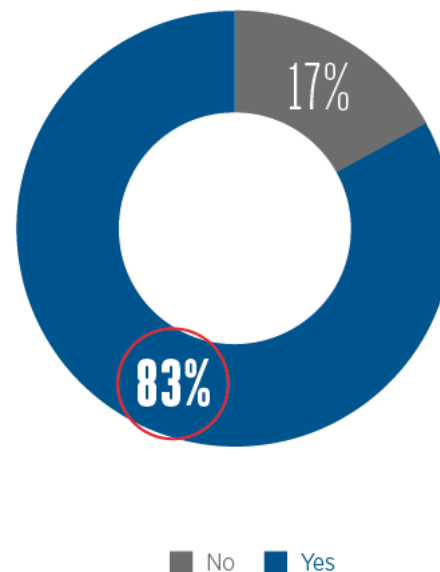
# Mobile money services initially tailored for individuals are being used by MSMEs.

PERCENTAGE OF SMEs WITH A MOBILE MONEY ACCOUNT



Question Do you have a mobile money account?

USAGE OF MOBILE MONEY FOR BUSINESS ACTIVITIES

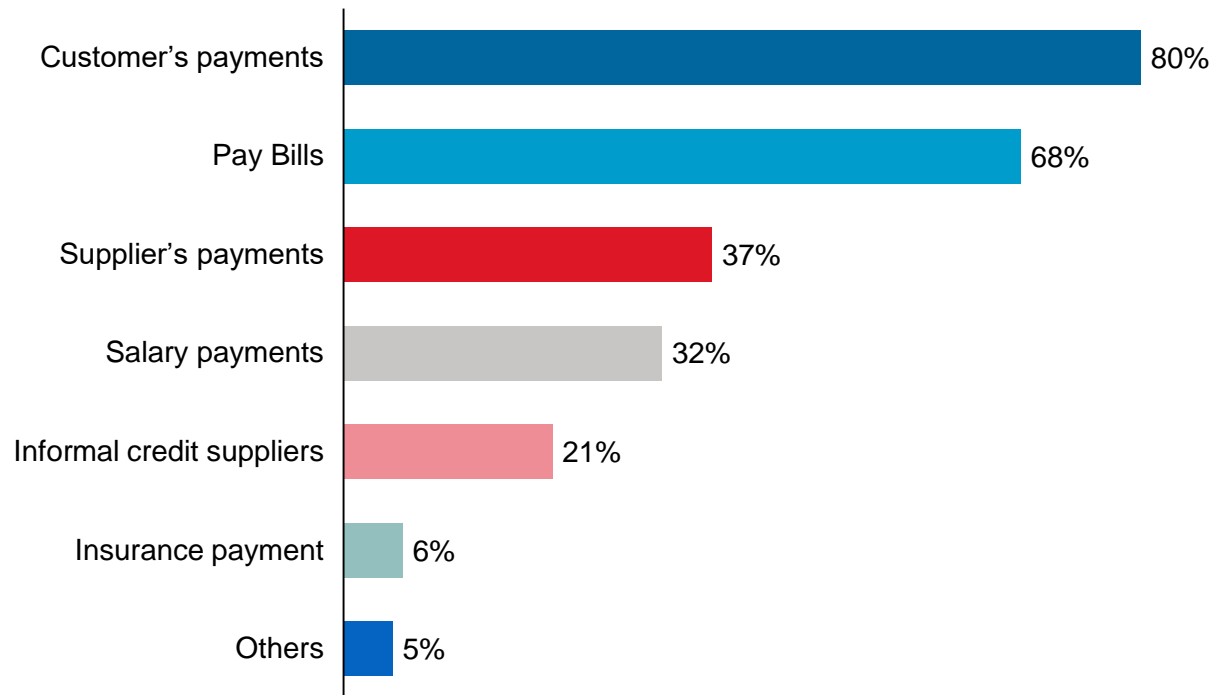


Question: Do you use mobile money for your professional activities?



# ... and for a broad range of use-cases: mobile money facilitates receiving customer payments, paying suppliers and bill payments

## TRANSACTIONS MADE THROUGH MOBILE MONEY FOR BUSINESS PURPOSES



Question: For which professional purpose do you use mobile money?

# Mobile money is valued especially for its security, instantaneity and ease of use

Participants seem to enjoy the convenience and instantaneity of transactions offered by mobile money.



## POINTS OF SATISFACTION

### A Instant transactions

Sending, receiving and cashing out funds through mobile money is immediate

*"Mobile money generates speed in the transaction. We are not forced to wait"*

FG n°6, transport medium & small

### B Time saving

Money is available to face any urgent expenses immediately / kiosks are everywhere

*"You can decant quickly any situation you face"*

FG n°1, Agri small

### C Ease of use

Carrying out the transaction remotely, anywhere, without going out, nor filling out forms

*"It's easy, you can be in your room and do the transaction"*

FG n°4, craftsmen small

### D Security

Mobile money avoids having liquidity in hand, reducing hence theft and counterfeit bills risks

*"The security: You can carry more money with your phone"*

FG n°5, commerce small

- **SMEs appreciate the convenience of mobile money to manage remoteness, especially in the transport industry**
- **Mobile money is considered a good alternative to overcome the physical distance of employees for salary payment.**
- **Additionally, mobile money allows employees' expenses to be covered remotely, and to cover other expenses related to operations.** In these cases, the convenience of mobile money is highlighted by participants: it plays a critical role in ensuring **business continuity.**

# Compared with other payment methods, mobile money's enhanced user experience and accelerated access to funds are the most appreciated attributes



Mobile money compared with:

...has the following benefits:



CASH

- **Safer:** avoids having liquidity in hands, risks of aggressions, theft and counterfeit bills



CHEQUE

- **More convenient for sending / cashing-out:** avoids traveling and queuing at a bank
- **Instant:** immediate crediting of funds



BANK TRANSFER

- **More convenient for sending / cashing-out:** avoids traveling and queuing at a bank
- **Instant:** immediate crediting of funds



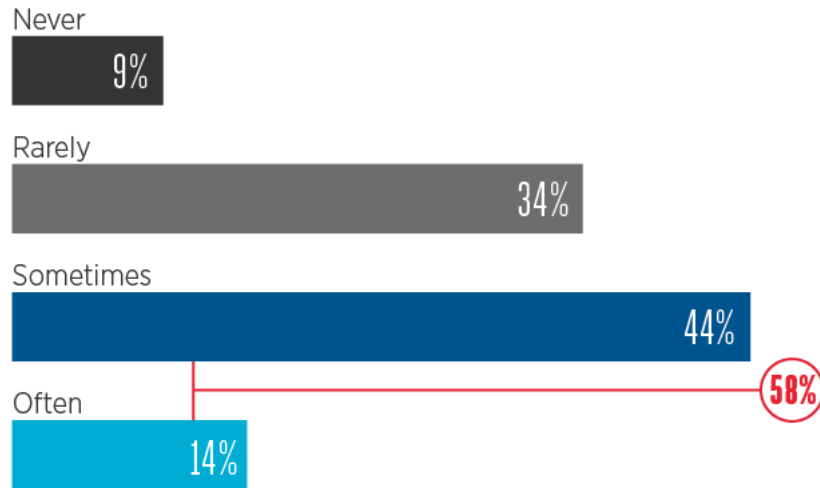
MONEY TRANSFER

- **More convenient for sending / cashing-out:** carrying out the transaction remotely without coming out

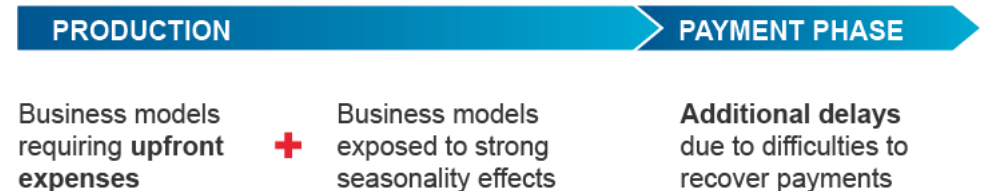
# Pain-points of MSMEs

# On average, more than half of respondents face working capital issues

## PERCENTAGE OF MSMEs FACING CASH TENSION



Question: Do you face difficulties to pay your expenses?



**Working capital issues are a major concern for most of the SMEs interviewed**

- Globally, cash tension seems to be a major concern: 58% of SMEs interviewed have difficulties to pay their expenses

# The struggle to manage cash tensions leads participants to borrow money and cover the shortfall

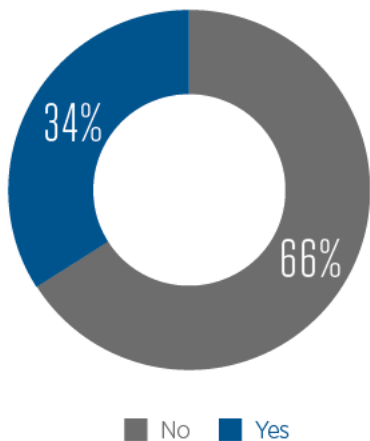
## Borrowing seems to be a regular practice in managing MSMEs...

- 34% of respondents affirm borrowing money for business purposes
- As cash tension is a major concern for SMEs, credit has become a **fundamental necessity to meet immediate needs required to ensure business continuity:**

## ...mainly due to the struggle to secure a positive cash flow

- Activities with specific business models (agriculture, craftsmen) rely on credits to **relaunch their activities after off-peak periods**
- Borrowings can occur at **each stage of the value chain** (as demonstrated below)

## PERCENTAGE OF MSMEs BORROWING MONEY FOR BUSINESS PURPOSES



Question: Do you borrow money for business purposes?



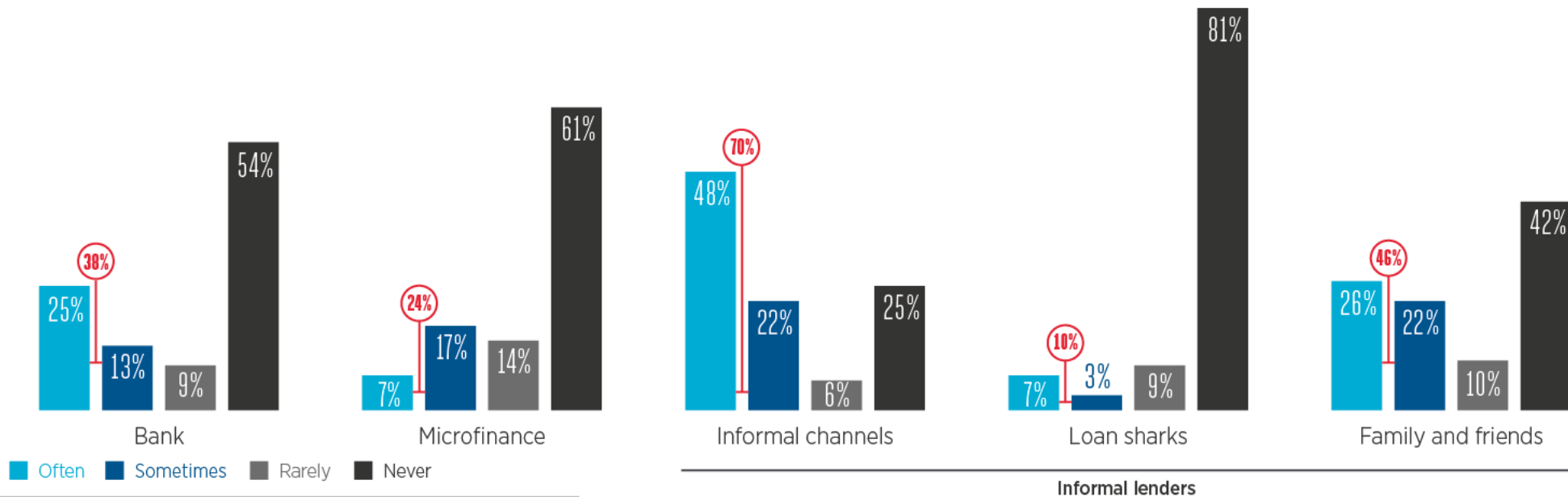


# 70% of respondents claim finding credits repeatedly with informal channels

To borrow money, MSMEs use informal channels more frequently than financial institutions

- 70% of respondents use **informal channels** as a regular borrowing channel
- 46% of respondents ask often or sometimes **friends and family** for financial support
- Only 38% of respondents affirm using **banks** as a borrowing channel 'often' or 'sometimes', and only 24% use microfinance institutions

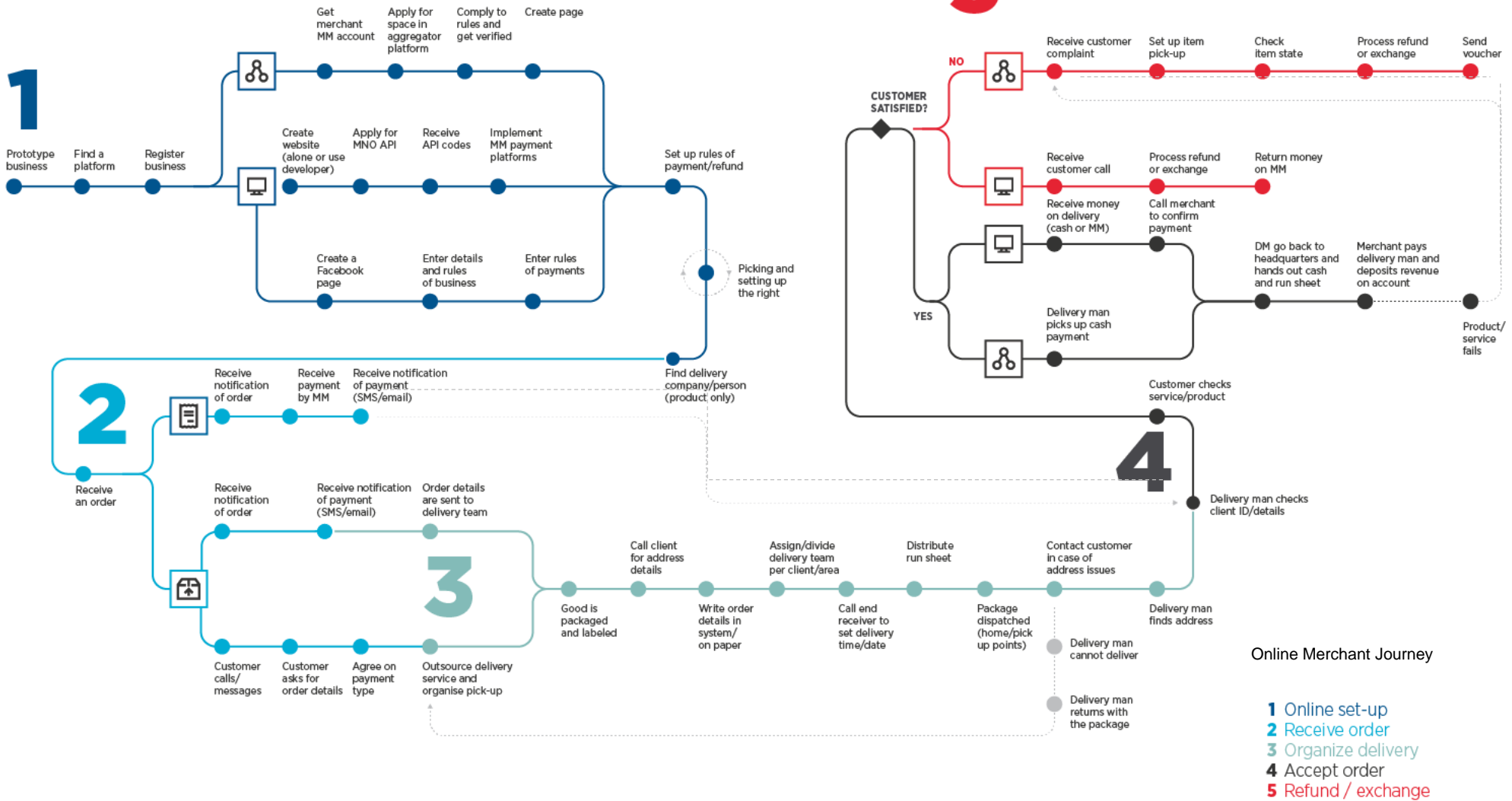
## BORROWING CHANNEL



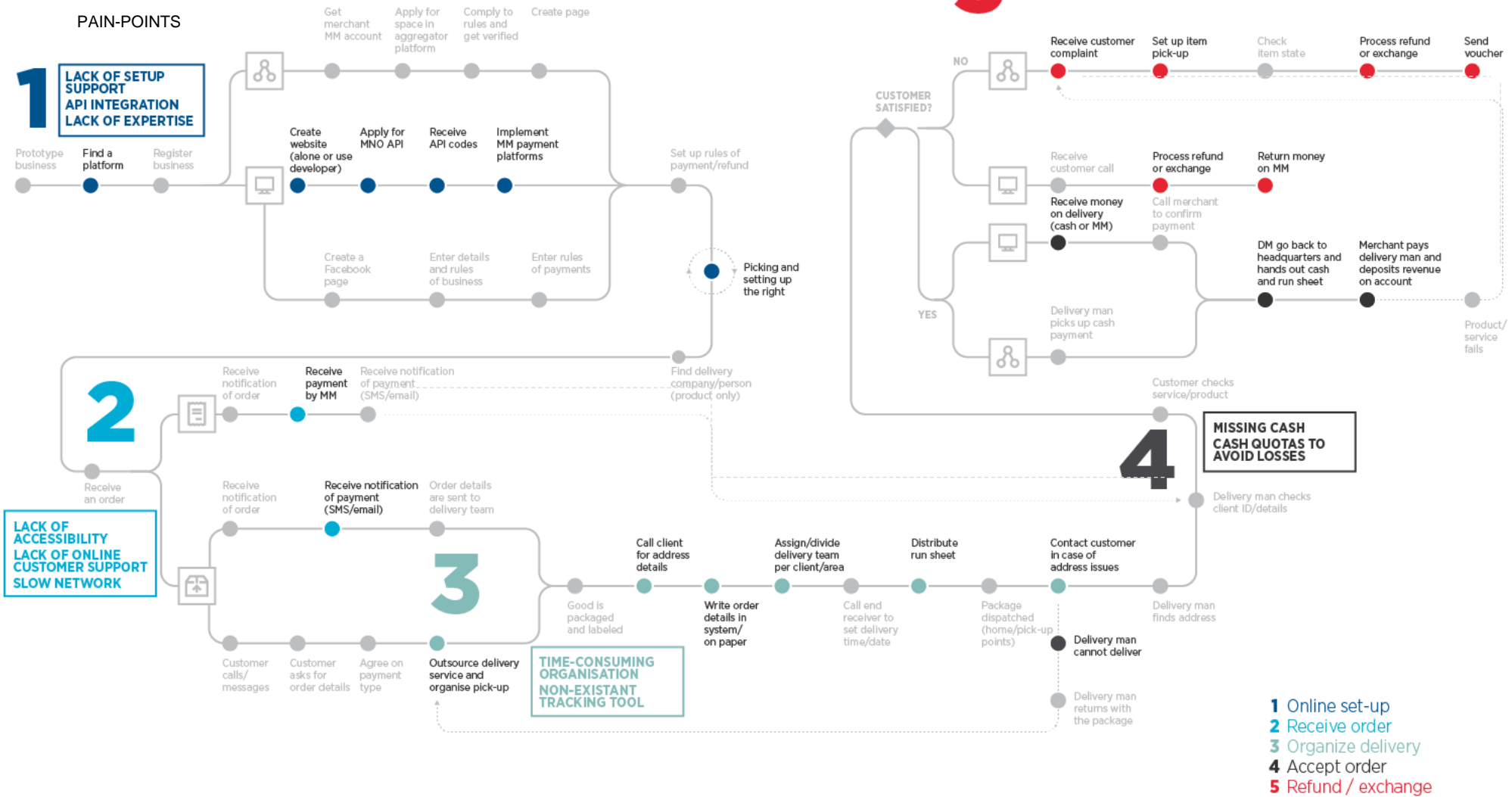
Question: What are your borrowing channels for business purposes?

# Pain-points of online MSMEs

# From set-up through to potential refunds or exchanges, online MSMEs typically go through a five-step journey



# Online merchants typically face a number of pain-points including API integration and complex digital payment solutions



- 1 Online set-up
- 2 Receive order
- 3 Organize delivery
- 4 Accept order
- 5 Refund / exchange

# To illustrate the pain-points faced by online MSMEs three personas were identified: small merchants, online vendors and small aggregators



## SMALL MERCHANT

- Small merchant with physical shop
- Has diversified their income by selling through Facebook groups
- Wants to grow revenue by finding new markets for their products, thus is interested in setting up an online business through their own branded website

## PAIN POINTS

### LACK OF SETUP SUPPORT

For small businesses, finding the right support and training tools to build a website is unknown territory. Users have little knowledge of online processes and have difficulty sourcing credible information.

### TIME-CONSUMING ORGANISATION

Most businesses outsource independent delivery services. With no means of tracking their goods en route, they lose a lot of time coordinating and calling the delivery person and their customers to confirm delivery and subsequent payment.

### NON-EXISTENT TRACKING TOOLS

There is no known official solution for tracking expenses and deliveries, summarising accounts at the end of the day, and paying delivery services.

### MISSING CASH

Frustration lies in receiving and processing cash from deliveries, as cash received from the delivery person is sometimes delayed or goes missing.

# To illustrate the pain-points faced by online MSMEs three personas were identified: small merchants, online vendors and small aggregators



## ONLINE VENDOR

- Young entrepreneur providing online services and products – they do not have a physical shop
- Currently building their online platforms
- Reliant upon timely delivery
- Wishes to integrate all forms of digital payments, such as mobile money and card, to give choice to their customers.

## PAIN POINTS

### TIME-CONSUMING PROCESS

Mobile money implementation efforts have been hindered by the difficulty in accessing the right contacts and integrating with payment APIs. The processes are generally lengthy and require significant paperwork.

### LACK OF ACCESSIBILITY TO PLATFORMS

Small-medium sized business owners are also interested in implementing digital payment solutions, but typically drop off after realising the requirements and criteria restricting their eligibility.

### LACK OF TECHNICAL EXPERTISE

Business owners lack expertise and technical support in the complex process of setting up online digital payment accounts.

### CASH QUOTAS TO AVOID LOSSES

Delivery people struggle with handling large amounts of cash, as they often have to meet quotas, avoid being mugged, or provide other assurances that clients' cash won't disappear.

# To illustrate the pain-points faced by online MSMEs three personas were identified: small merchants, online vendors and small aggregators



## AGGREGATOR

- Provides an online marketplace for different merchants to sell their product
- Wants to improve overall online payment UX and customer experience and support
- Wants to improve the timely and costly refund system

## PAIN POINTS

### LIABILITY ISSUES

Currently, only a small percentage of payments are conducted digitally. Some customers have many payment failures, creating inconvenience around liability and costs for both the client and merchant, resulting in the need to handle more cash payments.

### LACK OF ONLINE CUSTOMER SUPPORT

Currently, customer support and online feedback throughout digital payment is limited. Merchants and customers are unclear as to who is liable and held accountable in the event of a loss.

### ILL-EQUIPPED TO MAKE REFUNDS

The current internal process to handle a returned item is slow and depends on the user doing most of the legwork to bring back the goods. Merchants aren't keen on digital return systems and would prefer offering vouchers, which aren't as appreciated by their clients.

# Supply-side



# A number of financial services providers, including mobile providers money have launched initiatives targeting SMEs

## CASE STUDIES



In Sub-Saharan Africa, Mastercard has launched several initiatives with banks and third parties, serving MSMEs

- Jaza Duka ('fill up your store' in Swahili): initiative in partnership with Unilever launched in 2018. History on inventory bought from Unilever provides a credit score to access loans at KCB Bank Kenya.
- Initiative in Nigeria with Facebook (2018): dedicated Facebook Messenger app., to request QR code payment solution jointly with the opening of a bank account at Zenith Bank or Ecobank



Ant Financial and Mercado Libre put SMEs services at the heart of their value proposition

- Ant Financial launched Alipay services with online escrow account payment for e-merchants in 2004, then microloans for MSMEs in 2010. Addressed offline merchants with QR payments in 2013.
- Only launched P2P transfers in 2015. In 2017, commercial payments accounted for 70% of transactions (vs P2P).
- The Latin American marketplace Mercado Libre launched payment services in 2003. They focus on serving merchants with multiple financial services: cash advance on credit card payments, credit services without collateral with interest rate base on a scoring, and POS devices.



In Zimbabwe, Econet has launched 'EcoCash Business Wallet' in June 2018, focused on payment services

- Addressing both formal and informal businesses
- Presented as the '1st [mobile money provider] in Africa to have an enterprise transaction service'
- Separate USSD code
- Increased transaction limits: up to € 1,400/ month
- Ability for double approval to validate high amount transactions



The GSMA represents the interests of mobile operators worldwide, uniting more than 750 operators with over 350 companies in the broader mobile ecosystem, including handset and device makers, software companies, equipment providers and internet companies, as well as organisations in adjacent industry sectors. The GSMA also produces industry-leading events such as Mobile World Congress, Mobile World Congress Shanghai, Mobile World Congress Americas and the Mobile 360 Series of conferences.

For more information, please visit the GSMA corporate website at [www.gsma.com](http://www.gsma.com)

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## GSMA Mobile Money

The GSMA's Mobile Money programme works to accelerate the development of the mobile money ecosystem for the underserved.

For more information, please contact us:

Web: [www.gsma.com/mobilemoney](http://www.gsma.com/mobilemoney)

Twitter: [@gsmammu](https://twitter.com/gsmammu)

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