

## MARKET RESEARCH ON MOBILE MONEY IN AFGHANISTAN

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PREPARED FOR FAIDA, AMMOA AND USAID

By Altai Consulting

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*Altai Consulting has been advising mobile network operators, governments, donors and associations like the GSMA on mobile financial services in more than 15 countries in Africa, the Middle East and Central Asia. Please contact Rodolphe Baudeau ([rbaudeau@altaiconsulting.com](mailto:rbaudeau@altaiconsulting.com)) or Daniel Skillings ([dskillings@altaiconsulting.com](mailto:dskillings@altaiconsulting.com)) or check [www.altaiconsulting.com](http://www.altaiconsulting.com) for further information on this assessment and on our telecom practice.*

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## EXECUTIVE SUMMARY

The aim of the study is to support key stakeholders in designing the right strategies to boost mobile money penetration and usage in Afghanistan. This report is a summary of the findings. The research in its entirety can be found in the appendix. The research consisted of a nationwide quantitative survey of 1,070 SIM owners (equal sample of men and women) as well as 12 qualitative focus group discussions (FGDs) with the general public and businesses.

### SELECTED KEY FINDINGS

**Mobile money penetration:** Only 5% of SIM owners have subscribed to mobile money and only two-thirds of these subscribers actually perform functional transactions, with most services essentially not used at all.

**Mobile money users** are predominantly recipients of funds and prefer to withdraw money from banks even if non-bank agents are easier to reach. Most users were forced to subscribe by their employer to receive their salary, and would prefer to be paid in cash.

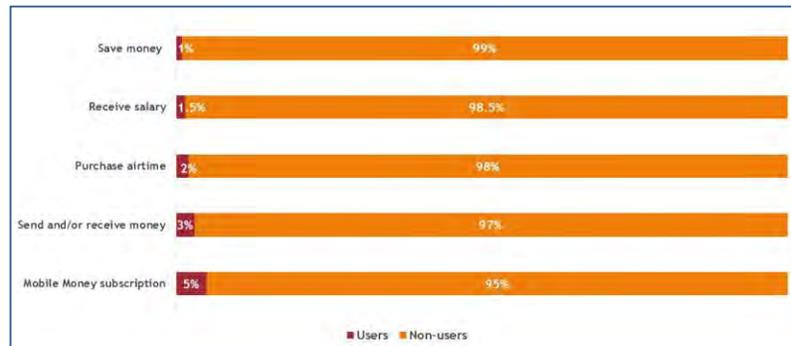


Figure 1 National mobile money penetration among SIM owners

56% of **mobile money non-users** state they would consider subscribing to mobile money, but they have a general lack of awareness of the service and of its benefits. Business owners are also often skeptical of mobile money.

A lack of savings and of a need for financial services, low awareness, the perception that mobile money is too complicated, and to some un-Islamic, have been identified as **barriers to market penetration**. Respondents also suggest a critical mass of users is necessary for them to subscribe. Access to mobile money agents continues to be a major issue, as well as the reputation and liquidity of agents, in particular non-bank agents. Mobile money agents have reportedly little incentive to promote the service due to users' preference to withdraw all of their money at once which jeopardizes profitability of agents since withdrawal fees are capped.

The respondents' positive perception of MNOs and mobile money services (once made aware), as well as the safety and convenience of using mobile money – in particular for women – are the main **levers for penetration**.

The following **recommendations** have been made to boost penetration and usage of the service:

1. Focus on businesses and government to build a critical mass
2. Increase awareness of the service and educate potential customers
3. Develop a customer friendly and easy to access interface in local languages
4. Develop the ecosystem and incentivize "active" usage
5. Address agent liquidity issues and train agents to ensure better service
6. Enable interoperability of MNOs

# INTRODUCTION

## PURPOSE AND OBJECTIVES

As part of its mission, the Financial Access for Investing in the Development of Afghanistan (FAIDA) program supports the expansion of mobile money usage to increase access of citizens and businesses to financial services. FAIDA commissioned Altai Consulting to conduct a study to assess the penetration, usage and perceptions of financial services across Afghanistan with a focus on mobile money. The aim of the study is to support FAIDA, the United States Agency for International Development (USAID), and ultimately mobile network operators (MNOs) in designing the right strategies to boost mobile money penetration and usage in Afghanistan. This report is a summary of the findings. The research in its entirety can be found in the appendix.

## METHODOLOGY

A combination of quantitative (survey) and qualitative research (focus group discussions – FGDs) were used to capture robust data on financial services across Afghanistan with a focus on mobile money. Fieldwork took place from July 20 to August 7, 2013.

	Afghan General Public (Men and Women)	Businesses
Quantitative Research	Home survey of 1,070 ITVs in all 34 provinces	-
Qualitative Research	8 FGDs in 3 provinces	4 FGDs in 3 cities

Figure 2 Research approach

## QUANTITATIVE SURVEY

### Sampling Framework

A sample of 1,070 individuals were interviewed which included equal representation of men and women over the age of 18 of representative educational and socio-economic backgrounds from all 34 provinces in Afghanistan based on population data from the Central Statistics Organization (CSO). The sample for each province was n=30 interviews in the form of a fixed allocation of n=20 in rural areas (2 Primary Sampling Units of 10 interviews each) and n=10 in the provincial capital (1 Primary Sampling Unit). In the case of Nooristan and Panjshir, however, all interviews were considered rural based on CSO data that suggest no urban population exists in these two provinces. A sample size of n=80 was allocated to Kabul Province in the form of a fixed distribution of n=60 for Kabul city (6 Primary Sampling Units) and n=20 in rural areas (2 Primary Sampling Units).

The margin of error at a confidence level of 95% on the quantitative survey is 3%.

## SIM Ownership

As agreed during the methodology design phase with FAIDA, AMMOA, and USAID, it was determined that the sample of 1,070 individuals should all be SIM owners. This decision was made to bolster the potential sample size of mobile money users.

A total of 1,987 individuals were contacted in order to find a sample of 1,070 SIM owners. On a national level, 62%<sup>1</sup> of our sample own one SIM card or more. Regionally, SIM ownership in the West, East, South, and Central regions is higher due to large urban centers. Finally, 44% of rural females and 66% of rural males own at least one SIM card<sup>2</sup>, in contrast to 84% of urban respondents.

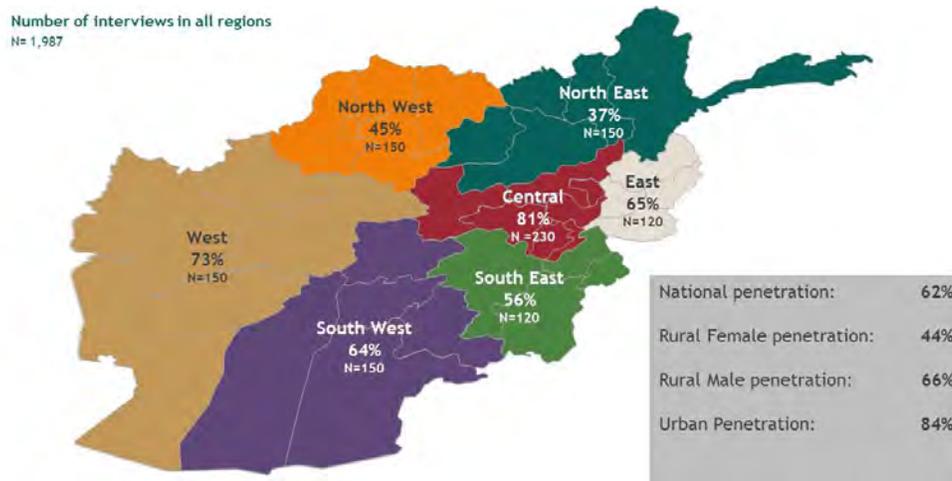


Figure 3 SIM ownership penetration by region, gender, and location

## Questionnaire Design

The questionnaire consisted of 74 predominantly closed-ended questions and was designed to be completed in approximately 30 minutes, depending on the level of education and literacy of the interviewee. The questionnaire was designed in English, Dari and Pashto by a team composed of national and international researchers in order to ensure both a proper technical approach and a full understanding of Afghan culture and languages.

## Interviewee Selection

Altai followed a three-stage process to randomly select interviewees to ensure sound results.

**Stage 1:** Within each stratum, Primary Sampling Units (PSUs) of 10 interviews were randomly selected according to a Probability Proportionate to Size (PPS) protocol leveraging data sets from the CSO.

**Stage 2:** Within each PSU, enumerators used a random walk protocol called a “flower approach” to randomly-select households. The flower approach aims to randomly select a household for an interview within a PSU.

<sup>1</sup> This figure is based on weighted data using CSO population estimates disaggregated by province, urban-female, urban-male, rural-female, and rural-male.

<sup>2</sup> All rural interviews were conducted within signal range of at least one MNO’s coverage area.

**Stage 3:** Within each household, a respondent was selected randomly using the Kish grid<sup>3</sup> methodology and at least two attempts were made to reach each respondent.

**QUALITATIVE RESEARCH**

The FGDs were organized in Kabul, Mazar-e-Sharif, and Jalalabad consisting of mobile money users and non-users among men and women of the general Afghan public, as well as with users and non-users among businesses. In total, 8 FGDs were conducted with the general public (6 with groups of men and 2 with groups of women) and 4 with businesses.

	Afghan General Public <u>Men</u>	Afghan General Public <u>Women</u>	Businesses
Mobile Money Users	2 in Kabul	1 in Kabul	1 in Kabul
	1 in Jalalabad		1 in Jalalabad
Non Mobile Money Users	2 in Kabul	1 in Mazar	1 in Kabul
	1 in Mazar		1 in Mazar
<b>Total</b>	<b>8 FGDs General public</b>		<b>4 FGDs Business</b>

Figure 4 FGD breakdown by category and province

The FGDs were conducted by experienced Altai professionals with the support of discussion guidelines in Dari and in Pashto. FGDs with women were moderated by Altai female staff only.

**LIMITATIONS**

When reviewing the results, the following should be taken into consideration:

- The interviewees are all SIM owners:** While this was done to bolster the sample size of mobile money users to have more robust data, interviewing only SIM owners also slightly inflates other data points such as bank ownership and literacy levels as SIM owners on average come from a higher income bracket than non-owners.
- Results are based on honest respondent self-reporting:** While our enumerators are trained to ask follow-up questions to confirm answers, the data presented in this report is based on the honest responses on behaviors and perceptions of the interviewees.

<sup>3</sup> See Journal of the American Statistical Association and <http://www.jstor.org/pss/2280236>

# SAMPLE DESCRIPTION

## AGE AND LITERACY

The sample is well balanced among different age categories and is representative of the age structure of the country. 36% of the sample is composed of individuals aged 18 to 25, 30% aged 26 to 34, 20% aged 35 to 44, 10% aged 45 to 54, and only 4% are 55 years of age or older.

The level of literacy in the sample is 58%, while 11% of respondents state they read with difficulty, and 31% declare being illiterate. Literacy levels are higher than other recorded estimates, but exaggerations of capacity must be taken into account given the dependence on honest self-reporting during the survey.

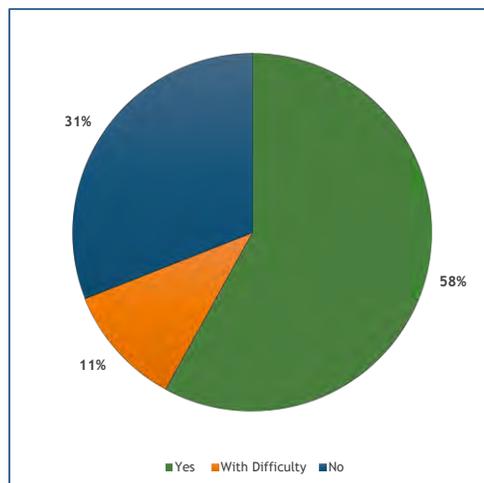


Figure 4 Literacy (% of total sample) N=1,011

## OCCUPATIONS AND EDUCATION

The sample is well balanced among categories of occupations and the breakdown by gender enforces the credibility of data collected. The sample is composed of housewives (30%), followed by intermediate employees such as teachers (20%), low-level employees such as shopkeepers (13%), and students (10%). At the other end of the spectrum, only 1% of the respondents are considered qualified professionals such as doctors or lawyers.

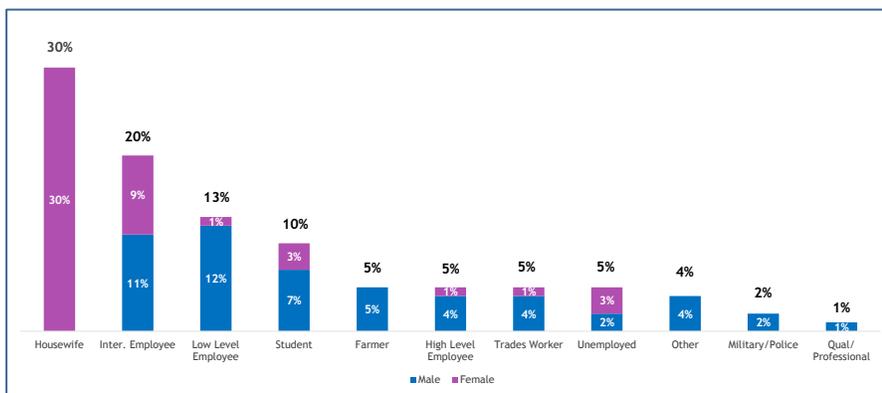


Figure 5 Occupations (% of total sample by gender) N=1,048

Both females and males from the stratum of educational backgrounds are represented in the study. A large number of respondents (28%) declare to have never studied at all (18% female, 10% male); 10% attended primary school (6% female, 4% male); 12% attended secondary school (5% female, 7% male); and 24% have completed high school (10% female, 14% male).

# FINANCIAL SERVICES

## BEHAVIORS

### BANK ACCOUNT OWNERSHIP

*“Yes, I have a bank account because I get paid this way. However, I would prefer to be paid in cash. I take almost my entire salary out of my account at the end of the month.”*

Hajera, 35, Teacher, Kabul

Afghanistan remains a cash society. Carrying cash is the norm, not the exception, in a culture of immediacy and general uncertainty. The majority of Afghans are poor, live day-to-day and do not have the means to save money through financial institutions or by other means such as mobile money. Moreover, with constant security concerns and the uncertainty surrounding the planned International Security Assistance Force (ISAF) withdrawal in 2014, the majority of Afghans interviewed “*plan for today, not tomorrow*”.

Only 13% of the respondents (who are all SIM owners as per sample design) state they have a bank account while 85% remain unbanked.<sup>4</sup> Responses from the FGD participants support this data. The majority were forced to open an account by their employers, but do not use their account as a mechanism to save money. At the end of the month, they prefer to withdraw almost the entire balance to pay for monthly expenditures leaving only the bare minimum in their account for it to remain open.

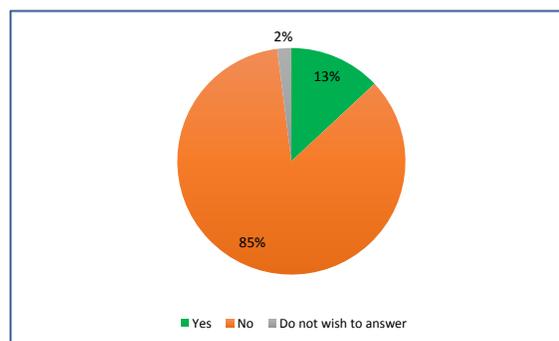


Figure 6 Do you have a bank account? N=1,060

When the data is disaggregated by gender, 21% of men and 4% of women are banked. By location, 16% of urban respondents state they have a bank account in comparison to 11% of rural respondents. The comparatively close differential among urbanites and rural respondents is explained by the expansion of banking services to non-urban areas in Afghanistan in recent years. Large Afghan banks such as New Kabul Bank, Afghanistan International Bank (AIB), and Azizi Bank have made great efforts to expand services to provincial locations. New Kabul Bank, for example, claims to now have 112 branches across the country, while Azizi Bank has at least one branch in every province. Access to banking services is on the rise for Afghans living outside of Kabul.

While many banked Afghans interviewed have been forced to join by their employers, others suggest they have an account because they trust banks, and that their money is safe at financial institutions.

When asked to rate their satisfaction with their financial institution, answers from the banked respondents produced an average score of 8.8 out of 10. As a comparison, MNOs are also perceived very positively by respondents with an average score of 8.3, with half of all respondents giving the operator of

<sup>4</sup> According to the World Bank in 2011, 9% of Afghans over the age of 15 have an account at a formal financial institution, with only 3% actually using the account as a means to save money. World Bank Financial Inclusion Data, Afghanistan Country Dashboard. <http://datatopics.worldbank.org/financialinclusion/country/Afghanistan>.

their main SIM a score of 9 or higher. Despite the recent Kabul Bank scandal, data suggests trust remains high for banks among bank users and in-line with perceptions regarding MNOs.

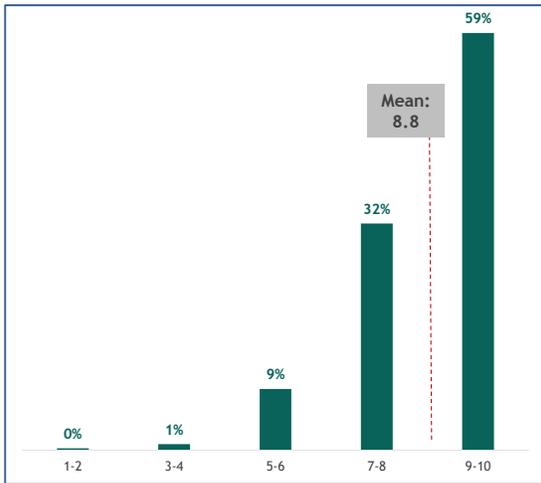


Figure 7 From 1 (completely unsatisfied) to 10 (completely satisfied), how satisfied are you with your bank? N=140

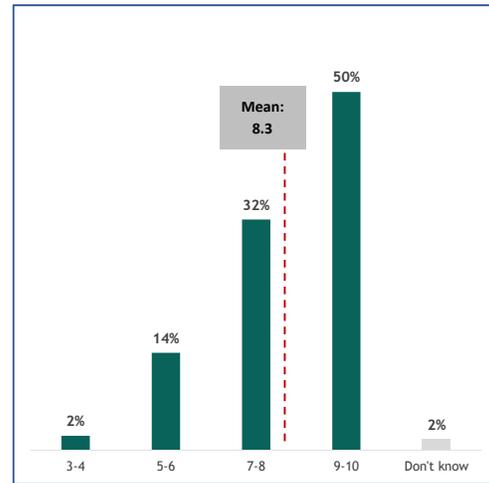


Figure 8 From 1 (completely unsatisfied) to 10 (completely satisfied), how satisfied are you with your main SIM operator N=1,056

A number of banked respondents also suggested that banks are a great way to send and receive money to/from family and friends.

Some banked FGD respondents questioned the value of mobile money when banks offer the same service: *“it is just another way to do the same thing”*. The feedback from the research indicates that mobile money is still largely unknown and untested by Afghans, whereas banks have provided services for a number of years. This suggests that MNOs need to find a way to market mobile money as a unique service rather than as just an alternative to in-person banking.

### TIMELINE OF BANK ACCOUNT OWNERSHIP

A large majority of banked respondents opened their account more than a year ago (65%), while only 5% opened their account within the past three months. When disaggregated by gender, 18% of banked females opened their bank account within the past three months, in comparison to only 3% of males. More banked rural respondents (7%) opened their account within the past three months, in comparison to urban respondents (less than 1%). Still, the majority of banked men (66%), women (63%), urbanites (80%) and rural Afghans (59%) opened their bank account more than a year ago.

This sample data shows that while financial institutions are rapidly expanding across the country, they are not yet attracting a lot of new customers, including in rural areas of Afghanistan.

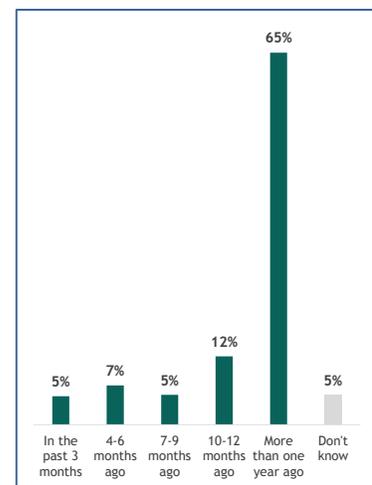


Figure 9 When did you open your bank account? N=140

## WHY UNBANKED?

61% of respondents state they simply do not need a bank account. A number of FGD participants state they do not earn enough money to save at a financial institution or through other means and as such do not see the value proposition in opening a bank account.

Illiteracy (19%), complexity (18%), cost (15%), distance (9%), and a lack of trust (4%) are reasons provided for respondents' decision not to open an account. The aforementioned results, however, are in some cases lower than expected. The illiteracy levels, for example, of our sample are much higher (above 30%). Yet, illiteracy was chosen in this case when it was the primary factor that influences their decision-making. The same can be said for other possible responses.

When disaggregated by gender and location, the data is similar to nationwide results. 57% of females and 66% of males do not see value in having a bank account. Among urban respondents, 56% state they do not need a bank account, in comparison to 62% of rural respondents. Finally, many more rural respondents (12%) than urban respondents (1%) state that distance to banks is an inhibiting factor to opening a bank account.

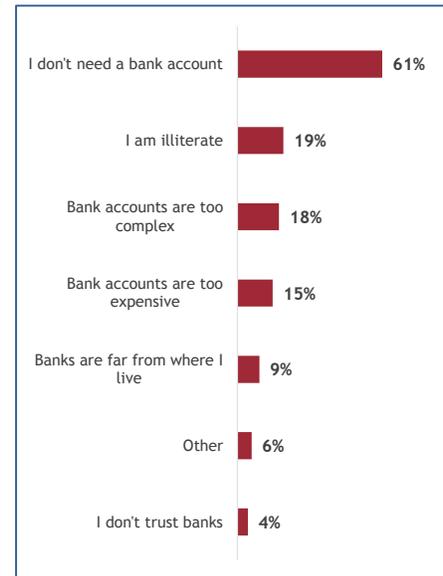


Figure 10: Why don't you have a bank account? N=886 (multiple response)

## ALTERNATIVE METHODS OF STORAGE OF VALUE

More than half of respondents say that they store their surplus income as cash. FGD participants state they understand the risk of keeping cash "under their mattress" or with them at all times. Yet, in their view this method can be safer than other options, is much more convenient, not to mention a necessity in a cash-driven society. At the same time, most respondents also suggest that they do not have surplus income to save in the first place.

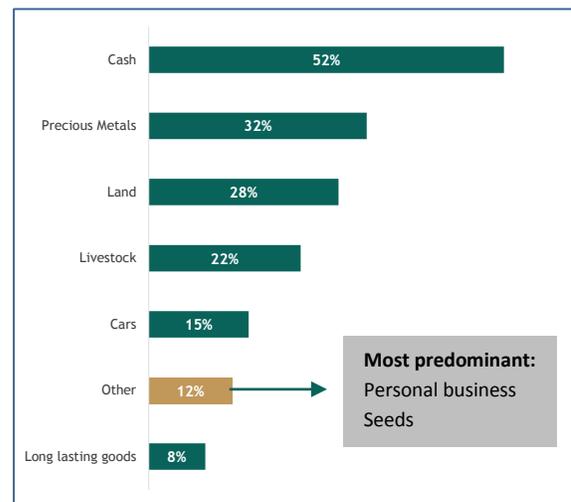


Figure 11 What other methods do you use to store money? N=1,067 (multiple response)

## METHODS OF MONEY TRANSFER

A majority of respondents (57%) still use the Hawala system to transfer funds. Hawala is an informal transfer system based on the honor of a vast network of money brokers.

The Hawala system is followed by bank transfers (47%) and self-distribution (44%). A small percentage of respondents (3%) state they have used mobile money to transfer funds in the past.

Among male respondents, 67% state they use Hawala, followed by 54% by bank transfers, 37% by self-distribution, 8% by asking another person, and 4% by mobile money. Among women, 49% have used Hawala, 38% bank transfers, 54% self-distribution, 12% ask another person, and 2% mobile money.

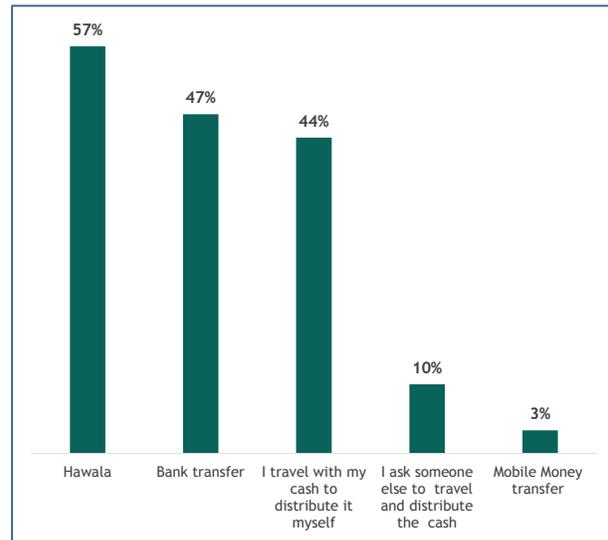


Figure 12 Which methods do you use to transfer money?  
N=1,067 (multiple response)

The higher percentage of respondents who prefer to send money via banks than actual banked respondents is explained by the fact that individuals are still able to make direct deposits into beneficiary accounts, regardless of whether or not they have a bank account.

## INTERNATIONAL VS. DOMESTIC TRANSFERS

Almost all respondents (94%) mostly perform domestic transfers in contrast to only 6% who predominantly send money internationally. When the data is disaggregated by region, most international transfers happen in border areas in the West, North West, East, and South East. In particular, 28% of respondents in the West primarily conduct international transfers. It can be assumed that most of these transfers happen between Herat and Iran, where a lot of cross-border trade occurs.

## KNOWLEDGE AND PERCEPTIONS<sup>5</sup>

### KNOWLEDGE OF MOBILE MONEY, ITS SERVICES, AND OPERATORS

Respondents were asked about their perceptions (a range of strongly disagree to strongly agree, or no opinion) regarding: the value for money; speed and ease to physically access; safety (monetary and physical safety); simplicity; and the reliability of the Hawala system, self-distribution of cash, asking someone else to distribute cash, bank transfers, and mobile money transfer solutions.

The first striking data point is the contrast between respondents who had any opinion (positive or negative) of mobile money in comparison to other money transfer solutions. An average of 82% of

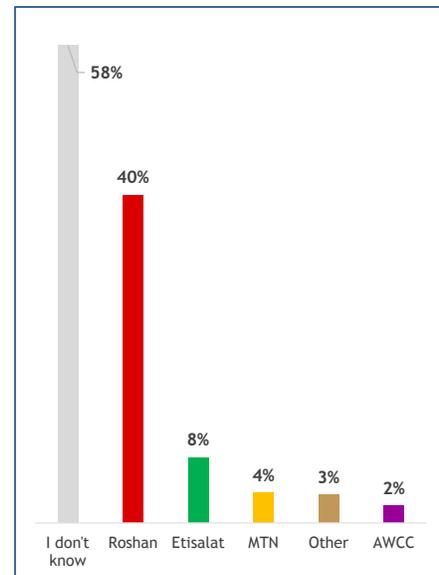
<sup>5</sup> The data in this section represent the general perceptions of respondents regarding money transfer solutions across a number of questions. It does not necessarily mean that each individual respondent has used each transfer option, or any transfer option at all.

respondents have an opinion, whether positive or negative, of Hawala, bank transfers, self-distribution of cash, or asking someone else to distribute. In contrast 58% of respondents have no opinion at all regarding mobile money as almost all have never used the service to transfer money.

Interviews with FGD participants support this data as they suggest that few Afghans know what mobile money is or have very little knowledge of the services offered, and do not fully grasp which MNOs offer the service.

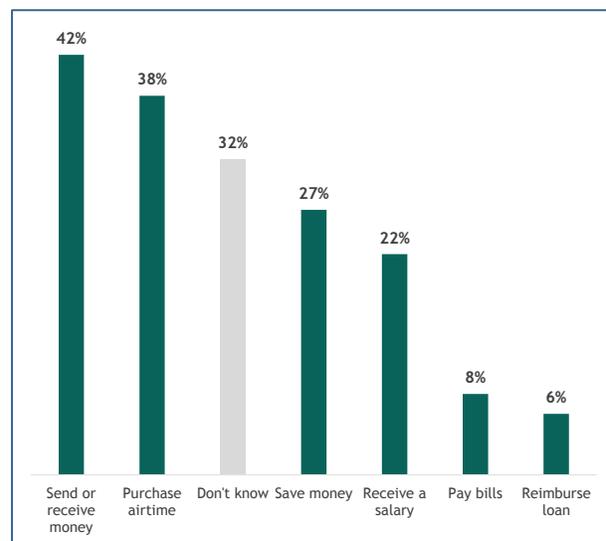
58% of respondents are unaware of any MNO offering mobile money, while 40% state that Roshan offers the service, followed by Etisalat (8%), MTN (4%), and AWCC (2%). At the time of fieldwork, only Roshan M-Paisa and Etisalat M-Hawala offered mobile money services. AWCC and MTN are expected to enter the market in the near-term.

FGD participants were almost entirely unaware of any MNOs offering mobile money outside of Roshan M-Paisa.



**Figure 13 Which MNOs offer mobile money?**  
N=1,065 (multiple response)

In regards to services, less than half of all respondents are aware of any one service provided by mobile money. For example, 42% of respondents declare a user can send and receive money, 38% believe a user can purchase airtime, 27% understand it can be used as a mechanism to save money, and 22% state that a user can receive a salary via mobile money. Less than 10% of respondents understand that a user can pay bills and reimburse loans, and less than 1% are aware that goods can be purchased using an m-wallet consumer to business transfer. Overall one-third of respondents had no knowledge of any services provided via mobile money which suggests that mobile money still suffers from a lack of awareness of the service itself as well as its features.



**Figure 14 What can you do with mobile money services?**  
N=1,070 (multiple response)

## MONEY TRANSFER SOLUTIONS

### Are Good Value for Money?

Among money transfer options, respondents perceive Hawala (76%) and bank transfers (78%) to be the best value for money. In contrast, 57% of respondents are unaware if mobile money is good value for money.

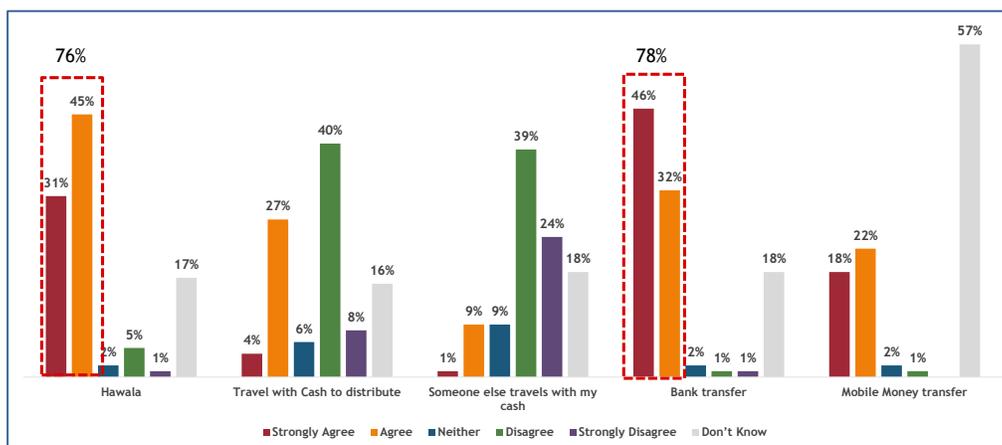


Figure 15 Money transfer solutions are good value for money? N=1,006

The results have more to do with experience using the service, rather than actual value for money. In reality, mobile money transfers are fairly good value for money, especially as the transaction amount increases: Roshan M-Paisa customers can send money to other users for as little as 5 AFN to a maximum of 25 AFN.<sup>6</sup> However, these transaction fees increase when an M-Paisa customer sends money to a non-registered M-Paisa user, ranging from 20 AFN to 100 AFN. For both transaction types a maximum transfer of 15,000 AFN can be completed at one time. Although these costs are higher, it is a positive sign that interoperability of mobile money services is happening between MNOs.

Transaction Type	Transaction Range		Charge (AFN)
	Min (AFN)	Max (AFN)	
<b>Money Movement</b>			
Send Money to a registered M-Paisa user	50	1,000	5
	1,001	5,000	15
	5,001	15,000	25
Send Money to a non-registered M-Paisa user	50	1,000	20
	1,001	5,000	60
	5,001	15,000	100

Table 1 Roshan M-Paisa Send Money Fees<sup>7</sup>

At the other end of the spectrum withdrawal fees by a registered Roshan M-Paisa user range from 10 AFN to 100 AFN, although due to the Electronic Money Institute (EMI) regulations imposed by Da Afghanistan Bank, users cannot withdraw an amount higher than 100,000 AFN at one time nor keep more than 150,000

<sup>6</sup> As of August 2013 (time of fieldwork), \$1 USD = 56.5 AFN

<sup>7</sup> Roshan M-Paisa transaction fee data is current as of August 2013.

AFN in his/her m-wallet. This is inconvenient for organizations, for example, that pay employees high salaries, or for customers that would like to store large amounts of money in their m-wallet.

Transaction Type	Transaction Range		Withdrawal Fee
	Min (AFN)	Max (AFN)	
Withdraw Cash by a registered M-Paisa user	50	1,000	10
	1,001	5,000	20
	5,001	10,000	40
	10,001	20,000	50
	20,001	100,000	100

Table 2 Roshan M-Paisa Withdrawal Fees

### Are Fast?

A strong majority of respondents agree that Hawala (76%) and bank transfers (79%) are fast methods to transfer money. 39% state mobile money is fast, but 59% have no opinion.

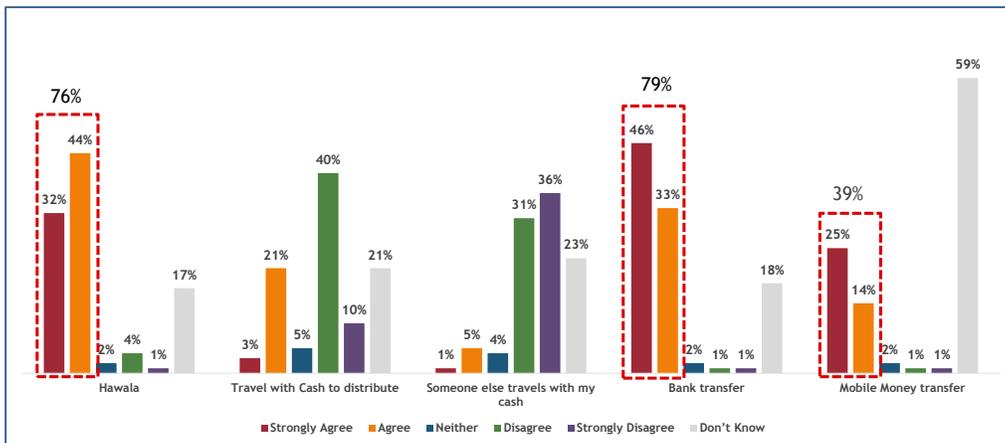


Figure 16 Money transfer solutions are fast? N=1,002

Again, the results seem to have more to do with knowledge and experience of respondents using Hawala and bank transfers than the actual speed of transfers. In reality, money transfers conducted via mobile money can be completed within minutes from anywhere, so long as the user has his/her mobile phone and understands how to use the interface and/or IVR systems.

### Are Easy to Physically Access?

77% of respondents agree to strongly agree that banks are easy to physically access. With growing branch networks, traditional banks are improving their access outside of large urban areas.

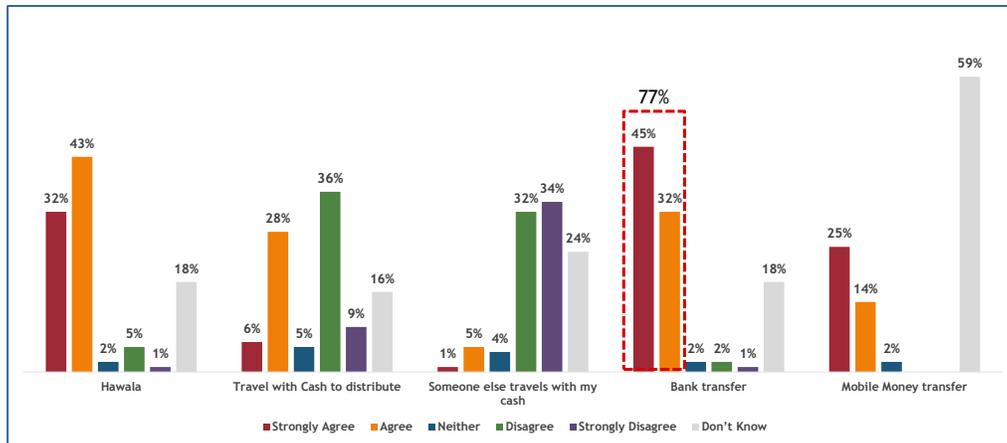


Figure 17 Money transfer solutions are easy to physically access? N=1,002

Contrastingly, access to mobile money agents continues to be a major issue, especially in rural areas. Outside of major urban centers Kabul, Herat, Mazar-e-Sharif, Kandahar, and Jalalabad, mobile money agents are scarce.

### Are Safe in Regards to Physical Safety?

While 40% of respondents agree that mobile money transfers are safe in regards to their physical safety, a much higher percentage believe the same for Hawala (74%) and bank transfers (79%). Experience using Hawala and bank transfer systems are no doubt a critical factor in the results, in contrast to very few respondents who actually have knowledge of mobile money, let alone have used the service.

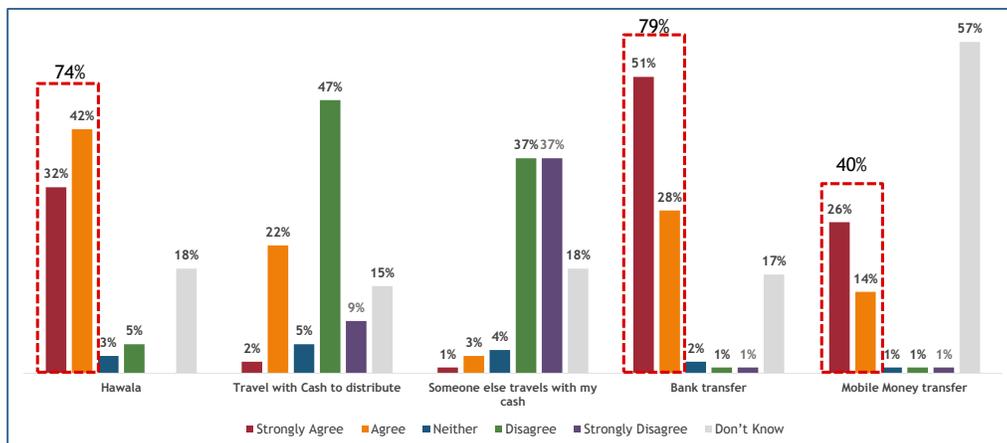


Figure 18 Money transfer solutions are safe in regards to physical safety? N=1,007

Notably, once mobile money services were clearly explained to FGD participants, they certainly agreed that mobile money is safe in regards to personal safety. Female participants, in particular, very much appreciate that they can purchase airtime or send and receive money from the convenience of their home.

*"I don't like to go to the shop to purchase scratch cards. It can be uncomfortable as a woman. I would prefer to purchase airtime using a mobile money account."*

Naema, 30, Civil Servant, Kabul

### Are Safe in Regards to Your Money?

40% of respondents agree that mobile money would keep their money safe, representing a much lower rate than Hawala (70%) or bank transfers (80%).

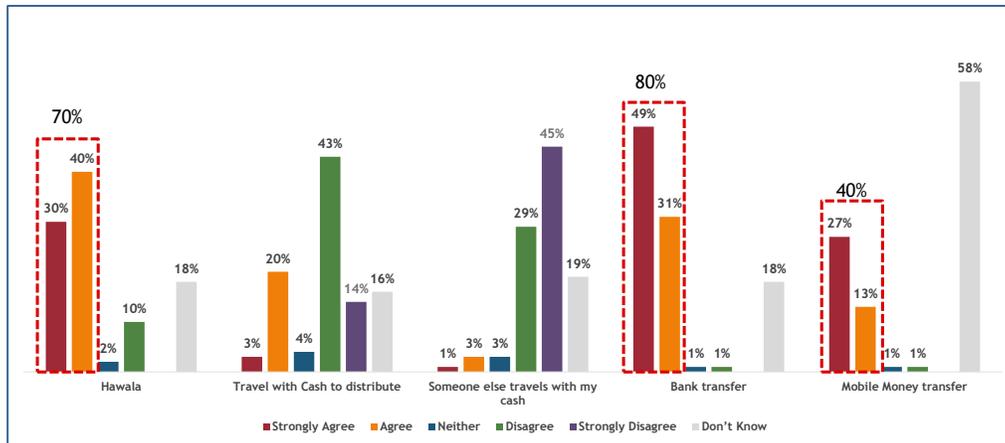


Figure 19 Money transfer solutions are safe in regards to your money? N=1,003

Meanwhile the majority of FGD participants believe that MNOs would keep their money safe. This is thought to be largely due to the positive associations Afghans have with MNOs.

*"Yes, I trust MNOs. There is no corruption like at banks. I trust mobile agents because they are professional. Now that I know about mobile money, it is a safe place for my money."*

Khyber, 35, Civil Servant, Jalalabad

In general, Afghans are very proud and fond of MNOs as they have ultimately brought families closer together by providing an affordable service to connect individuals across the country. With nearly 20 million mobile subscribers and 88% population coverage, MNOs are quickly making mobile technology convenient and accessible for all Afghans.<sup>8</sup>

### Are Simple to Use?

A strong majority of respondents agree that Hawala (72%) and bank transfers (79%) are easy to use, in comparison to only 42% of respondents who believe the same for mobile money.

<sup>8</sup> Statistics per MCIT and ATRA as of December 2012.

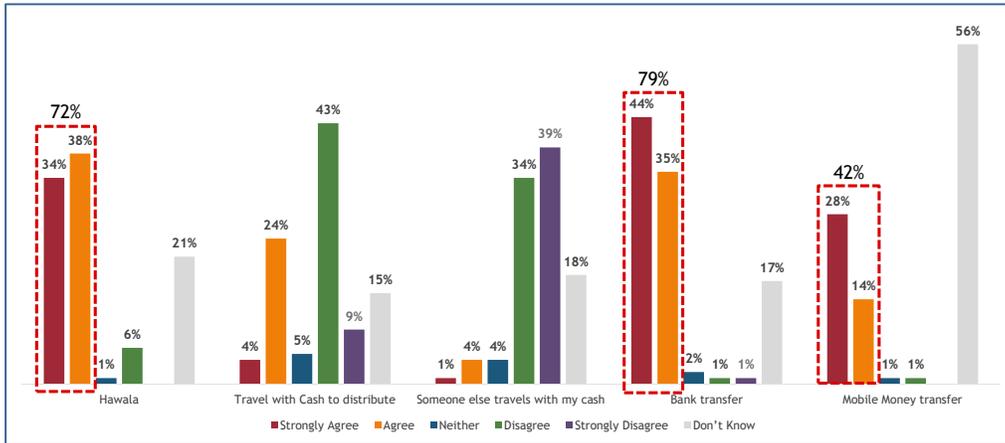


Figure 20 Money transfer solutions are simple to use? N=1,005

The perceived complexity of mobile money is a major challenge for MNOs. While a Hawala broker or bank teller will ultimately conduct the transfer for a customer, mobile money users must have the capacity to perform the transactions themselves. With a large proportion of the population illiterate and uneducated, the system must be as simple as possible for users. MNOs need to build a platform that has few steps while maintaining the security of customer accounts, and have well-trained staff across the country that are able to clearly explain the system to customers. As of now, users shy away from making transactions as they simply do not know how to use the system adequately.

### Are Reliable?

80% of respondents believe bank transfers are reliable, 5% higher than Hawala, and double that of mobile money.

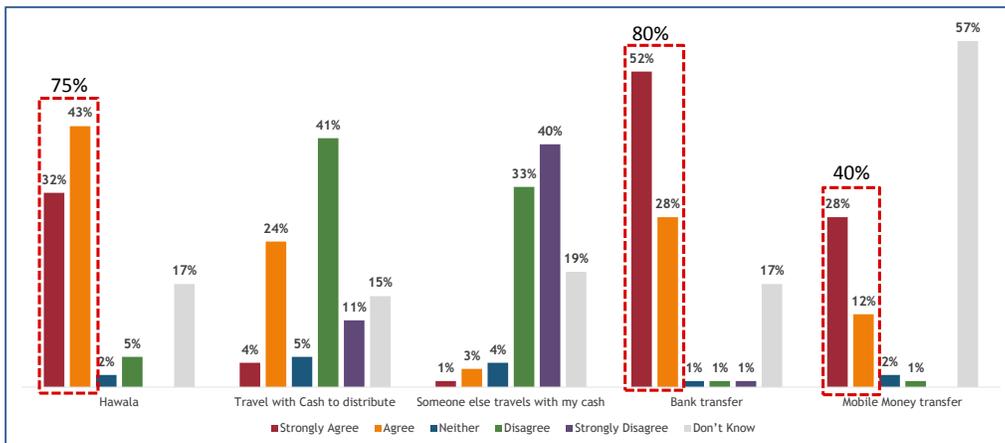


Figure 21 Money transfer solutions are reliable? N=1,006

Mobile money transfers are reliable and money arrives in the beneficiary account so long as no mistakes are made. However, the chances of making mistakes for a novice user are high. FGD mobile money users report sending money to the wrong recipient, or sending the wrong amount on several occasions. Once a mistake is made, the process can become quite complicated. A user has to contact a mobile money representative, freeze the account of the beneficiary so he/she cannot withdraw cash, and then have the

money reversed back. In the event the user cannot contact a mobile money representative to freeze the beneficiary account and reverse the transaction, the beneficiary will be able to withdraw the funds. At that stage, the user will have to rely on the goodwill of the beneficiary to return the money.

## MOBILE MONEY USERS

### BEHAVIORS

#### MOBILE MONEY SUBSCRIPTION AND USER PROFILE

Out of the 1,070 SIM owners interviewed, only 48 claim to have subscribed to mobile money (5% of the sample). 4% of female and 6% of male SIM owners state they have subscribed to mobile money services, as well as 5% of rural respondents and 5% of urban respondents.

The data does not suggest that mobile money penetration nationwide is 5%, as our sample included SIM owners only. Actual penetration numbers are likely much lower. Moreover, the data does not suggest that 5% of the sample are active users of mobile money. In the study *“State of the Industry 2012”*, the GSMA defines active usage as *“the number of accounts used to perform at least one P2P transfer, bill payment, bulk payment, airtime top-up, cash-in, or cash-out, in at least one of the following time periods: 30 days, 60 days, or 90 days”*. Functional transactions typically exclude cash-in and cash-out. In the Afghan context, only two-thirds of mobile money subscribers (32 respondents) can be categorized as active users of the service (as will be discussed in this section).

Conversations with FGD participants suggest that a typical Afghan mobile money user was forced to join by their employer (no clear demographic), would prefer to be paid their salary in cash, does not store money in his/her account, uses the services infrequently and usually just to cash-out, and is unaware of all services available to him/her.



Figure 22 Have you subscribed to a mobile money service? N=1,069

<b>No clear demographic</b>	Mobile Money users include lower income to middle income Afghans, men and women, young and old. Some are banked and some are unbanked. What ties all of these individuals together is their employers prefer to pay them via mobile money
<b>Infrequent use of services and lack of awareness</b>	Mobile Money users in Afghanistan rarely use the services available to them. Typically a user will cash-out once a month to collect his/her salary. Moreover, most users were unable to state all of the mobile money services offered by MNOs
<b>Prefer cash and do not store money</b>	Mobile Money users would prefer to receive cash if they had a choice. Moreover, almost all withdraw all of their money at once to avoid withdrawal fees and more importantly, because they need their salary to cover costs

Figure 23 Mobile Money User Profile

## TIMELINE OF SUBSCRIPTION

A third of mobile money users subscribed in the past 3 months. This data is positive for mobile money operators, as in contrast only 5% of banked respondents, or 7 individuals, opened their account within the last 3 months.

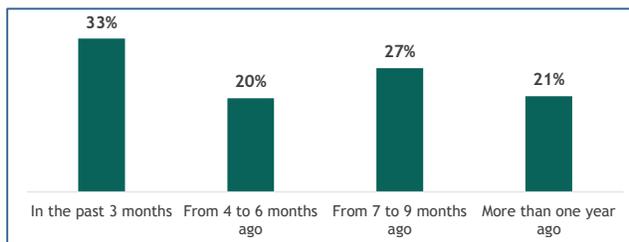


Figure 24 Timeline of mobile money subscription N=48

## USAGE OF MOBILE MONEY SERVICES

63% of mobile money users have used the service in the past 3 months. FGD participants state they typically use the service once a month to withdraw their salaries.

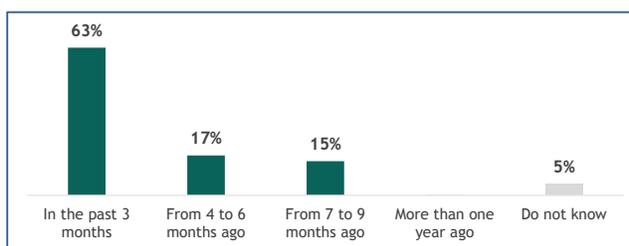


Figure 25 When did you use mobile money for the last time? N=48

81% of users claim to send or receive small amounts of cash at least once per month, while 50% purchase airtime at least once per month. 98% of the total sample still purchase airtime via scratch cards, whereas less than 2% use mobile money to top-up their SIMs.

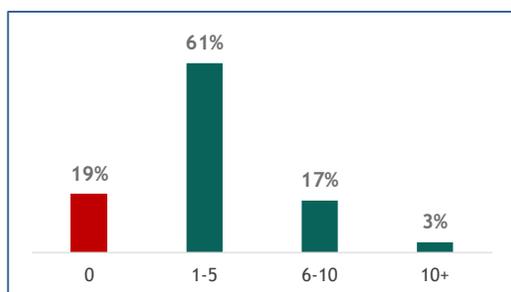


Figure 26 Send or receive money (time per month) N=48

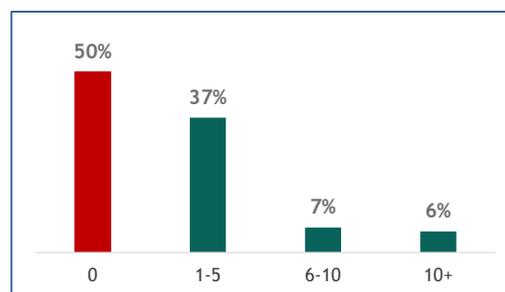


Figure 27 Purchase airtime (time per month) N=48

Specifically in regards to sending and receiving money, FGD participants state that a critical mass of users, more mobile money agents, and enforcement of regulations are necessary to make the service useful.

*"I do not send money by mobile money. The transfer is quick but most of my family and friends do not have a mobile money account. Some do, but sometimes they cannot receive the money for days as there are not enough agents. Sometimes the agents ask for extra money, corruption is high. It is easier to use cash".*

Fereshta, 41, Civil Servant, Kabul

A large majority of mobile money users (66%) who send or receive money state they are primarily a receiver of payments. This data is in line with users claiming they originally subscribed in order to receive

their salary each month. However, 54% of salary recipients also send money to others. This suggests that mobile money users do begin to use other services once they have subscribed. Interestingly 54% of mobile money users who send money declare sending less than 500 AFN per transfer, while only 16% of users send more than 10,000 AFN per transfer.

43% of mobile money users state they currently receive at least one salary payment per month via mobile money. For the 57% that state they currently do not receive a salary, the predominant reason for subscription to mobile money was due to employer salary payments at some point in the past. FGD participants suggest that most Afghans would prefer to receive their salary in cash from employers given delays in receiving their salary from agents, a lack of liquidity at most non-bank agents, perceived high levels of corruption from the non-bank agents themselves, as well as the fact that some get paid in USD while by regulation mobile money is only available in AFN.

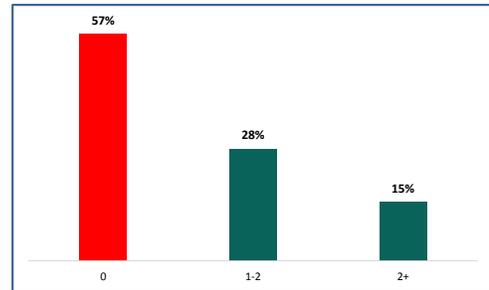


Figure 28 Receive a salary (times per month) N=48

Only 2 to 3 individuals from the sample claim to have used the bill payment service, payment of goods and/or loan reimbursement service. However, 50% of respondents would consider paying bills via mobile money. Yet to date the sample shows that users find the process too complex and/or are completely unaware they can perform such transactions.

*“I didn’t know I could pay bills by mobile money. It seems it would be very quick, but how do I do it? What bills can I pay? How can I be sure my bills have been paid?”*

Habibullah, 28, NGO employee, Jalalabad

In regards to loan reimbursements, 43% of users state they would consider using the service in the future. However, it was noted in the FGDs that some of the participants are skeptical as they consider this service to be un-Islamic.

More than 30% of mobile money users would consider paying for goods via mobile money. However, shop owners interviewed are reluctant to receive payment this way. They believe that there would be a high transaction fee, and when most of their business is composed of small transactions they do not see the benefit. Afghanistan is still a cash-driven society and until a greater critical mass uses credit cards or mobile money, shop owners are less likely to be inclined to accept transactions in such a fashion.

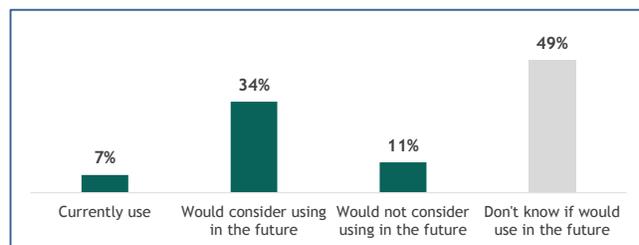


Figure 29 Payment of goods N=48

20% of users state they currently use their account to store money. Another 43% would consider using this service in the future, but currently do not have sufficient means in order to save.

The majority of FGD participants are also reluctant to pay the transaction fee each time they withdraw money. As such, they prefer to withdraw all of their money at once.

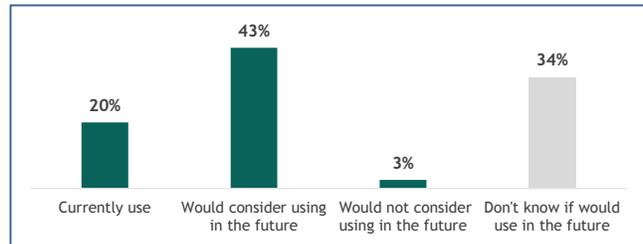


Figure 30 Storage of money N=48

*“I have received my salary three times by mobile money and each time when I received it, I withdrew my entire salary. Withdrawal fees are too high to make multiple withdrawals.”*

Farid Ahmad, 45, Civil Servant, Kabul

### TIME TO REACH THE NEAREST AGENT AND TYPE OF AGENT MOST USED

82% of mobile money users are able to reach an agent location in less than an hour, but only 34% can reach an agent in less than thirty minutes. In addition, 66% of mobile money users prefer to collect their money at banks. Despite recent scandals, users collect money at banks more than at local shops as they know that the level of liquidity at banks is much higher.

### PERCEPTIONS

The research strongly indicates that mobile money users are generally satisfied with the service, as the mean score is above 8 (very satisfied) and no respondent gave a score below 5. Moreover, 58% of respondents would strongly recommend mobile money to other potential users.

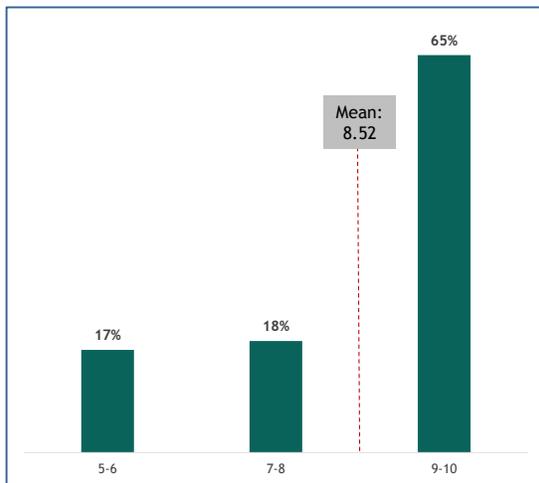


Figure 31 From 1 (completely unsatisfied) to 10 (completely satisfied), how satisfied are you with mobile money services? N=48

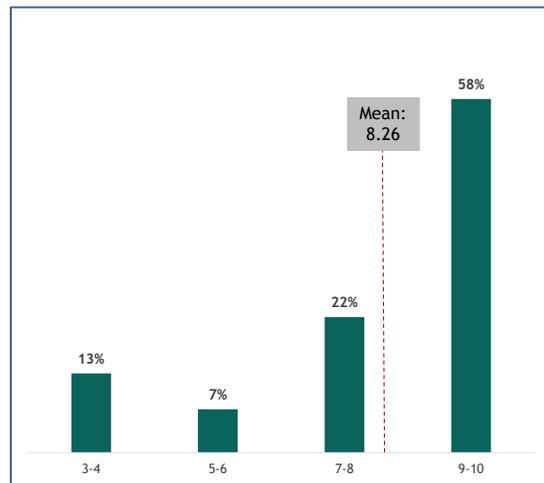


Figure 32 From 1 (would strong discourage) to 10 (would strongly recommend), would you recommend mobile money services to others? N=48

## MOBILE MONEY NON-USERS

### WOULD YOU CONSIDER SUBSCRIBING TO MOBILE MONEY?

More than half of all non-users (56%) would be interested in subscribing to mobile money services. Once made aware of mobile money and the services offered, the majority of non-users see the added benefit. Disaggregated by gender, male respondents (63%) are more interested in subscribing than female respondents (49%). By location, more rural respondents (59%) would be interested in subscribing than urban respondents (47%).

63% of respondents share their SIM with family members or friends. Disaggregated by location, SIM sharing amongst family or friends is much higher in rural areas (70%) than in urban areas (40%). This is valuable as non-SIM owners still have access to SIM cards, and as such have access to mobile money services.

A number of FGD non-users perceive mobile money to be safe, fast, useful and trustworthy because of the positive association with telecommunications operators in Afghanistan. They also believe sending or receiving money and purchasing airtime are the most valuable services offered by mobile money.

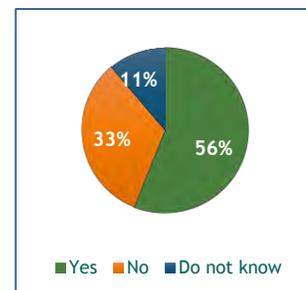


Figure 33 Would you consider subscribing to mobile money?  
N=1,021

### WHICH MOBILE MONEY SERVICES WOULD YOU USE?

Nearly 60% of mobile money non-users who would consider subscribing to the service would send or receive money, followed by purchasing airtime (32%) and as a means to store money (32%). Less than 20% would like to receive their salary via mobile money, and less than 10% would use the bill payment and loan reimbursement services.

In regards to male respondents, 64% would send and receive money, 32% would save money, 29% would purchase airtime, and 23% would consider receiving a salary. In contrast, 54% of females would send and receive money, 36% would purchase airtime, 31% would save money, and 15% would consider receiving a salary via mobile money.

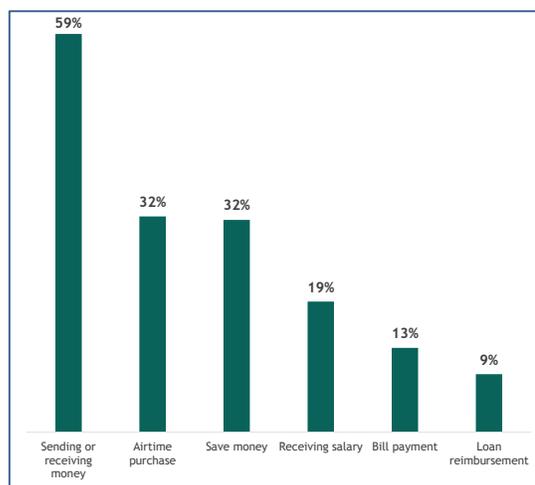


Figure 34 Which mobile money services would you use?  
N=661 (multiple response)

## HOW MANY TRANSACTIONS WOULD YOU MAKE PER MONTH?

52% of respondents who would consider using mobile money declare they would make 5 or fewer transactions per month. The usage rate among men and women is very similar to the national figures.

FGD participants suggest the transaction fees are the main deterrent for Afghans to perform more transactions. One potential means of addressing this problem is for MNOs to consider a transaction fee scheme in which frequent users are charged less per transaction over 5 transactions per month, and so forth.

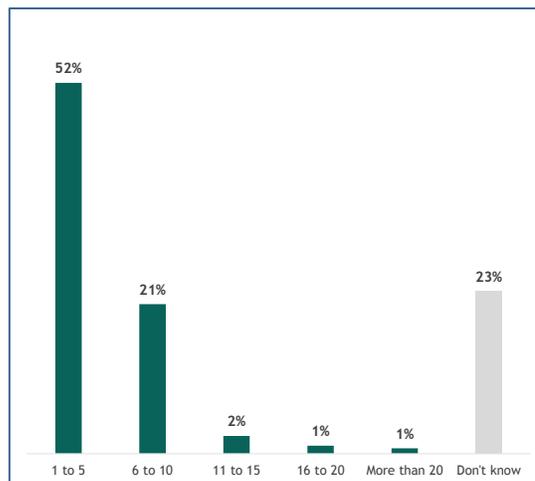


Figure 35 How many transactions would you make per month? N=628

## WHY WOULDN'T YOU CONSIDER SUBSCRIBING TO MOBILE MONEY?

46% of respondents who would not consider subscribing perceive mobile money to be too complicated. 43% state they cannot read well enough to use the mobile money interface.

71% of urban respondents state that mobile money is too complicated, in comparison to only 33% of rural respondents. Data by gender is similar to national figures.

Another key barrier to mobile money penetration is the lack of SIM sharing from men to women in some households. A total of 102 male respondents (approximately 10% of total sample) do not allow women in their household to use SIMs.

Finally, some FGD non-users perceive mobile money to be for the wealthy or unnecessary.

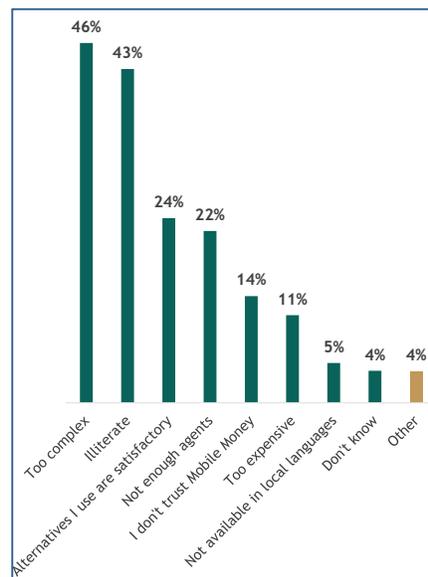


Figure 36 Why wouldn't you subscribe to mobile money? (multiple response) N=327

## BUSINESSES

### BUSINESS MOBILE MONEY USERS

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The research team interviewed a number of small and medium-sized enterprises that have subscribed to mobile money services. These businesses predominantly subscribe to send employee salaries. However, a majority no longer use the service as cash and even bank transfers are deemed more convenient.

Almost all businesses interviewed have a bank account for their business and the majority perceive banks to be trustworthy and to provide good services. In addition, businesses interviewed unanimously perceive MNOs to be trustworthy and to have brought great change to Afghanistan.

*"I trust MNOs because their success is one of the biggest achievements in Afghanistan over the last several years. They have provided a lot of positive change for Afghanistan."*

Spinghar Limited, Importers of Fabric, 7 employees, Kabul

The majority of businesses initially signed up for mobile money as a safe and more convenient means to transfer monthly salaries to employees, while some saw the advantages of paying bills via mobile money. However, half of the interviewed businesses no longer pay salaries via mobile money primarily because staff members complained of corruption at non-bank agents, a lack of liquidity, and long waiting times at banks because there are not enough dedicated mobile money staff members at these financial institutions.

Larger businesses also complained of not being able to pay in US dollars. Furthermore, businesses find the payment system to be complicated and that there are not enough safeguards in place to protect users against making mistakes. As such, some of the businesses interviewed reverted back to cash payments to employees because they ultimately found the process more convenient.

### BUSINESS MOBILE MONEY NON-USERS

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A number of small and medium-sized enterprises that have not subscribed to mobile money services were also interviewed and it seems that many of the non-user businesses are largely unaware of mobile money. None would consider subscribing as for larger businesses, banks provide the same services and are more widespread in usage. For smaller businesses, cash is a more convenient means to make payments.

All mobile money non-user businesses unanimously agree that banks are trustworthy, and very useful as a means to pay bills. Half of the surveyed business mobile money non-users have bank accounts.

*"We trust our bank, which is why we opened an account. The government adequately regulates banks so we have even more trust in financial institutions. Banks provide services such as sending and receiving money, and receiving salaries. Banks are improving as they have opened 2 more branches in Mazar in the past 3 years."*

Wahidulla, Brotheran Amiri Limited (foods importer), 18 employees, Mazar-e-Sharif

The businesses interviewed perceive MNOs to be trustworthy and to have brought great change to Afghanistan. Meanwhile almost all non-user businesses state they know little to nothing about mobile money services, or which MNOs provide the service. Furthermore, none of the non-user businesses would consider subscribing to the service primarily because they need more information on the services and costs, and whether interoperability is possible or whether they would need to purchase all new SIM cards for their staff. They also believe that more users are needed overall to make the service useful.

## KEY FINDINGS AND RECOMMENDATIONS

### MOBILE MONEY SERVICES: PENETRATION

On a national scale, the research found that 5% of SIM owners have subscribed to mobile money but only two-thirds of subscribers actually perform functional transactions, with most services essentially not used at all.

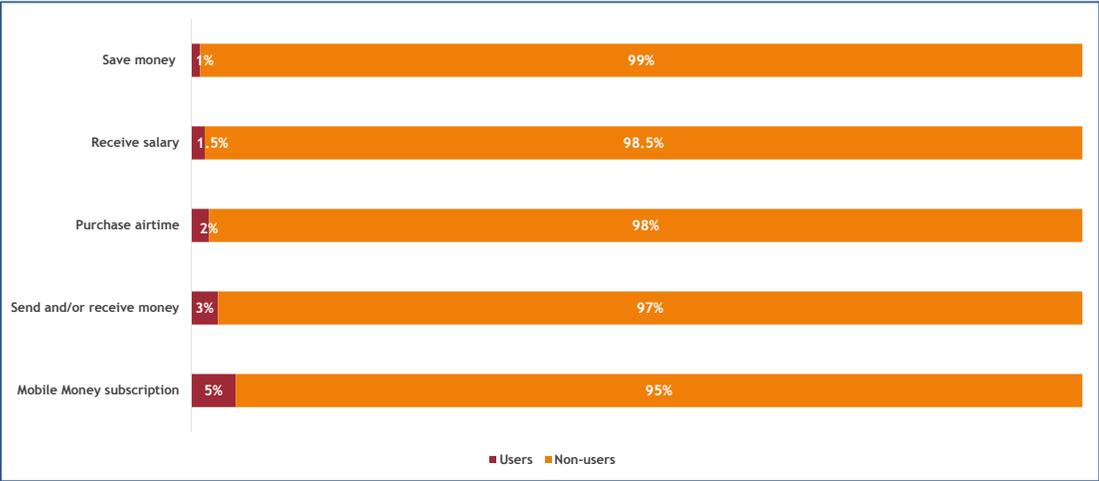


Figure 37 National mobile money penetration of SIM Owners N=1,070

### KEY FINDINGS ON MOBILE MONEY USERS

Users are predominantly recipients of funds and prefer to withdraw money from banks even if non-bank agents are easy to reach. Regular usage of the service remains a challenge.

1. **Users are predominantly recipients of funds**

- Surveyed mobile money users do not have clear socioeconomic demographics. They include lower income to middle income Afghans, men and women, young and old. Some have bank accounts and some are unbanked. The only commonality is that their employers prefer to pay them via mobile money.
- 66% of users state they are more often the recipient of money.
- 54% of salary recipients have also sent money to others. Some users are branching out and using other services.

2. **Users prefer to withdraw money at banks**
  - 66% of mobile money users state they prefer to withdraw funds from banks, in comparison to 24% at official MNO shops, while only 10% from local agents.
  - Users prefer banks because of higher liquidity and banks almost always follow the transaction fee rules.
3. **Users can reach agents in less than an hour**
  - 82% of users state they can reach an agent within an hour, while 34% can do so within 30 minutes.
4. **Regular usage of most services remains a challenge**
  - 53% have used the service within the past 6 months, but only 33% have used mobile money services in the past 3 months.
  - In regards to services such as purchasing airtime, receiving a salary, paying bills and reimbursing loans, a strong majority do not use these services at all.
  - 61% of users send/receive money 5 or fewer times per month.

## KEY MOBILE MONEY PERCEPTIONS

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While 56% of respondents state they would consider subscribing to mobile money, there is a general lack of awareness of the service, understanding of its value, and also a general lack of need for financial services. Business owners are also often skeptical of mobile money.

1. **Most respondents do not use financial services at all and therefore do not see the value proposition of mobile money**
  - More than 85% of respondents do not have a bank account. The primary reason being that they simply do not need one.
  - The majority of Afghans remain poor and earn money that is spent each given day, leaving them without the means to save money.
2. **Mobile money and its operators suffer from an awareness gap**
  - 58% of respondents are simply unaware of MNOs providing mobile money services.
  - 40% are aware of Roshan M-Paisa, but very few are aware of any other operator.
3. **Respondents do not know the characteristics of mobile money**
  - Respondents were asked about their perception on mobile money transfers in regards to value for money, speed, ease of access, safety (personal and monetary), simplicity, and reliability. An average of 58% of respondents had no opinion as they had no information on the services, and almost all had never tried mobile money.
4. **Non-users would consider subscribing to mobile money with more information**
  - 56% of non-users would consider subscribing to mobile money.
  - Once explained, non-users do see the value in the service but need more information on operators and services provided. Moreover, they suggest a critical mass of users is necessary for mobile money to be useful.

5. **Businesses are sceptical of the usefulness of mobile money**

- Half of the businesses that subscribed to mobile money no longer use the services because employees complained of liquidity issues at agents, waiting times to receive salaries, and that banks are simply more convenient.
- Business non-users unanimously agreed they would not subscribe because banks and cash are more convenient.

## **BARRIERS TO PENETRATION**

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A lack of savings, lack of awareness, the perception that mobile money is too complicated, and to some un-Islamic, have been identified as barriers to market penetration. Respondents also suggest a critical mass of users is necessary for them to subscribe. Moreover, reputation and liquidity of agents, in particular non-bank agents, is a major barrier, as well as user preference to withdraw all money at once. Mobile money agents have reportedly little incentive to follow the rules as profits are limited by infrequent withdrawals.

1. **Afghanistan remains a cash society – most respondents lack surplus cash for savings**

- Bank penetration remains low as the majority of Afghans and especially those living in rural areas, are by-and-large poor and earn money to spend each given day. They have little concept of, or capacity to save money. The majority need money today, not tomorrow.

2. **General lack of awareness and understanding of mobile money**

- Outside of mobile money users, respondents know very little about the services provided via mobile money, the value of each service, which MNOs provide mobile money, or even that mobile money exists.

3. **Mobile money is perceived to be too complicated**

- A large proportion of the adult population is uneducated and illiterate and as such cannot use the interface of their phone, find the IVR system too complicated, and/or are unable to understand how to use each service.

4. **Perceived to be un-Islamic by a minority**

- Mobile money operators offer a loan reimbursement service which some traditional Afghans are against as it requires interest payments. Given this perception, some Afghans are unwilling to subscribe out of principle, even if they did not use this specific service.

5. **Critical mass of users necessary**

- Once explained to them, many respondents see the value in the services provided by mobile money and would consider subscribing. However, they will not subscribe until the use of mobile money becomes more common.

6. **Reputation and liquidity of non-bank agents**

- Mobile money users have a poor perception of non-bank agents. Most reported that non-bank agents are corrupt, as they would not pay out the desired sum without the users offering a higher withdrawal fee. In addition, users report that non-bank agents do not have enough liquidity to make payments.

7. **User preference to withdraw money from banks**
  - Mobile money users prefer going to banks to withdraw money as registered banks have more liquidity to cover payments, while FGD participants also report better service and the absence of corruption.
8. **User preference to withdraw all money at once may jeopardize profitability of agents and create waiting times**
  - Most transactions happen at the end of the month once users receive their salary and users prefer to withdraw all of their money to avoid multiple withdrawal fees. As such, incentives are low for agents as the 100 AFN maximum fee per withdrawal is not very profitable as transaction amounts increase.
  - Issues like long waiting times at bank mobile money cashiers have been reported.
9. **Mobile Money only available in AFN**
  - At this stage many mobile money users work for international organizations that pay in USD, not in AFN. Thus users have complained that they are losing money on poor exchange rates offered by mobile money operators. However, regulations do not allow MNOs to offer mobile money services in non-AFN currencies.

## LEVERS FOR PENETRATION

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The respondents' positive perception of MNOs and mobile money services (once made aware), as well as the safety and convenience of using mobile money – in particular for women – are levers for penetration.

1. **Positive association with telecommunications operators**
  - Afghans have a positive perception of MNOs. Prior to widespread use of mobile phones, a majority of Afghans could not connect to their loved ones easily as landlines were not even a possibility in many areas. Due to this positive moral association, mobile companies are considered to have integrity and therefore have consumer trust. Afghans are willing to extend this positive association into other services offered by MNOs, such as mobile money.
2. **Safety and convenience, in particular for women**
  - Women interviewed suggest that the purchasing of airtime and sending and receiving small amounts of cash are useful services for them given social constraints in Afghanistan.
3. **Positive perception of mobile money once the service is understood**
  - The general population largely lacked awareness of mobile money services. However, once the service was explained to our interviewees, the majority stated they would consider subscribing as they see the added benefit.

## RECOMMENDATIONS

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Private and public entities can be used as levers to boost penetration of mobile money. At the same time, a focus should be put on increasing awareness of the service while reinforcing its value proposition to the Afghan public.

1. **Focus on businesses and government to build a critical mass**
  - MNOs should focus on building business with medium to large companies as clients as well as with GIRA and its line ministries to reach a critical mass of users as the research suggests Afghans are subscription adverse. Most join only when they are forced to by employers to receive their salaries.
2. **Increase awareness of the service and educate potential customers**
  - MNOs need to increase awareness of the service and educate potential customers since once explained the service proves to appeal to Afghans.
3. **Develop a customer friendly and easy to access interface in local languages**
  - Close attention should be paid to making the interface as user-friendly as possible and in local languages to overcome barriers like low literacy levels.
4. **Develop the ecosystem and incentivize “active” usage**
  - This research has shown that incentives for mobile money users remain limited hence the low amount of functional transactions.
  - Developing the ecosystem around mobile money is a necessary step. The ability of the MNOs to create partnerships with utilities companies, micro-finance institutions, government services, shops, etc. so that payments via mobile money can be made will be a strong success factor in improving active usage.
  - This will allow mobile money to develop a value proposition that makes a difference vis a vis banks.
5. **Address agent liquidity issues and train agents to ensure better service**
  - Agents need an incentive to follow the rules as current infrequent use of services and high withdrawal sums by users means mobile money is less profitable for them. MNOs should make sure, at a minimum that the liquidity issue is solved and agents are provided their funds and transaction fees within days, not weeks.
  - Additional training on customer service is also necessary.
6. **Interoperability of MNOs**
  - Once all MNOs enter the market, interoperability will be key to the success of mobile money in Afghanistan as users must be able to easily use services between different mobile money operators.