

# Mobile Cash Transfers for Urban Refugees in Niamey, Niger

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**ABSTRACT:** This study compared the effectiveness of cash transfers delivered through mobile phone and microfinance institutions to urban refugees in Niamey. The study found that the mobile phone delivery mechanism could be more cost-efficient than the MFI mechanism, after initial set up costs associated to technology are amortised. The use of proximity cash-out points can reduce transport and opportunity costs for beneficiaries. The highest levels of preference for the mobile phone mechanism were found among beneficiaries who either had previous familiarity and capacity to utilise the technology or had been effectively sensitized and supported by field operators. The additional advantage of the mobile phone mechanism for a refugee population is the enhanced communication with their country of origin and relatives. The mobile phone mechanism, however, can present technical challenges that can affect its efficiency. Such challenges can be tackled with detailed preparedness planning, specific programmatic measures, thoughtful targeting and efficient support to beneficiaries.

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## INTRODUCTION

In 2012, socio-political unrest in Mali resulted in the displacement of more than 50,000 thousands refugees to Niger. In early 2013, 7,000 of them were settled in Niamey. Save the Children and UNHCR developed a multi-sectorial response to assist this population. Among the activities, a four-month cash transfer component was planned, as a means to help refugee households to meet their basic and immediate needs. This component targeted 625 households, which were divided into two groups of the same size receiving cash on a monthly basis: one through mobile phones and the other through a micro finance institution (MFI). This design aimed at comparing the use of these two mechanisms in an urban context with a refugee population. The present study was carried out after the third distribution. Its objectives were: to investigate the effectiveness of mobile cash as compared to MFI transfers; to understand beneficiaries' preferences; and to identify potential advantages and challenges of the mobile phone technology. The study involved a preliminary literature review and seven days of fieldwork, during which interviews with key informants and beneficiaries, as well as group discussions with beneficiaries were conducted.

## CASH TRANSFER MECHANISMS

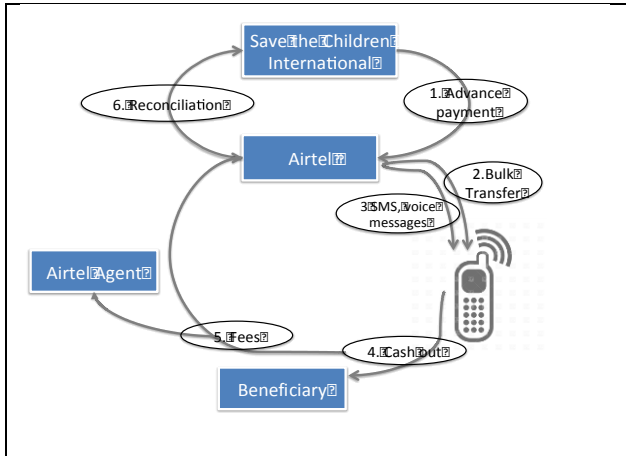
A bidding process was conducted to select the service providers for each mechanism. Airtel was selected for the mobile phone component and ASUSU for the microfinance one.

Airtel charged a 4% commission over the value of each transfer (i.e. FCFA 1,200 over every FCFA 30,000). By contract, Airtel was expected to provide mobile phones with SIM cards and solar chargers to each beneficiary, economic support to field operators<sup>1</sup> who assisted beneficiaries during distributions, as well as expertise and human resources for the sensitization and training of beneficiaries. The cash flow of the mobile phone mechanism started with a transfer from Save the Children to Airtel's bank account. A bulk-transfer platform allowed Airtel to transfer the expected sum to each beneficiary's account. Beneficiaries, then, received individual text and voice messages confirming the transfer. The money could be partially or totally cashed out from Airtel agents at predefined distribution points on a scheduled day, or at Airtel shops at a

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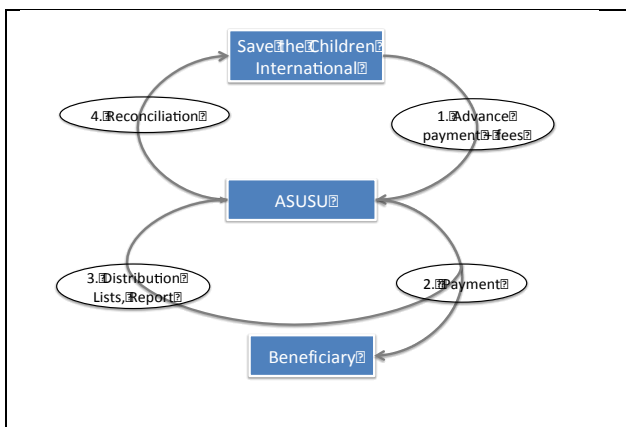
<sup>1</sup> In this project, field operators were volunteer beneficiaries (*aide beneficiaire*) who received a per diem to support their peers during distributions. They were also a focal point for beneficiaries, and could be contacted by phone during the period of the project.

time convenient to the beneficiaries. The reconciliation was done at the end of each distribution cycle, upon the submission of the transaction report and invoice by Airtel. The diagram below describes the cash flow of the mobile phone delivery mechanism.



**Diagram 1. Mobile Phone Cash Flow**

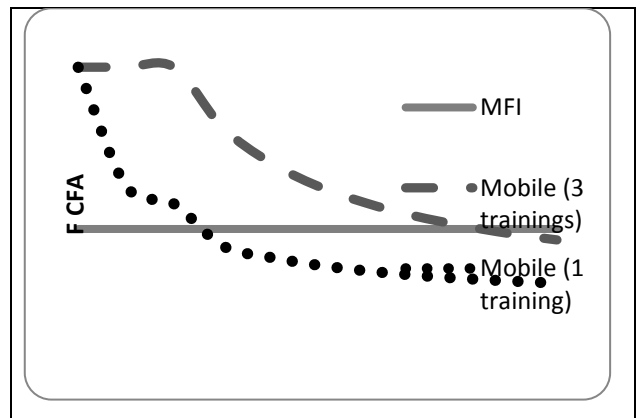
ASUSU charged a 4.5% commission over the value of each transfer (i.e. FCFA 1,350 over every FCFA 30,000). By contract, ASUSU was responsible for the safe delivery of cash to beneficiaries at established distribution points, according to an agreed schedule. Distribution was conducted with the assistance of field operators, who supported in the organization of the distribution and the identification of the beneficiaries. ASUSU was also responsible for collecting and sending all distribution documents and reconciliation reports to Save the Children. The diagram below describes the cash flow of the MFI delivery mechanism.



**Diagram 2. MFI cash flow**

## DELIVERY COSTS<sup>2</sup>

Although the commission fees charged by the mobile phone service provider were lower than those charged by the MFI service provider, total delivery costs were 34% higher for mobile transfers than for MFI. This was mostly due to the beneficiaries' low level of familiarity and capacity to deal with the mobile phone technology, which made trainings necessary before each distribution. Training costs would have been amortized in ten months, and then the mobile phone mechanism would have become more cost-efficient than the MFI. If beneficiaries were more familiar with technology and a single initial training had been enough, the amortization period could have been reduced to four months, coinciding with the end of the project.



**Graph 1. Costs associated to different mechanisms**

The results of two previous comparative studies<sup>3</sup> on mobile phone transfers in Niger confirm the lower commission fees of mobile phone operators and the higher initial costs of the mobile cash transfer as compared to the MFI mechanism. These findings show that the mobile phone mechanism may be more expensive for short-term projects in which the implementing agency has to cover the costs of technology (appliances and/or trainings). However, it can

<sup>2</sup> The calculation of the delivery costs took into account the expenses borne by Save the Children to get the cash into the hands of beneficiaries, including the commission fees, *per diem* for field operators and training costs.

<sup>3</sup> Aker et al. 2012, WFP 2012.

become more cost-efficient than other mechanisms when the projects are extended over a certain period of time. In the mentioned studies, the 'break-even point' would have been reached in 10-12 months time.

### **COSTS FOR BENEFICIARIES**

The calculation of the costs for beneficiaries took into account transport and opportunity costs incurred. Transport costs are associated with the trip to and from the distribution or cash out point, and did not differ much between the beneficiaries of the two mechanisms. It was expected that the mobile phone would have decreased transport costs, with beneficiaries accessing proximity cash out points (Airtel shops) instead of the distribution points. In fact, beneficiaries who used Airtel shops in the third distribution, after having been sensitized, spent less time and money for transport, confirming this potential advantage of the mobile phone mechanism.

Opportunity costs, on the other hand, are associated with the potential loss of income due to the time spent on the delivery process. The study found considerable differences in the time that the beneficiaries of the two mechanisms spent on the process. These differences were mostly associated with mobile cash delivery inefficiencies at the distribution points. Although most beneficiaries were elderly and unemployed (and therefore it is unlikely that such time translated into a real loss of income), it certainly affected time dedicated to household care and activities. Again, these costs could have been minimized if beneficiaries had made use of the Airtel shops. The conclusion is that the mobile phone mechanism is potentially less costly to beneficiaries when they access proximity cash out points.

### **BENEFICIARIES' PREFERENCES**

Beneficiaries tended to prefer their own respective mechanism, with most of ASUSU

beneficiaries preferring the MFI mechanism, and most of Airtel beneficiaries preferring the mobile phone mechanism. The reasons for preferring the MFI mechanism revolved around its efficiency and simplicity, as well as unfamiliarity with mobile phones and difficulties to adapt to the new technology. The reasons for preferring the mobile phone mechanism, on the other hand, revolved around the added value of mobile phones, such as the increased communication opportunities (with home country, family, friends and even the project), less travelling time and lower transport costs, discretion, flexibility and security.

The highest levels of preference for the mobile phone mechanism were found among beneficiaries who either had previous familiarity using mobile technology or had been effectively sensitized and supported by field operators.

### **RISKS**

Save the Children transferred the risks of the cash distribution to the two delivery agencies. The risks for the delivery agencies were mostly related to security. ASUSU, being part of the financial system, was covered by insurance. Airtel, on the other hand, transferred the risk of transporting and distributing cash to their agents, who were experienced traders, and received half of the commission for this operation. Ultimately, no incident was registered, however, it is noteworthy that Airtel agents considered their own shops a safer option than the distribution points.

The major risks for beneficiaries were also related to security: thefts, robbery and cash misappropriation at the distribution points or on their return home, but no incidents were registered. A few cases of handsets and SIM cards being stolen in different settings and circumstances were reported, yet the SIM cards were subsequently blocked. Some of the Airtel staff interviewed expressed concerns regarding the risk of misappropriation due to the

inadvertent exchange of phones by beneficiaries, but ultimately nothing happened thanks to the controls put in place by the project.

### **ADVANTAGES OF THE MOBILE TRANSFER MECHANISM**

The advantages of the mobile phone technology for the target population are notably linked to the flexibility of the mobile cash, which allows beneficiaries to choose more convenient locations and times for the cash out and stimulates a saving behavior. Another potential advantage is related to improved opportunities for beneficiaries to communicate with their home country, family, friends and the project.

The study found that beneficiaries did not take full advantage of the flexibility of the mobile phone mechanism. First, only 10% of beneficiaries used proximity shops, starting from the third distribution. Second, beneficiaries did not change their saving behaviour, as they had too many immediate needs to meet and, therefore, had to withdraw the full amount of the transfer. A study in Kenya<sup>4</sup> confirms the beneficiaries' tendency to withdraw all cash at once.

Communication, on the other hand, seems to have made a considerable impact on the lives of beneficiaries. Most beneficiaries interviewed mentioned having used the mobile phone to make and receive calls, to communicate with their relatives in Mali or other countries, and to listen to the radio to get news on the situation in their home country. Beneficiaries also used their mobile phones to communicate with the field operators, who remained their most important communication channel within the project, despite the range of tools, including a free hotline that had been put in place. The level of information regarding the project activities was much lower among ASUSU beneficiaries.

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<sup>4</sup> Stuart, G. and Cohen, M. 2011

### **CHALLENGES OF THE MOBILE TRANSFER MECHANISM**

The most important challenges related to the implementation of the mobile phone mechanism were related to technical problems in the distribution, and the low familiarity and capacity of beneficiaries to take-up technology.

Technical problems included delays on the first bulk-transfer to beneficiaries, issues with the SIM cards, and PIN code errors. Some of these problems could have been minimized by a more careful preparation on the part of the mobile phone company, including the simulation of potential technical problems and the identification of mitigation measures prior to the start of the activities.

The familiarity of beneficiaries with the mobile phone and their capacity to take-up technology were low. This negatively affected the performance of the mobile phone mechanism in terms of efficiency, delivery costs, costs for beneficiaries, beneficiaries' preferences and risks. Despite sensitization and training sessions carried out by the project, capacity remained low. Elderly beneficiaries, in particular, had difficulty using the mobile phone and some needed help with basic functions such as making calls. During distributions, more than two thirds of beneficiaries needed the field operator's support to undertake the cash out operation. As mentioned in previous studies<sup>5</sup>, older people have the least exposure to new technology and are limited by challenges such as visual impairment issues that might impact their ability to utilize new technology. Therefore, the appropriateness of targeting traditionally vulnerable groups, like elderly people, as recipients of the mobile phone transfers should be reflected upon. Moreover, strategies such as the involvement of younger groups, either indirectly or as recipients, should be considered

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<sup>5</sup> Smith et al. 2012

in order to increase the uptake and the efficient use of the technology and to maximise its potential advantages. An example of this approach is provided by Mercy Corps in Haiti, where elderly beneficiaries were encouraged to bring a trusted family member to the mobilizations and trainings to assist them when making transactions<sup>6</sup>.

## CONCLUSIONS

The mobile phone mechanism has lower transaction costs as compared to MFI, because mobile phone operators charge lower commission fees. The costs of technology (appliances and/or training) may require high initial investments. The conclusion is that in a context of low mobile phone ownership and beneficiaries' capacity to uptake technology, the mobile phone mechanism can take some time to become cost-efficient.

The mobile phone mechanism also has lower transport and opportunity costs for beneficiaries, but only if they use proximity cash out points instead of general distribution points. This usage will depend on their level of confidence with the technology and comfort moving about the city.

In general, beneficiaries seemed satisfied with their respective delivery mechanisms. The main reasons for preferring MFI were associated with its efficiency and simplicity. On the other hand, the reasons for preferring the mobile phone transfers were linked to their added value, particularly increased communication opportunities. The study evidenced three key factors that influence the beneficiaries' preferences for mobile phone transfers: their familiarity with the technology, their capacity to use it, and the support provided to those who are less familiar and/or less able to deal with it.

Save the Children transferred the security risks associated with the delivery of cash to the

delivery agencies. Airtel agents considered that withdrawals undertaken in their own shops were safer for both themselves and beneficiaries. In any case, distributions occurred without any major security problems. The main risks for beneficiaries were related to thefts, robbery and cash misappropriation, but again no major occurrence was registered during distributions.

The flexibility to withdraw cash gradually is acknowledged as one of the advantages of the mobile money. Nevertheless, due to the high level of needs, nearly all beneficiaries withdrew the full amount that was available each month. Enhanced communication opportunities are another advantage associated with the mobile phone mechanism. This is especially relevant for refugees, who very often are disconnected from their families and country of origin. The mobile technology also allowed for better communication between beneficiaries and the project. The study demonstrated the important role played by field operators, who were able to sort out problems associated with the phones, convince beneficiaries to use proximity cash points, and explain to beneficiaries the additional benefits of technology.

The most important challenges related to the implementation of the mobile phone mechanism were related to technical problems in the distribution and the low familiarity and capacity of beneficiaries, especially the elderly ones, to take-up technology. These challenges can be tackled and minimized, on the one side, with a detailed preparedness plan and specific programmatic measures, and on the other side, through a thoughtful targeting and an efficient support to beneficiaries.

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