Press release

Mobile money can boost financial inclusion

New research funded by SWIFT Institute demonstrates that mobile money can help to encourage savings rates and to address financial exclusion

Johannesburg, 25 February 2013 – SWIFT, the financial messaging provider for more than 10,000 financial institutions and corporations in 212 countries and territories, announced today that research funded by the SWIFT Institute demonstrates that mobile money can help to promote financial inclusion and boost savings rates amongst remote communities.

The research, carried out by US-based Tufts University in rural communities in northern Ghana with little access to financial services, demonstrated that take-up of mobile money can be easily promoted, and that use of mobile money services can help to encourage a savings culture. A month into the research project, 10% of participants had used the service solely for money transfer; two and half months later, usage increased to 26% of households, with 86% of users receiving money transfers and 70% of users saving on their mobile phone.

The results could provide a possible model for policy makers around the world to extend the reach of financial services. If mobile money services can help to improve financial inclusion in this way, they could offer a crucial mechanism through which to address a stubborn problem that continues to hinder economic development.

In the remote areas of sub-Saharan Africa, less than 20% of the population has access to any type of formal financial institution, defined as a bank, microfinance institution or cooperative. Yet access to financial services is a key aspect of development, as credit and savings allow households to invest, save and respond to shocks. In Ghana, this figure rises to about 29% of the population, according to the World Bank.

Millison Narh, Second Deputy Governor, Bank of Ghana, said: “Access to financial services is crucial to economic development. The findings of this research suggest that mobile money – something that is readily available – offer a possible model for extending the benefits of financial services to a much wider section of the community.”

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Typically, households in rural areas save ‘informally’ at home or with local collectors (called “susu”, in Ghana), and often rely on remittances from migrants to urban areas. While these strategies are important risk-sharing mechanisms for such households, they are also vulnerable to risks, including theft, restricted access to funds, high fees, or high transaction costs.

The research demonstrates that mobile money offers a new potential mechanism for increasing the financial inclusion of the world’s poor. First and foremost, since it can reduce the cost and increase the security of money transfers, mobile money can improve households’ ability to share risk. Beyond money transfers, mobile money can also be used to create a secure “pseudo-savings” account, where individuals can deposit smaller savings amounts for more immediate needs. As the “account” is password-protected, the mobile money savings channel could offer greater security than savings under the mattress and better access than offered by the annual “share out” of savings clubs.

Increased network coverage and mobile phone ownership, as well as a growing number of mobile money services in many developing countries, including Ghana, would be crucial to the success of any mobile money-based financial inclusion strategy. Therefore, a key element of the research was a set of positive steps to reduce barriers to the adoption and usage of mobile money in Ghana. These included the provision of some mobile phones, access to a mobile money agent, and a sensitization campaign on mobile money. As a result of these simple interventions, the research found that rural populations’ interest in adopting mobile money was extremely high.

Jenny Aker, Assistant Professor of Economics, the Fletcher School, Tufts University, said: “Whilst these early findings are limited, the research suggests that simple interventions to alleviate the barriers to mobile money adoption can help to encourage its use for receiving remittances and as a saving mechanism. If further research supports these conclusions, mobile money could be an important mechanism for promoting financial inclusion.”

The SWIFT Institute was founded in April 2012, with the core objectives of extending understanding of the current practice and future needs in global financial services, fostering independent research by giving grants and access to research data.

Peter Ware, Head of the SWIFT Institute, said: “This first working paper from the SWIFT Institute is a perfect example of what the Institute was set up to achieve. It demonstrates that we can be the catalyst to bring the SWIFT community and academics together to explore ideas and extend understanding. Research results could have positive ramifications for the financial industry and policy makers."

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About SWIFT

SWIFT is a member-owned cooperative that provides the communications platform, products and services to connect more than 10,000 financial institutions and corporations in 212 countries and territories. SWIFT enables its users to exchange automated, standardised financial information securely and reliably, thereby lowering costs, reducing operational risk and eliminating operational inefficiencies. SWIFT also brings the financial community together to work collaboratively to shape market practice, define standards and debate issues of mutual interest.

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