



Digital Financial Services in Mozambique

2014

Mozambique
Facts and figures*

Sector overview

Mozambique's ecosystem is still in the early stages of development. A rather low literacy rate, especially in rural areas (41.5 percent of rural adults have had no formal education), along with an underdeveloped regulatory framework, infrastructure, agent networks and product ranges, currently provide challenges to digital financial service (DFS) activities in Mozambique.

The situation is partly exacerbated by a high incidence of poverty (54.7 percent of the population lives below the poverty line). According to FinMark Trust's profiling of Mozambique, the main challenges affecting the development of the DFS sector include the following: poor infrastructure to support cash distribution networks, unreliable electricity services and wireless communications, limited

interoperability among banks and also among mobile network operators (MNOs), poor bank perception of underdeveloped local economies in rural areas, and unfamiliarity with electronic or innovative payments among the poor.

Nonetheless, the market potential for DFS to serve as a channel for financial inclusion in Mozambique is good (87 percent of the population is unbanked). Current initiatives on consumer education, development of the national switch SIMO (Sociedade Interbancária de Serviços de Moçambique), promotion of interoperability among MNOs, technical capacity-building at the central bank, and development of appropriate regulatory instruments augur well for a vibrant future DFS ecosystem.

25.8 million

Total population

13% (incl. 12% through banks)

Financial inclusion rate

USD 1,045

GDP per capita (PPP)

80%

Mobile phone penetration

Key findings

Policy and regulation

Policy and regulation is evolving quickly and in a rather piecemeal fashion. Most importantly, Bank of Mozambique seems predisposed to allow innovation (or at least not stop it) and is working toward an overall national payment system modernization.

Creating a dialogue between regulators and providers that helps clarify the existing

policies—as well as supporting the Bank of Mozambique to draft and publish other crucial regulation (e.g., e-money)—may happen, with proper coordination, through the existing and planned support from the Department for International Development (DFID), German Agency for International Cooperation (GIZ) and World Bank.


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*Source: EIB and UNCDF, 'Digital Financial Services in Africa', December 2014.

Delivery infrastructure

The DFS opportunity is restricted by fragmentation and concentration of existing infrastructure: deficient transportation and road systems, low security levels in some areas, unavailability or low reliability of telecommunications, and poor energy services. Some also point to the limited pool of human resources to expand financial services in Mozambique. There are no quick fixes for the physical or telecommunications infrastructure, although there is a strong chance the latter will improve as Movitel competes on quality for voice and data services—particularly in rural areas. Fortunately, there is tremendous room for growth in urban areas and well-connected corridors.

Providers

There are only a handful of providers at present. Vodacom brings significant experience from other markets, and both it and Movitel are part of international corporations with resources and established reputations. Interbancos and mCel have developed retail payment products that have the potential to address the unserved demand in the market. Yet, non-banks are struggling to find the correct positioning for their DFS platforms. Millenium bim and other banks could play an important role because of the high demand for savings and the relative trust in banks. However, banks continue to fret over regulatory uncertainty and are very unsure of the potential return on investment for payments infrastructure, when economic activity in many peri-urban and rural areas of Mozambique is still very low.

Agent networks

With most banks and branches located around Maputo, access to financial services is inhibited. Access will likely be the greatest challenge for all providers given the infrastructure issues noted previously. Other industries also lack distribution networks, and very few retailers are able to cover the three economic regions of the country. All the MNOs are making the dual effort to grow their networks and DFS providers/subsidiaries outside Maputo and to expand geographic reach, which necessitates the expansion of airtime distribution. By the same token, the economic corridors in Mozambique are spread far apart in the different provinces, posing a challenge to the set-up and maintenance of agent business for the MNOs.

High volume

Many of the existing government payments are still being done manually, creating a good opportunity for a payments ecosystem. Additional opportunities for DFS relate to the following: proposed expanded coverage of the pensions regulatory framework (as per the Mozambique Financial Sector Development Strategy [MFSDS]) to include the self-employed; modernization of the social security PAYGO system; and efforts to deepen the mechanisms for facilitating mobility from the public to the private sector and vice versa. Through MFSDS, the Government is supporting the implementation of policies designed to promote rural financial access, especially for agricultural-oriented activities; promote financial literacy to increase the public's understanding of how financial services can improve livelihoods; ensure consumer protection, both to protect consumers and to encourage new consumers to enter the market; and reduce transaction costs for consumers through elimination of unnecessary legal procedures.

Customers

Understanding customers is also a worthy investment, using the range of existing and planned data sources (FinScope, Financial Diaries, etc.) and incorporating DFS into them. Targeted research is needed to look at current early adopters of DFS in order to understand the triggers and barriers to use. Insufficient physical access and low, unreliable incomes prevent people in Mozambique from having bank accounts, rather than a lack of trust. Many of the poor would like to use formal services if they had more income, or if banks were closer. More effective and widespread distribution could, therefore, address many of the current barriers from the demand perspective.

Key stakeholders

Regulators



- Bank of Mozambique
- National Institute of Communications of Mozambique

Main banks

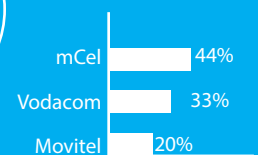
- Millenium bim
- BCI (Banco Comercial e de Investimentos)
- Standard Bank
- Barclays
- Moza Banco



Mobile network operators



Market share



Digital financial service providers

- mCel
- Vodacom



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