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Measuring Progress 2019

Financial Inclusion in SADC

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This report was produced by FinMark Trust as part of the MAP SADC programme

Editor: Kameshnee Naidoo (MAP Global Programme Advisor, UNCDF)

MAP Co-ordinator SADC: Brendan Pearce (CEO, FinMark Trust)

Authors: Damola Owolade, Candice Borgstein

Layout and Design: Tiwonge Kanchenche

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Partnering for A Common Purpose

Making Access Possible (MAP) is a multi-country initiative to support financial inclusion through a process of evidence-based country diagnostic and stakeholder dialogue, leading to the development of national financial inclusion roadmaps that identify key drivers of financial inclusion and recommended action. Through its design, MAP seeks to strengthen and focus the domestic development dialogue on financial inclusion. The global project seeks to engage with various other international platforms and entities impacting on financial inclusion, using the evidence gathered at the country level.

In the SADC region, FinMark Trust is UNCDF's partner, working with national Governments to implement the roadmaps. This report was produced as part of the outputs of the implementation.

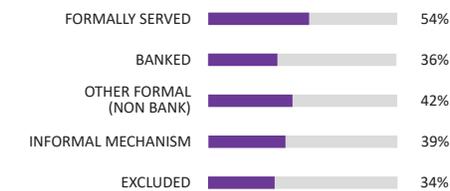


About the cover

The design for our first report alluded to the complex and evolving terrain of the landscape of financial inclusion. In this second report we encapsulated the evolution of the market and its linkages to the people, business and economic inputs that fill this landscape. Each new layer of information reveals the people that interact in that space, as they deal with the peaks and troughs, and growth and decline of inclusion in their countries.


45.8 MILLION
 excluded from
 financial services
 in SADC

2015
66% 
 FINANCIALLY INCLUDED

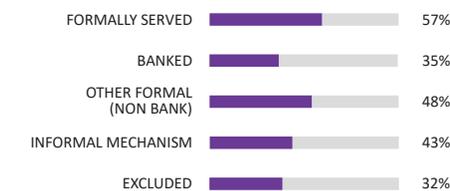


ACCESS STRAND 2015





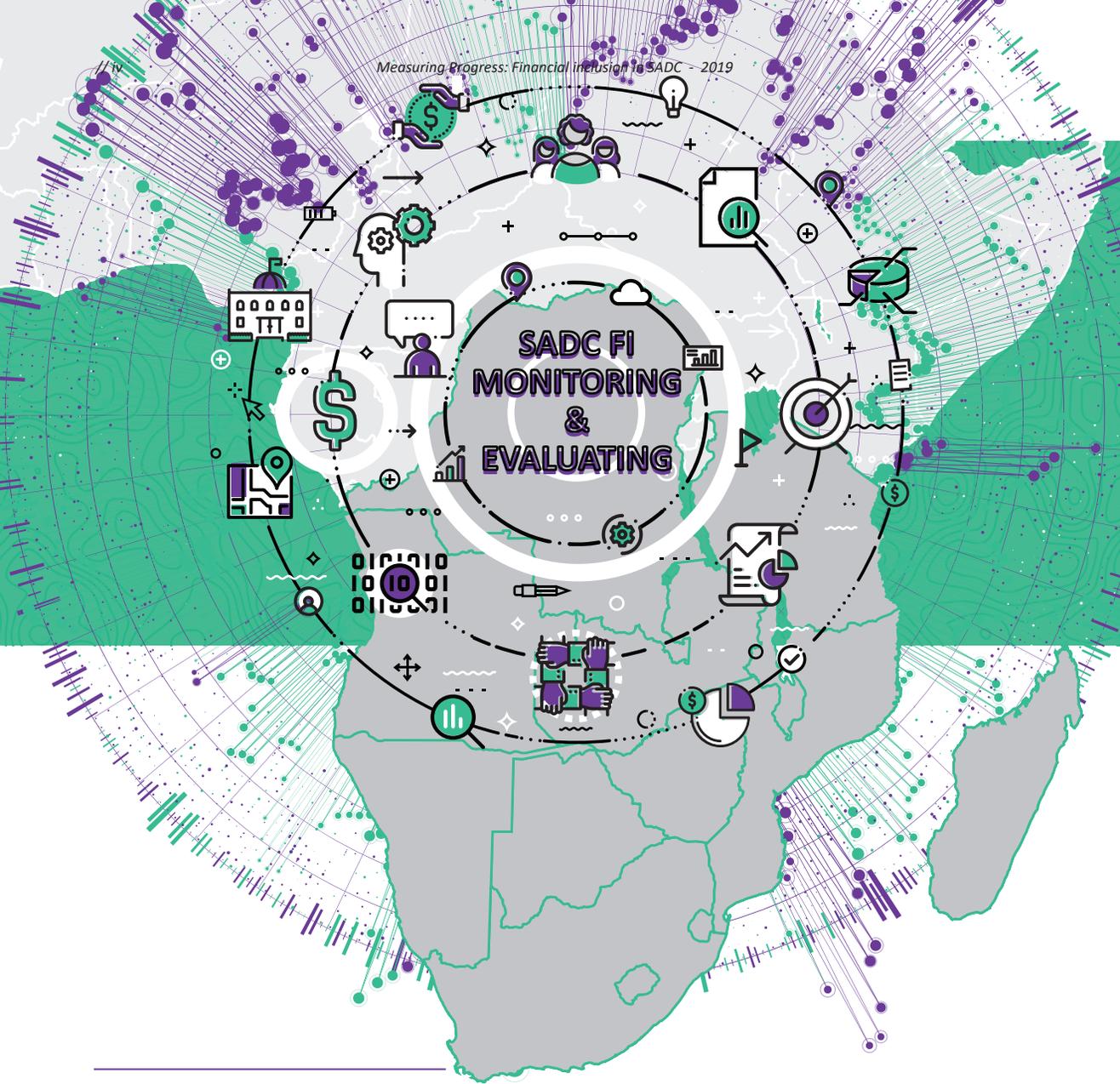
2018
68% 
 FINANCIALLY INCLUDED



ACCESS STRAND 2018



Source: FinScope



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Introduction

The MAP country implementation is a key pillar of the SADC Financial Inclusion strategy, implemented with the SADC Secretariat and the SADC Committee for Central Bank Governors (CCBG).

The SADC CCBG, as part of the 2020 strategy, committed to a repository of statistics to measure domestic and regional financial inclusion on the basis of our SADC monitoring and evaluation reports.

Regional M&E indicators have been developed as part of the SADC Financial Inclusion Strategy, which have been integrated into MAP's country work in 2018 and 2019. This report builds on the 2018 Measuring Progress report, and provides updated financial inclusion indicators for 2018.

The regional approach has paid dividends over the last year with a number of regional initiatives being

implemented and providing downward pressure for implementation at country level. In turn, country priorities have been escalated into regional-wide programmes.

In the SADC region, financial inclusion strives to accomplish three inter-linked goals, namely, improve livelihoods, drive economic growth and drive industrialisation. As such, five pathways by which greater access to finance can catalyse regional industrialisation has been mapped and all our work in the SADC region has been within this broader context of financial inclusion contributing to regional growth and development.

Within this regional political and economic context, there is a strong drive to reposition the national financial inclusion platforms to link to the real economy. Work with our country coordinators and Government counterparts to identify current projects and commitments linked to the real economy and the growth agenda enable us to ensure that financial inclusion is one of the factors that can increase livelihoods over the long-term, thus contributing to the achievements of the SDGs.

Regional financial inclusion measurement framework

The framework includes a core set of Financial Inclusion indicators that capture the state of financial inclusion across the SADC region. This allows a quick assessment of progress and enable region-wide diagnosis, targets and policy recommendations.

At a regional level reporting is carried out in line with the SADC Financial Inclusion Strategy which sets out a list of indicators to track progress. The FinScope surveys are the main source of data as

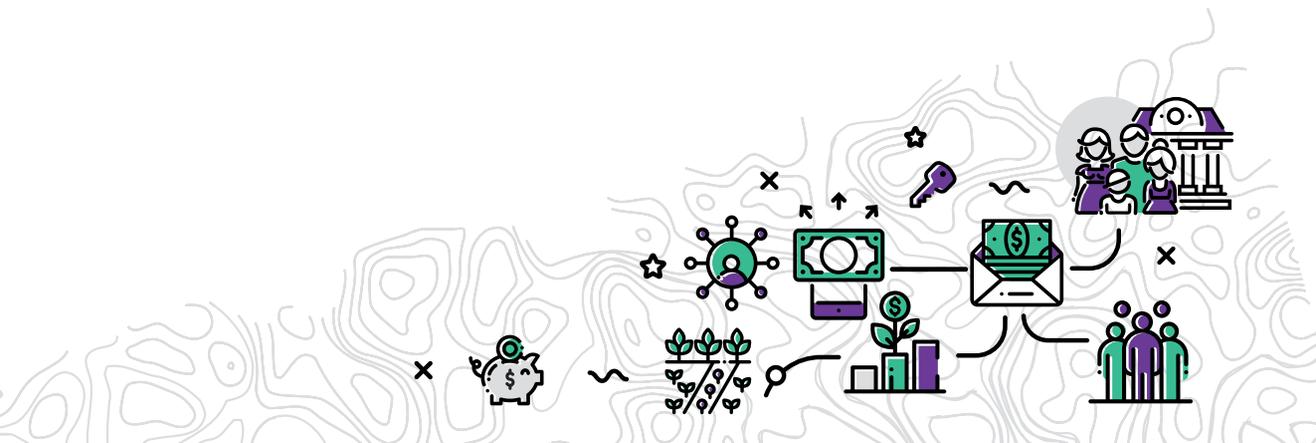
well as country level supply side data collected from regulators. FinMark Trust implements the regional strategy in partnership with the SADC Secretariat and is responsible for collating and reporting against the regional M&E indicators.

Data Quality

In compiling the data for this report, there were some limitations and challenges which are reflected in the level of completeness and breadth of indicators presented. Local currency is used for specific country indicators, however, Rand will be used for regionally comparable figures where available.

The enactment of Financial Inclusion strategies by regulators and policymakers is yet to translate to financial service providers submitting the necessary data to populate M&E indicators. For instance, none of the countries require financial service providers to state GPS coordinates of financial access points for the verification of these touch points. Therefore, the quality of indicators such as agent locations can be improved to signal an accurate diagnostic of the agent locations, for example. Only Lesotho provides data on 'active' mobile money agents therefore the access to mobile money agents indicators requires improvement by providing details of the level of 'activity'.

Point of Sale (POS) location data also provides some data quality challenges. For example, POS devices are mobile and therefore it is difficult to know if a device is at the merchant location where it was registered. Merchants can have multiple POS devices therefore the number of devices per 100,000 adults does not provide any insight on how widespread these devices are. This report also does not provide information on active POS devices. There is no data on the proportion of merchants that provide POS payments options.



Disaggregated data on gender and urban/rural breakdown is also a challenge to compile. Often this data is not included in regulatory reporting templates, and therefore supply side/regulatory data on gender is not available for all countries under review.

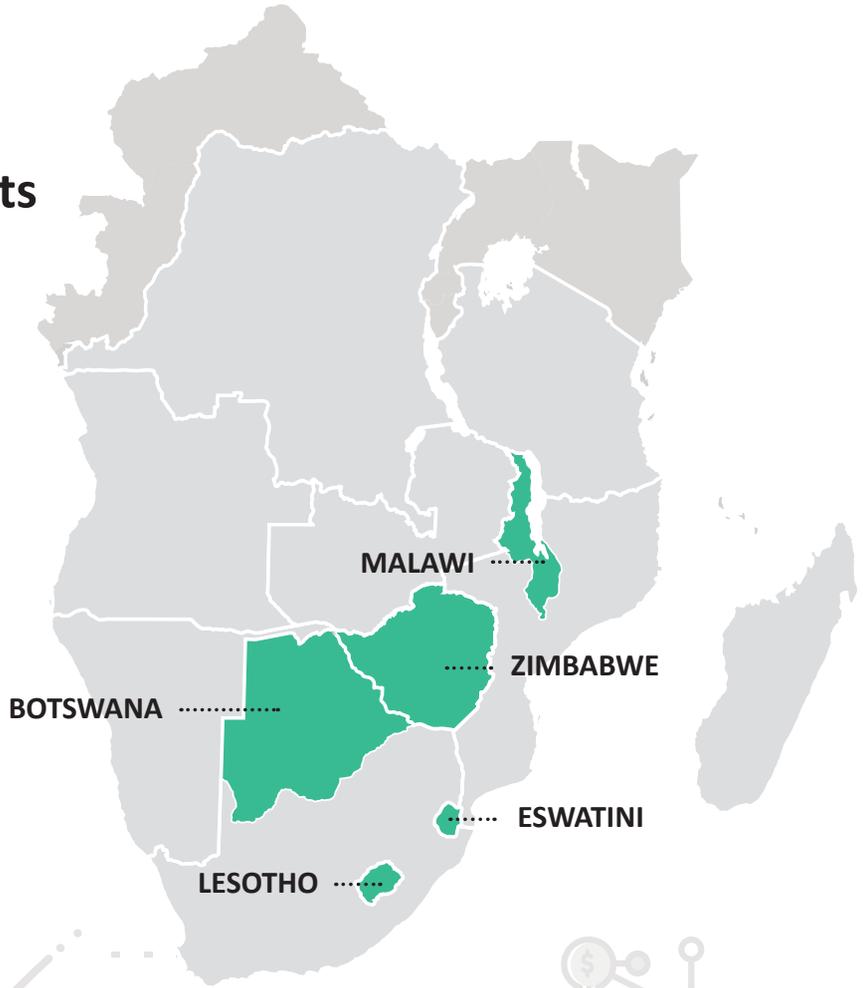
In section 3, demand side data has been used to provide some context on formal financial inclusion in the SADC region, specifically for women. It should be noted that demand and supply/regulatory data do not

always align given sampling and non-sampling errors on the demand side or lack of the necessary tools to adequately collect (disaggregated) data within the regulatory environment due to outdated templates and manual data reporting processes.

However, data collection is a long term engagement and through these monitoring reports gaps and areas for improvement are highlighted.

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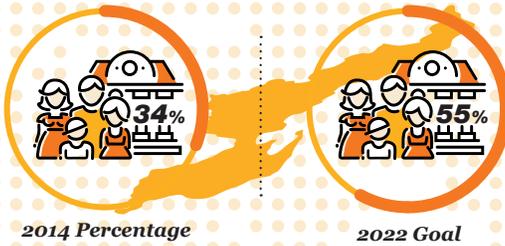
Country Reports



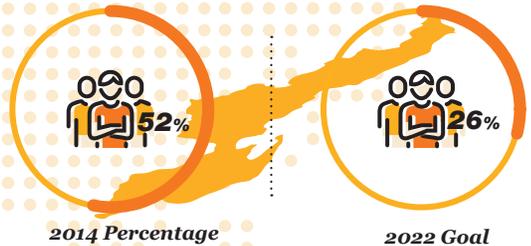


Vision: The Malawi Financial Inclusion Roadmap 2015 – 2020 focuses on “creating a pervasive infrastructure through partnerships to enhance the quality and depth of financial inclusion in Malawi, laying out a vision for the enhancement of financial inclusion in Malawi, in order to support national objectives through employment creation, human capital development and improved household welfare.

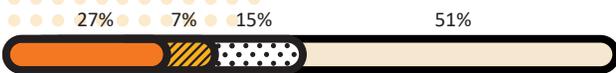
Financial inclusion in Malawi



Financially excluded in Malawi



ACCESS STRAND 2015



- BANKED
- OTHER FORMAL (NON BANK)
- INFORMAL ONLY
- EXCLUDED

		Baseline 2015	March 2017	June 2018	Data source
1. Number of access points per 100,000 adults (>18 years old)					
Bank Branches	Total	0.61	2.44	0.92	Reserve Bank of Malawi
Banking Agencies	Total	0.65	3.47	1.66	Reserve Bank of Malawi
ATMs	Total	2.34	13.13	5.51	Reserve Bank of Malawi
POS	Total	7.94	18.46	18.74	Reserve Bank of Malawi
Mobile Money Agents	Total	3.76	185.77	413.71	Reserve Bank of Malawi
6. Adults with Mobile Money Accounts and 90 day active:					
% with Mobile Money accounts		8.4%	42.8%	53.64%	Reserve Bank of Malawi
% of adults with 90 Day active mobile money accounts		4.24%	14.93%	20.49%	
7. Numbers of entry level transactional accounts					
Number of entry level transactional accounts		Not set	Not yet available	Not yet available	Reserve Bank of Malawi
Fee to open		Free	Free	Free	
Monthly fee		MK100.00	Free	Free	*The Reserve Bank of Malawi passed legislation to remove monthly fees on entry level accounts in 2017.
Fee to transact		Not available	MK145.00	MK190	Average cost for 5 banks for a withdrawal using ATM. Bank tariff schedules.
9. Cost of mobile money transactions (%)					
Cash in		Free	Free	Free	Tariff schedule for Mobile Money Service Providers.
Person to Person		Not Available	0.42%	1.1%	Tariff schedule for Mobile Money Service Providers. Average based on the fees charged to transactions equivalent to R1,000.



	Baseline 2015	March 2017	June 2018	Data source
Cash out (for both registered and non-registered)	5%	3.43%	4.40%	Tariff schedule for Mobile Money Service Providers. Average based on the fees charged to transactions equivalent to R1,000.
Merchant Payments	Free	Free	Free	
Payment for utilities	Not Available	0.04%	0.04%	Based on tariffs for Airtel Money and TNM Mpamba. Flat Fee of MK250 for payments up to K20,000 and 1.5% for payments above MK20,000.
12. Average cost of low value domestic remittance (aggregate cost to sender and recipient) for up to Mk50,000 (USD68.12)				
	5%	5%	5%	Based on cost of transfers done through Post Office
13. Average cost of low value cross border remittance				
	10%	10%	10%	www.remittanceprices.worldbank.org Average fee for transferring R1,000 using Western Union, Muku, Hello Paisa and Money Gram.
14. Interoperability: Bank to wallet - Wallet to wallet - Wallet cash out at ATM				
	Bank to Wallet and Vice Versa; and Wallet to ATM for some banks.	No change.	No change.	Reserve Bank of Malawi

	Baseline 2015	March 2017	June 2018	Data source
16. National Financial Inclusion strategy - Dedicated Institutional capacity for FI and budget allocation				
There is a Pension and Financial Sector Policy Division under the Ministry of Finance. Responsibility of implementing financial inclusion in Malawi. There is now a dedicated budget allocation, with contribution to specific projects. There are 8 staff members.				Ministry of Finance
National Financial Inclusion Strategy				
Concluded the drafting of the financial services ombudsman Bill and Financial Services Consumer Protection Bill in 2018. Drafted regulations for e-money.				

*Population estimates: Total Adult Population as at September 2018 = 8,600,000

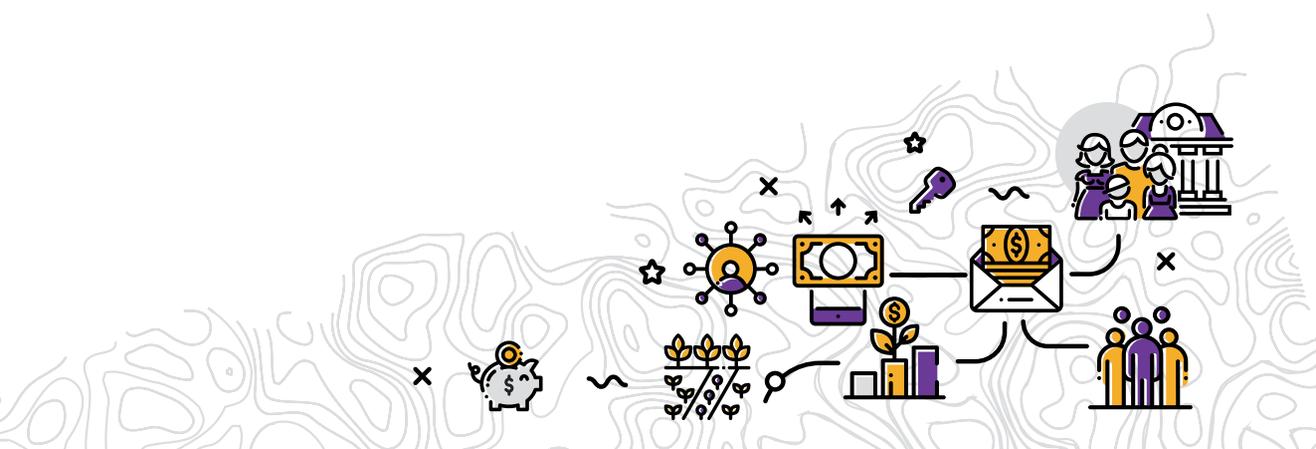
Female Adults=4,600,000

Male Adults=4,100,000

Urban adults=1,200,000

Rural Adults=7,400,000

Source :2018 Malawi Population and Housing Census Preliminary Report, National Statistics Office



Access Indicators

The review includes the periods ended March 2017 and June 2018. There was varied progress across the different points of physical access. Specifically, the access points that require medium to long term planning and heavy investments such as branches and Auto Teller Machines (ATMs) reflected a decline while access points that rely on minimal capital investment and short-term planning such as mobile money agents and Point of Sale gadgets (POS) registered a notable increase in availability. The total number of branches serving 100,000 adults declined slightly from 0.94 (June 2017) to 0.78 (June 2018) while access to ATMs declined from 5.24 to 4.69 ATMs serving 100,000 adults during the same period. The main driver for this decline was the increase in the population of adults while access points largely remained static. The increase in population is due to the revised census estimates, which affected the rural population in particular.

Although the negative trend may be worrisome given the excess reliance on cash by most customers of banks in Malawi, it is still revealing that rural areas require more financial access points compared to urban areas.

ATMs and branches will also be important for agents' liquidity management. Mobile network operators might have outreach staff that assist agents with liquidity, but it is expected that agents will go to an ATM or a bank branch if they run out of money especially if they have another service or product over and above being a mobile money agent.

POS machines (for payments and cashing out) increased from 12.47 to 15.94 per 100,000 adults mainly due to commercial banks' interest to expand digital payments and the ease of installing new POS machines at shops given the low cost of acquiring and operating them. Since, there is now an interconnection

between banks' systems that facilitates usage of a POS machine installed by one bank to serve customers of all banks, it is critical to assess the level of interbank transactions carried through POS. As the Malawi Government through the Ministry of Industry, Trade and Tourism is in the process of making digital payment platforms mandatory in shops and sales points we expect a further increase in the number of POS machines in the short-term. As noted earlier, POS devices are mobile (can be moved) therefore it is difficult to know if a device is at the merchant location where it was registered and level of dormancy of POS devices was not provided.

Transactional Accounts and Usage

There is a sustained increase in Mobile Money Accounts from 42.8% of adults as of June 2017 to 53.64% of adults in June 2018.

The 90-day usage figure for Mobile Money Accounts increased from 14.93% (June 2017) to 20.49% as of June 2018. Despite this increase, the proportion of active accounts remains low with active mobile money accounts below 50% of the registered mobile money accounts. The issues that need to be considered include understanding the reasons behind the dormancy and other incentives that can drive reliance on mobile money especially for the rural population who are very far away from formal financial services providers. These issues could be better understood with information gathered in a consumer survey. The interoperability between Mobile Money Service providers as well as between mobile money service providers and banks should help to facilitate increased traffic in mobile money.

According to the Reserve Bank of Malawi, one-third of subscribers of mobile money are women as of April 2018 while 38% of mobile money agents are women.

1 Based on the average cost of transfers made through ZOONA for various amounts ranging from K2,500 (R50) to K200,000 (R4,000).
2 Ibid

3 Ibid

Appropriateness/Affordability

The cost of mobile money transactions depends on the nature of the transaction with some transactions such as loading a mobile money account through an agent (cashing in) and paying for goods to merchants (P2B) being free in both periods. This shows that there could be a quantifiable level of elasticity to transactional charges. However, person to person transfers, utility bill payments and encashment (cashing out) from either agents or ATMs cost anything from 0.43% to an average of 3.43%¹. The free transactions for merchant payments and the low cost for payments of utility bills starting from below at 0.05%² to maximum of 1%³ is indicative of a relatively low cost digital financial services market environment. The percentage of total adults that are 90-day active users has increased by about 6% between 2017 and 2018 which could be attributed to the cost factor. Nonetheless, the cost of transaction fees for transactional accounts, as well as person to person transfers and cashing out for mobile money transactions have increased substantially, and need to be monitored going forward.

Payments and Remittances

In Malawi, the average cost of low value domestic remittances (up to MK50,000 /USD68.12) through mobile money remained unchanged at 4.6% 2017 and 2018 whilst the cost of over the counter remittances such as Zoona also remained unchanged at 5.3% over the same period. With the support of the Reserve Bank of Malawi and the National Switch, both mobile money service providers are now linked to all banks and with each other creating interoperability between digital platforms in order to lock in digital liquidity. An interoperable system results in a convenient way to access cash as agents and ATMs can serve as cash out points for customers without requiring a multiple store of value platform. Essentially, a low-cost product such as a wallet suffices to fully access payments infrastructure in Malawi.

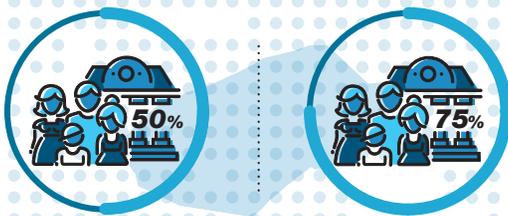
The cost of low value cross border remittances has not changed, and without data on the value and volumes of these remittances it should be noted that based on cost alone it stayed the same which is at 10% of a value of R1,000.





Vision: Eswatini Financial Inclusion Roadmap 2014-2020 seeks to increase access and diversification of providers, products and services through financial inclusion lays out a vision for the enhancement of financial inclusion in Eswatini.

Financial inclusion in Eswatini



2011 Percentage

2022 Goal

ACCESS STRAND 2018



- BANKED
- OTHER FORMAL (NON BANK)
- INFORMAL ONLY
- EXCLUDED

		Baseline 2014	June 2017	September 2018	Data source
ACCESS INDICATORS					
1. Number of access points per 100,000 adults (>18 years old)					
Bank Branches	Total	0.61	0.92	10.71	Central Bank of Eswatini, NPS
Banking Agencies	Total	7.9	15.40	16.30	Central Bank of Eswatini, NPS
Post Office/ Agencies	Total	19.2	19.20	10.71	Central Bank of Eswatini, NPS
ATM	Total	43.3	15.40	40.60	Central Bank of Eswatini, NPS
POS	Total	253.80	564.00	339.98	
Mobile Money Agents	Total	97.7	484.40	904.8	Central Bank of Eswatini, NPS
6. Percentage of adults with Mobile Money active account (30 days active).					
		48	79	91.86	Central Bank of Eswatini, NPS
APPROPRIATENESS AND AFFORDABILITY					
7. Numbers of entry level transactional accounts					
Number of entry level transactional accounts	3 (Basic savings accounts - no minimum balances, two withdrawals a month free)	4	2		Mystery shopping
8. Cost of entry level transactional bank account					
		E59.20	E38	E30*	Banks pricing guidelines

	Baseline 2014	June 2017	September 2018	Data source	
9. Cost of mobile money transactions (based on maximum of E4,000)					
	Send	E8	E11	E24	MTN Mobile money tariff guide
	Cash out/ receive	E24	E20		
PAYMENTS AND REMITTANCES					
11. Average cost as a % of low value remittance (<E1000) - domestic; Mobile money model; Retailer model					
	5% (bank sending)	5% (bank sending)	6% (bank sending) - 1% (Retailer sending) <1% (mobile money sending) <2% (mobile money receiving)	Banks pricing guidelines	
12. Average cost as a % of low value remittance (E1000) - cross border Eswatini - South Africa (Only banking model)					
	Not set	8.5%	6%	Banks pricing guidelines	
13. Average cost as a % of low value remittance (<E1000) - cross border South Africa – Eswatini (banking only)					
	Not set	6%	9%	Banks pricing guidelines	
14. Dedicated Institutional capacity for FI and budget allocation					
Centre for Financial Inclusion is responsible for implementation and coordination of the NFIS with an allocated budget.					
15. National Financial inclusion strategy					
There are 6 pillars of the NFIS. SME finance pillar has taken more prominence. A SMME diagnostic was conducted, a road map has been developed, to be implemented in 2019.					

*Average monthly cost of low-level account includes maintenance fees and withdrawals.



Access Indicators

The number of bank branches per 100,000 adults dropped from 15 to 10 branches between 2017 and 2018 falling short of a target of 18. This drop can be attributed to a net effect of an increase in the number of the adult population between 2017 (0.5m) and 2018 (0.6m) as published by the Eswatini national statistics office based on the 2018 population census estimates and an increase in total number of bank branches from 66 to 67 between 2017 and 2018.

Other trends influenced by the increase in the adult population between 2017 and 2018 are the following.

- Post offices/agencies have also failed to meet the set target of 23 post offices per 100,000 adults largely due to the new census findings.
- The number of ATM's per 100,000 adults also fell short of the desired target of 60 ATM/100,000 adults.
- The number of POS has again also fallen short of the target of 500 POS machines per 100,000 over 18 adults although there is no reported data on the number of merchants (who use POS)
- The total number of ATMs reduced by this year compared to last year, dropping from 266 to 254 ATMs country wide.

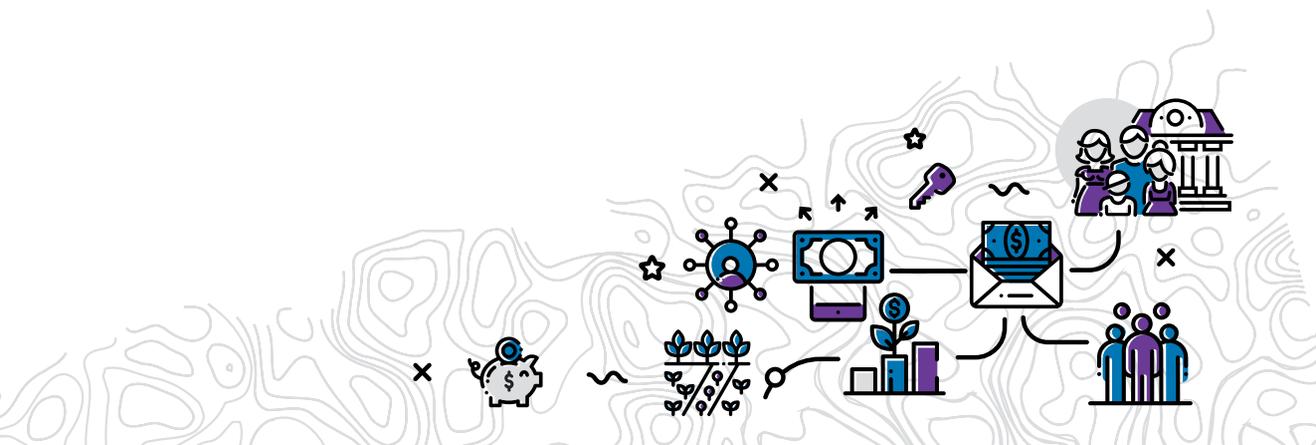
During the 12-month period, we continued to see impressive growth of mobile money in the country. As a result, the total number of mobile money agents per 10,000 people increased and surpassed the target not withstanding revised population figures from the national statistics office. The increase is also attributable to the popularity of mobile money in the country even though there has been a slight increase in transaction costs as discussed in the next section.

Transactional accounts and Usage

The percentage of adults with an active mobile money account (30 day active) increased from 79% in 2017 to 92% in 2018. The mobile money market is being driven by an interoperable environment between commercial banks and mobile money operators. There is also a retail agent model with a card-based product called Momo pay (similar to bank card) being used to make transactions at selected retailers. Consequently, this has led to a growth in the total monetary value of transactions going through the payments system. As at September 2018, almost E700,000 (\$50,000) was reported to have gone through the platform in a month. The value of the mobile money trust account (escrow account) held with banks was reported at E146,047,644 (\$10,431,974) as of 2018. This growth in the trust account makes a case for the payment of interest on these balances to customers, to test the elasticity of customers to increase savings (via mobile wallets).

Appropriateness/Affordability

Most of the banks have a basic savings account which in most cases have no minimum balance requirement. Charges on withdrawals are restricted to one free withdrawal. Interviews with banks revealed that offering a free no-frill account was almost impossible because of account maintenance costs. Additionally, stricter KYC requirements forced banks to close such accounts as customers were failing the KYC adherence requirements. As a result, mobile money now offers a much better alternative compared to banks given that a mobile money wallet offers access to a wide range of services equally offered by banks at a relatively lower cost. Mobile money seems to further serve the needs of bottom end consumers given the much simpler



customer due diligence requirements as opposed to banks. The mobile money business model also makes it less costly to reach adults in remote rural areas.

Cost of entry-level transaction accounts seems to be problematic to most low-end clients. On average the cheapest account offered by one of the banks is called a Supersaver account and it comes in at a cost of E10.20 monthly maintenance fee. Further costs associated with this account are fees associated with withdrawal which is based on a minimum fee of E6 per transaction. All the banks do not charge fees for cash deposits in line with the Central Bank directive. Indications from the banks is that the charges offered to the low end are relatively cheaper and a lot of concessions have been offered to the low-end market. However, a completely cost-free account cannot be given.

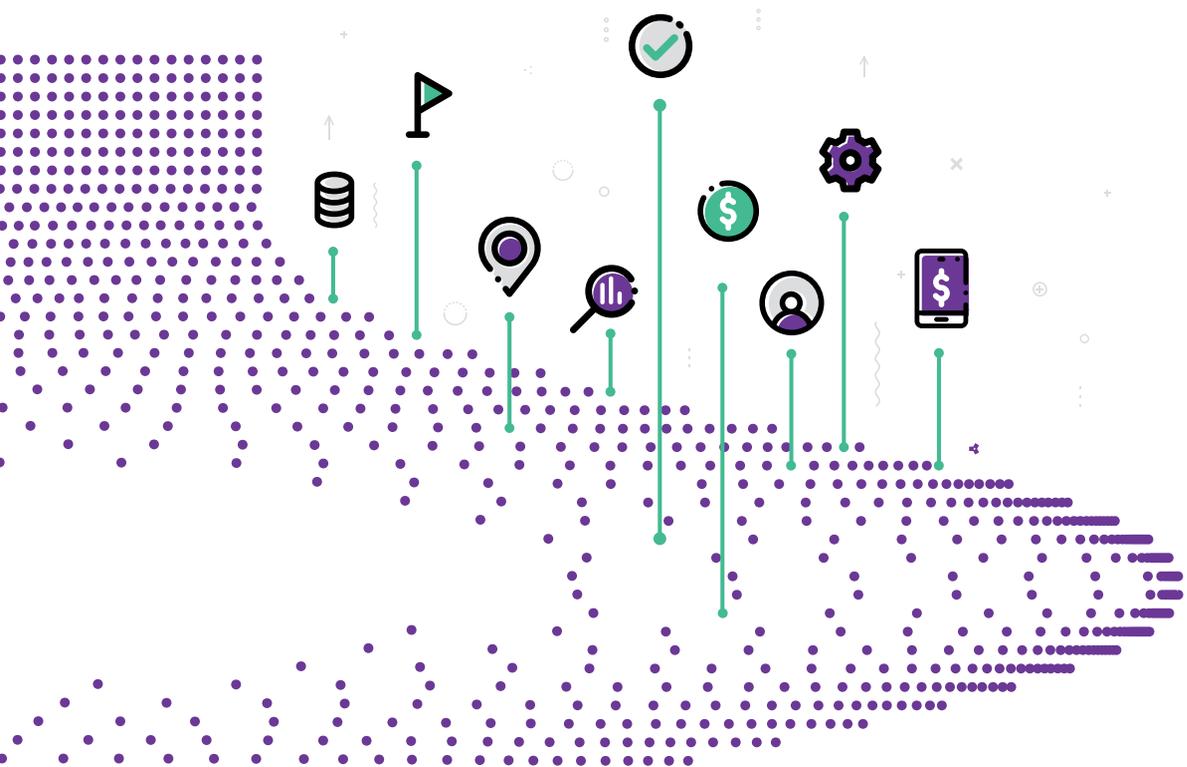
The cost of sending money through mobile money has increased overall between 2017 and 2018. Sending the maximum amount of money allowed through this channel is E13 per E4000 yet the cost of receiving the same has increased to E24 during the same period. Notwithstanding this perceived higher cost charged for

mobile money, the number of active users continues to increase. This data is yet to be tested with the on-going demand side survey.

Payments and Remittances

On the domestic front, both banks and OK Shoprite together with mobile money operators availed peer to peer payment products to the bottom end of the market. Currently, OK Shoprite using the retailer model seems to be the cheapest with a high-end cost of E9.99 on transactions of E1,000. Mobile money offers slightly higher fees for amounts above E1,000.

Most of the banks consulted indicated that they do not offer an over the counter facility for remittances to South Africa. Instead they encourage clients to take advantage of online digital platforms where EFT is then used. The average cost of EFT was estimated on an average of E15 per transaction which translates to just about 2% (of a E1,000). While this figure is seen to be relatively low, very few of the target market are technologically sophisticated enough to handle this. One bank however, indicated that they



offered an over the counter facility to South Africa at E63 per transaction. This translates to just under 6.3% for a E1,000 transaction. Looking at the target market, currently no real alternatives are available as both mobile money and the retail models have not been finalised.

Low value cross-border remittances from South Africa to Eswatini have no alternative channels besides banks to remit money. The cheapest channel offered allows an over the counter facility at a cost of E93 which is approximately 9%. In terms of the financial inclusion target market, customers are then currently forced to use informal channels which can charge up to E300.

In terms of implementation of the various initiatives, the FinScope MSME 2018 survey has been able to provide the clearest indications of the number of MSME that exist in the Kingdom, who they are, and where they source their money from. It has provided great insights on the challenges they face both in terms of financial resources as well as human capacity deficiencies. It has also given an indication of their savings culture and the extent of financial inclusion.

As a result of the MSME survey, an SME diagnostic was developed which exclusively narrowed the findings of the survey and focused on those SME's which have the highest likelihood to contribute to the real economy.

To date, the Government has adopted the roadmap and has then gone on to adopt the MSME policy which will also address some of the issues raised in the roadmap.

Lesotho



Vision: The Lesotho Financial Inclusion Roadmap lays out a plausible vision for the enhancement of financial inclusion from 2014-2020 by “improving household welfare and national growth through an enhanced quality and depth of financial inclusion”. It is envisaged that the proposed interventions will result in an increase in depth and quality of financial inclusion in Lesotho, and a sustainable financial sector able to increase citizen welfare, create economic growth, and hence meet national goals.

Financial inclusion in Lesotho



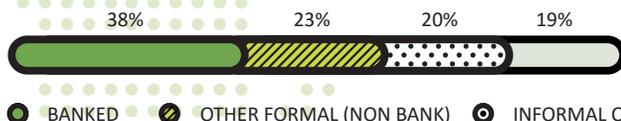
2014 Percentage

People with access to banking in Lesotho



2014 Percentage

ACCESS STRAND 2015



- BANKED
- OTHER FORMAL (NON BANK)
- INFORMAL ONLY
- EXCLUDED

		Baseline	September 2017	September 2018	Data source
ACCESS					
1. Number of access points per 100,000 adults					
Bank Branches	Total	3.87	4.03	4.02	CBL /banking supervision
ATM	Total	15	15.38	16.32	
POS	Total	103	112.51	124	
Mobile money agents	Total	177	517	328	
5. Bank Account: ATM withdrawals as a % of account transactions					
		89%	90.1%	87.9%	CBL /Banking Supervision
5. Mobile Money Accounts: 30 and 90 day active					
		30 day active: 31.4%	30 day active: 30%	30 day active: 42.69%	CBL/National payment System
		90 day active: 40.53%	90 day active: 41%	90 day active: 54.1%	
6. # no of entry level transactional accounts					
		8	8	9	Websites of banking sector and Boliba Financial Cooperative
8. Cost of mobile money transactions price point (400 to 500)					
		Transfer: M8.44 Cash Out: M6.28	Transfer: M8.45 (Unregistered) Cash Out M5.06 (Registered)	Transfer: M8.45 (Unregistered) Transfer: M3.69 (Registered) Cash Out M5.06	CBL/ National payment System
11. Average cost of low value cross border remittance					
		1%	2.4%	2.4%	https://www.shoprite.co.za/money-market/money-trnsfers.html The average amount sent is R850 which costs R20 from RSA to Lesotho. This is equivalent to 2.4% of the transfer value making it the lowest transfer value in the SADC region.

	Baseline	September 2017	September 2018	Data source
12. Interoperability: Bank 2 wallet/ wallet to wallet. Wallet cash out at atm.				
	Agent interoperability is in place	Bank to wallet is one bank and one MNO. Negotiations with other banks at varying stages.	The status of MNO/Bank interoperability remain the same. Wallet to bank has not taken place.	Information gathered from reports submitted to CBL by banking sector, and feedback at Lesotho SIMM Platform.
21. # of adults participating in VSLA's				
	Borrowing and savings with informal groups: 35%	21,752 Members Savings mobilised = M10,446,556.50 Credit to Members = M7,120,156.50 Savings with Bank = M238,788.00 2100 Members	1,858 members Savings Mobilised* = M 14,295,452 Credit to Members = M605,708.00 Savings with Bank = M164,720.80	This figure can only be revised through FinScope. NGOs submitted in 2017 and 2018. Catholic Relief Services and World Vision International.
		Savings Mobilised = M12,417,300.00 Credit to Members = M 1,610,700.00		

*Note that the Savings Mobilised is cumulative and runs from when the groups cycle started.



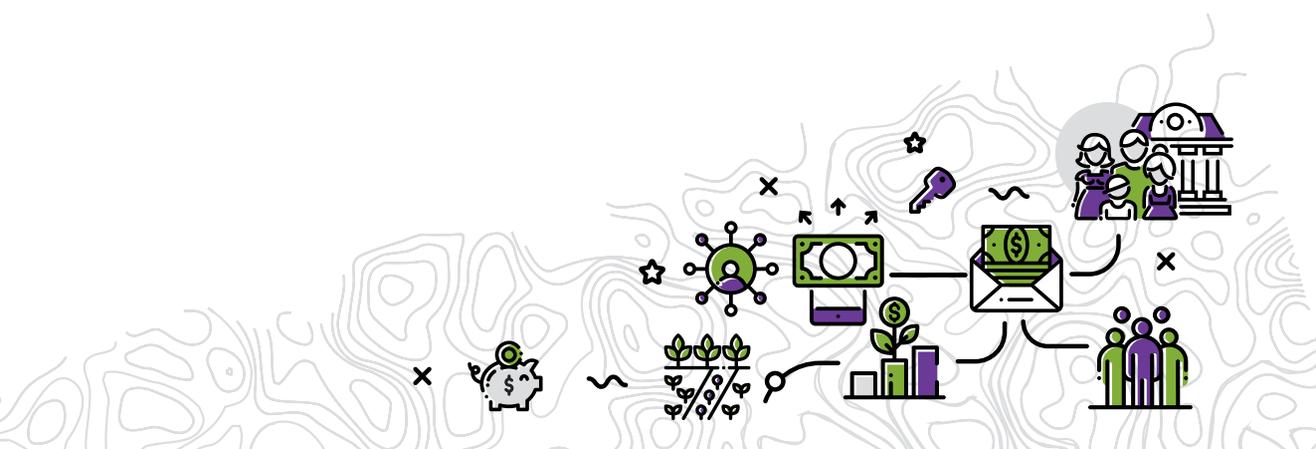
	Baseline	September 2017	September 2018	Data source
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24. Regulatory reforms to enhance affordable savings eg interest on mobile money accounts

	None	CBL issued new regulations to provide for interest earned to be distributed to e-money holders. Distribution methodology approved by the bank. Implementation modalities are yet to be worked out.	Training on implementation of distribution methodology. One MNO submitted proposal on implementation modality, proposal approved for testing.	Issuers of Electronic Payments Instruments Regulations, 2017. Formal meetings with the sector.
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25. Financial Sector consumer protection framework in place.

	None	World Bank supported project to develop financial sector consumer protection framework ongoing. Policy drafting in process with Ministry of Finance.	The draft consumer protection policy submitted to Ministry of Finance and further action awaited to proceed to cabinet.	Formal meetings with the sector.
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	Baseline	September 2017	September 2018	Data source
26. Dedicated Institutional capacity for FI and budget allocation				
	Unit established within the Private Sector Department at the Ministry of Finance. No dedicated budget.	Dedicated budget allocation, with contribution to specific projects. M2 million staff salaries. M100,000 for coordination support. M1,5 million Ministry counterpart contribution to the Lesotho SIMM project in 2017/18.	2018/2019 budget for financial inclusion - M2.58 million. 925,000 for training, 900,000 for consultancies and 755,000 operating costs. 5 people employed in the FI Unit.	Ministry of Finance
27. National Financial inclusion strategy				
	None	Financial inclusion strategy with Monitoring & Evaluation framework developed. No formal approval even though implementation in place. Documents presented to the FSDs Implementation Committee.	The FI strategy adopted by the Ministry of Finance.	Ministry of Finance

Access Indicators

These include bank branches, ATMs, Point of Sale Devices (POS) and mobile money agents. In the case of Lesotho, all of these four indicators are being tracked, but the targets were only set for POS, and mobile money agents.

The number of branches remain the same as it was in 2017. There are still 50 branches spread throughout the country. In 2017, the 50 branches translated to 4.03 branches per 100,000. In 2018 these figures have reduced to 4.02 per 100,000 because a higher population figure has now been applied following final results of the national population census of 2016.

For ATMs, the baseline position stood at 15 ATMs serving 100,000 at national level. In 2017, progress was slightly positive, there were 15.38 ATMs serving 100,000 adult population. The 2018 figure is 16.32 ATMs per 100,000 adult population. This is a steady improvement despite the fact that some of the ATMs were decommissioned during the reporting period.

The baseline position for POS was 103/100,000. The 2017 target was 150/100,000. Progress in March 2017 has reached 112.51/100,000 adults. The 2018 progress is 124/100,000 as of June. Even though the figure compares positively to the 2017 level, it is lower than the 2018 target put at 200/100,000. This is only the first half of 2018, it will remain to be seen if the indicator will have changed at the end of the year.

For mobile money agents, the baseline position stood at 177/100,000. The target set for 2017 was 250/100,000 to reach 600/100,000 in 2021. Progress as at June 2017 had already reached 258/100,000.

The 2018 target is 350 agents per 100,000 adult population. The September 2018 progress has already reached 328/100,000 people. Of all the access indicators, performance of the mobile money agents is quite impressive. At this rate, it is highly likely that by end of 2018, the active mobile money agents will be serving a higher number quite close to the set target level. It may not reach the target level, but despite that this is a good indication that mobile money agents are improving access to financial touch points.

Transactional Accounts and Usage

- **ATM withdrawals as a % of account transactions**

This indicator is being used as a proxy to track use of transactional accounts. The idea is to broaden use of bank products beyond cash withdrawals. Bank industry figures as of March 2017 suggest that ATM withdrawals are still very high as a percentage of transactions. This behaviour was discussed at length at the FI Forum in August 2018. Indications are that people withdraw their money to avoid bank charges. ATM withdrawal fees act as a disincentive to hold cash. However, ATM withdrawals as a percentage of account transactions are still high. This could be due to low levels of cash inflow into bank accounts or the unavailability of mobile payments for low value products and services.

In 2018, the Central Bank of Lesotho, working with the banking industry took an initiative to require the banks to develop a specific product offering to contribute to national financial inclusion, particularly for low income groups. The response from the banks is that only 2 banks out of 4 have reported on providing low savings accounts, even though the uptake is still low. One bank specifically introduced a transaction account for people earning M3,000 and below, where they are given free POS transactions using their bank cards. But ATM withdrawals as a percentage of transactions is still high. The 2018 figure stands at 87.9%, way above the set target of 75%. It may be that the targets were ambitious.

- **Mobile Money Accounts: 30 and 90 day active:**

This indicator measures the use of mobile money accounts. It is meant to track the extent to which people actually use their mobile wallets at least once in 3 months. There is further improvement looking at the level of active accounts as at June 2018:

- > 30-day usage increased from 30% to 42.69% relative to the baseline of 31.4%.
- > 90 day active improved - up from 41% to 54.1% relative to the baseline of 40.53%.

Appropriateness/Affordability

- **Number of entry level transactional accounts:**

The indicator was developed to track the number of entry level transactional accounts in the market in order to influence the industry to offer more options. The indicator measures how appropriate transactional accounts are by looking at price and availability. The number of these types of accounts is 8 and the number of products has increased to 9. However, the banking sector is yet to provide usage figures on the identified accounts, including those offered by the large financial cooperatives. Indications are still that uptake is low.

- **Cost of mobile money transactions:**

Mobile money provides access for the poor and pricing is an important factor influencing uptake. Through this indicator, the price of transfers and cash out are being tracked and targets were proposed. Progress is that industry average price of local transfers remains the same at M8.45 for unregistered users, while transfer costs also remain the same for registered users at M3.69.

Payments and Remittances

- **Average cost of low-value cross border remittance:**

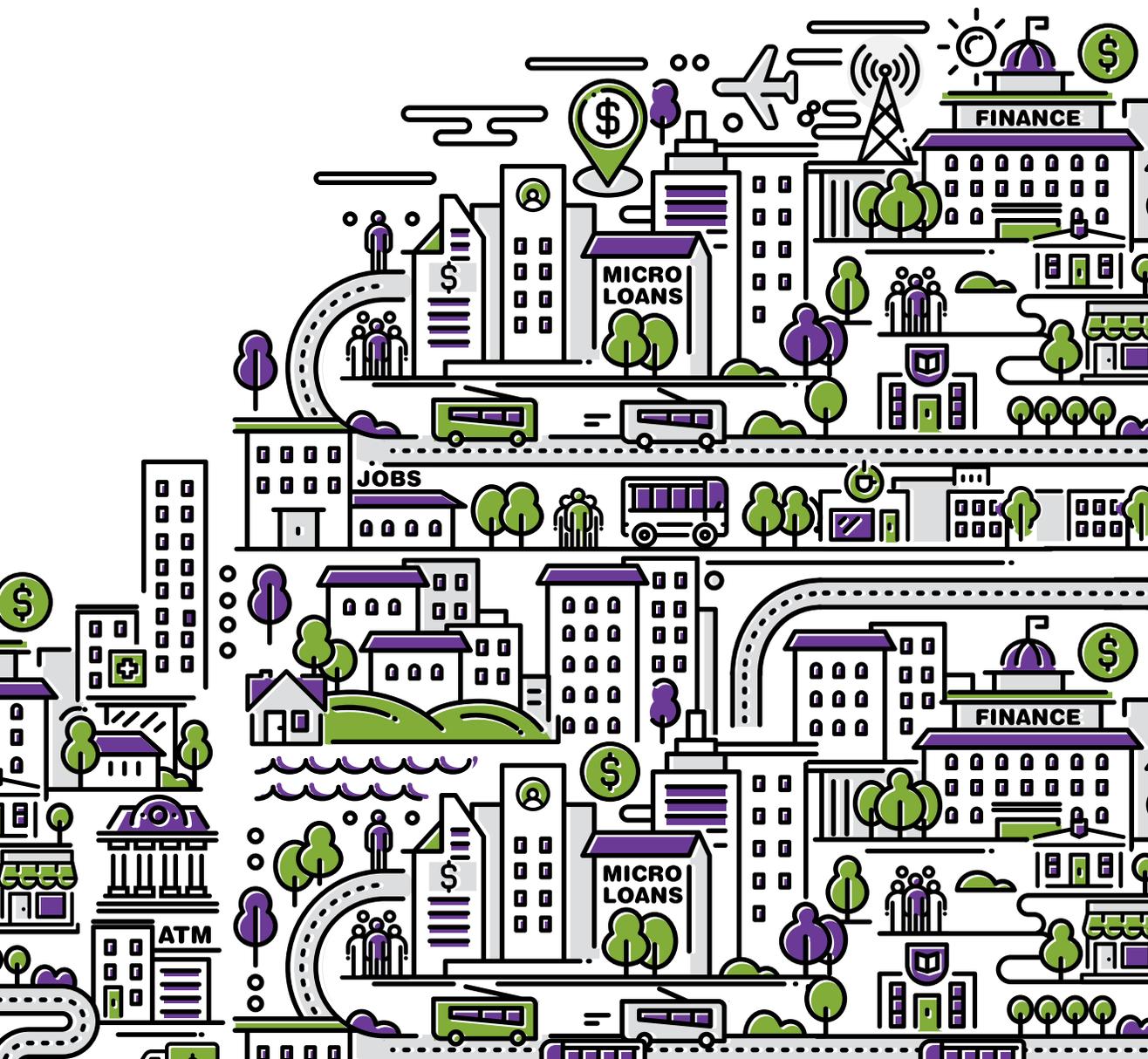
Cross border remittances are an important financial function for low income people working outside the country. Migrants have to send money home through safe, affordable and reliable channels. Price however still remains key because it is important that their low incomes do not get further eroded along the way due to high fees.

The price of sending money through the Shoprite retail model was doubled from M9.99 to M19.99 during the reporting period which is still lower than the bank model alternative. It is interesting however that usage for this system has grown exponentially regardless of the price doubling. As of the end of 2018, the value of remittances using the the Shoprite retail model has reached USD71.5 million. At a cost of 2% of transfer value, this product is one of the cheapest cross border products in the world.



- **Interoperability: Bank 2 wallet/wallet to wallet**

Increasing availability of cash in and cash out touch points as well as developing ecosystems to increase digital usage is important in payments and remittances environments. Interoperability between mobile wallets and banks is key to this objective. The target for 2017 is for bank to wallet to be enabled. There are four banks and two MNO's in Lesotho. In 2017, only one bank and one MNO have enabled this bank to wallet transfers.

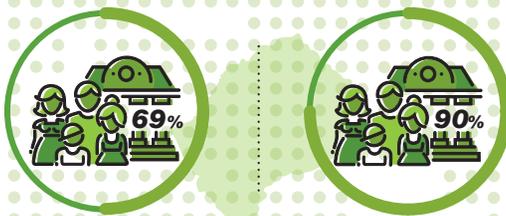


Zimbabwe



Vision: The Zimbabwe National Financial Inclusion Strategy lays out a vision for an inclusive financial system that is responsive to the needs of all Zimbabweans, and to facilitate access to usage of quality and affordable financial services by all Zimbabweans.

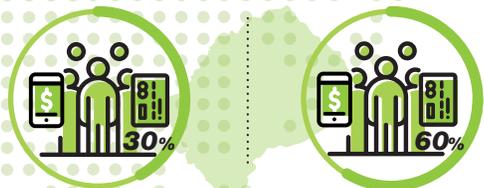
Level of access in Zimbabwe



2014 Percentage

2020 Goal

Proportion of banked adults in Zimbabwe



2014 Percentage

2020 Goal

ACCESS STRAND 2014



- BANKED
- OTHER FORMAL (NON BANK)
- INFORMAL ONLY
- EXCLUDED

	Baseline 2014	June 2018	Data source
Adult population	7,000,000	7,353,176	FinScope 2014 Consumer Survey and calculations based on 2.32% growth rate in 2018

ACCESS

Commercial bank branches	7.7/100,000 (543 branches)	5.4/100,000 (400 branches)	RBZ, Bank Supervision
MFI branches	9.1/100,000 (639 branches)	13.3/100,000 (979 branches)	Zimbabwe Association of Microfinance
MFI Agencies ⁴		8.9/100,000 (660)	Zimbabwe Association of Microfinance
MTAs/ADLAs ⁵	4.6/100,000 (286 branches)	4.3/100,000 (322 branches)	RBZ, Foreign Exchange
Mobile Money Agents	365.9/100,000 (25,618 mobile agents)	675.3/100,000 (49,663 mobile agents)	RBZ, National Payments Division
ATMs	7.7/ 100,000 (538 ATMs)	7.67/ 100,000 (564 ATMs)	RBZ, National Payments Division
POS	180.2/100,000 (12,612 POS)	1,121.2/100, 000 (82,447 POS)	RBZ, National Payments Division

PAYMENT SYSTEM ACCESS DEVICES

Debit Cards issued	3,613,781	4,455,825	RBZ, National Payments Division
Credit Cards issued	9,547	16,810	RBZ, National Payments Division
Prepaid Cards issued	28,881	71,813	RBZ, National Payments Division
Internet banking subscribers	78,548	326,184	RBZ, National Payments Division
Number of women with bank accounts	0.9m (Dec 2017)	1.6m	RBZ
Number of MSMEs with bank accounts	76,524 (Dec 2017)	81,369	RBZ
Number of bank loans to youths	61,529 (Dec 2017)	68,756	RBZ
Microfinance clients – women	115,690 (Dec 2017)	140,055 (Dec 2018)	RBZ

7. Number of registered mobile money accounts

	6,060,630	11,970,377	RBZ, National Payments Division
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4 Some MFIs report agencies in the figure of branches.

5 Mobile Money Agent- a person acting in the name and behalf of, representing one or more payment service provider issuing a retail payment.

	Baseline 2014	June 2018	Data source
8. Mobile Money Accounts: (90-day active)			
	3,403,152	5,476,208	RBZ, National Payments Division
9. Average mobile wallet balance			
	\$11,31	\$23,17	RBZ, National Payments Division
13. Transactional cost of mobile money transactions (on up to \$30)			
Cash-in		Free	
Cash-out: \$30		\$0,78	
Pay Merchant: \$30		\$0,51	
Bill payment: \$30		\$0,38	
REMITTANCES			
15. Average cost of low value cross border remittances (inbound) (averaging MTAs, Banks and mobile money)⁶			
ZAR 3410	12,13%	8,34%	RBZ, Exchange Control Division Inbound UK-Zimbabwe
ZAR 1370	17,24%	12,99%	RBZ, Exchange Control Division Inbound SA-Zimbabwe
16. Average cost of inward MTAs remittances			
ZAR 1370	8,46%	7,94%	RBZ, Exchange Control Division
17. Average cost of inward mobile remittances			
\$100	Low value:	Low value: 7%	RBZ, Exchange Control Division
18. Average cost of outward remittances (MTAs)⁷			
\$100	Low value: 12.5%	Low value: 12.5%	RBZ, Exchange Control Division

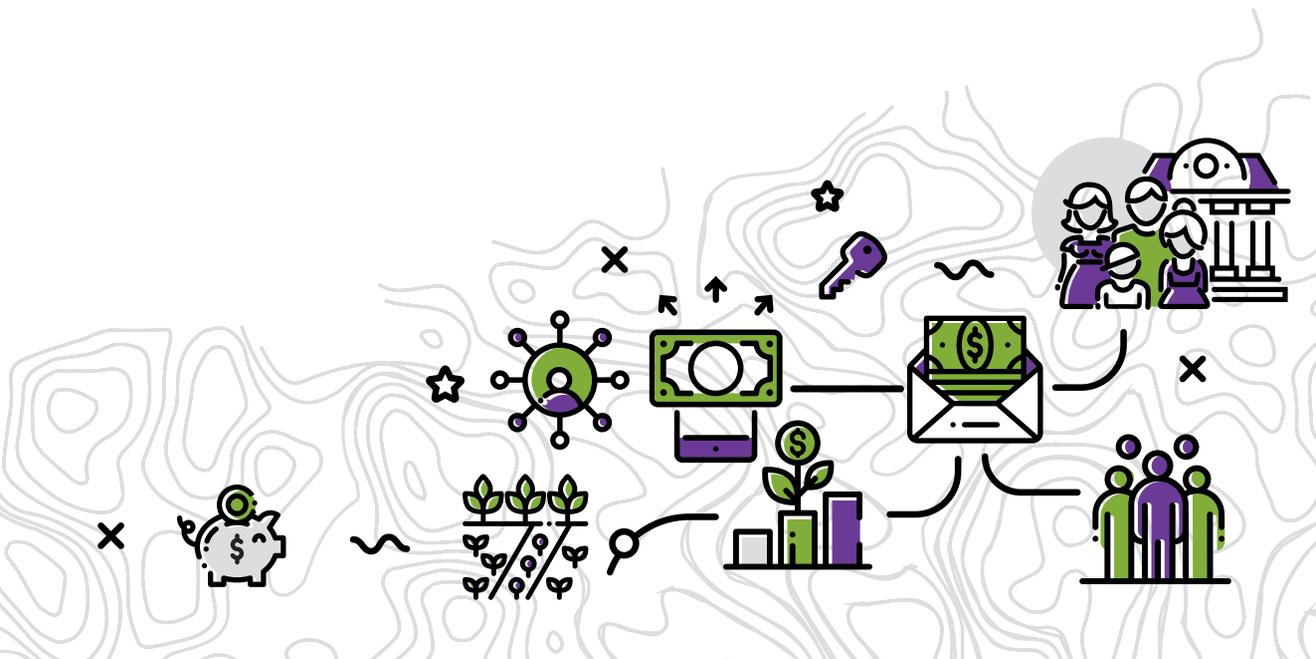
6 Data for 2014 and 2018 was based on average UK-Zimbabwe and SA-Zimbabwe corridors adapted from Send Money Africa, <https://www.sendmoneyafrica-auair.org/corridor/>

7 Average cost from two MTAs that command 86% of outward remittances.

	Baseline 2014	June 2018	Data source
Dedicated Institutional capacity for FI and budget allocation			
		The Reserve Bank established the Financial Inclusion Unit. The Unit requires capacity building in terms of coordination of data collection and reporting. Number of staff in the FI Unit: 10	RBZ Financial Inclusion Unit
		The budget is allocated under the Bank Supervision Department in which the FI Unit falls.	

National Financial inclusion strategy

The National Financial Inclusion Strategy was launched in March 2016 and since its launch, some initiatives are being implemented to drive financial inclusion. The NFIS has led to the establishment of nine Thematic Working Groups and these include: Women, Youths, SME Finance, Financial Literacy and Consumer Protection, Rural and Agriculture, Microfinance, Insurance and Capital Markets & Digital Finance



Access Indicators

The number of commercial branches has reduced significantly from 7.7 to 5.4 branches per 100,000 adults. This is a result of an active drive to reduce the number of brick and mortar branches while introducing an agent banking model through retail shops, as bank agents, providing limited banking services such as account opening, deposits and withdrawals to customers.

There is a discernible edge in the spread of MFI branches over commercial bank branches. The MFIs mostly provide credit, showing the appetite for credit to meet financial needs in Zimbabwe. Most of the MFI clients are farmers involved in different agricultural activities. The leniency in application of KYC rules with MFIs also explains why it has more customers than commercial banks.

Microfinance institutions have also adopted agent banking, which is a strategy to reach more inaccessible, rural clients but with high cost implications.

The total number of mobile money agents have increased significantly from 40,950 in 2014 to 49,663 in 2018. This alternative to traditional banking models has been a catalyst in expanding digital financial inclusion. Most adults in Zimbabwe prefer using mobile money to the formal banking option but this could also be due to the unpredictability of the banking sector in introducing new currencies and enforced limits on cash withdrawal.

The number of mobile money users reduced between 2014 and 2018 due to a drive to deregister inactive accounts. The youth population makes up the majority of mobile money users. There has also been an increase in the loans to youth rising from 61,529 in December 2017 to 68,756 in June 2018. The number of women with access to microfinance loans increased from 115,960 (Dec 2017) to 140,055 (Dec 2018). Since the

launch of the National Financial Inclusion Strategy, the RBZ has structured some Empowerment Funds for the MSMEs both women and youth driven in an effort to drive the FI agenda. MSME desks were opened in commercial banks, leading to more MSMEs being aware of these facilities. Of the total number of MSMEs accessing the credit facilities, those owned by men are driving uptake of loans. Loans increased from 76,524 to 81,369 between December 2017 to June 2018.

Number of registered mobile money accounts

Registered mobile money accounts have increased during the period under review. This is mainly because mobile money users usually would have one or two accounts with a mobile money operator. There is a potential for double-counting in relation to total number of mobile money customers as there is no process for verifying unique customers in place.

Average mobile wallet balance

The average mobile wallet balance for the period under review has increased significantly. This is mainly attributable to the cash shortages in the economy and limits to cash withdrawals. Also, mobile money users can purchase airtime credit from mobile money hence most people keep a certain balance in their account specifically for such transactions. Therefore, mobile money customers in Zimbabwe demonstrably use wallets to store money for protracted periods.

Transactional cost of mobile money transactions

Cash out charges on mobile money are expensive as compared to the normal bank withdrawal fee of about 1% of the value of the transaction. There has been an observed preference for mobile money mainly because of its flexibility and convenience. It should be noted that cash-out charges increase with the value of transaction.

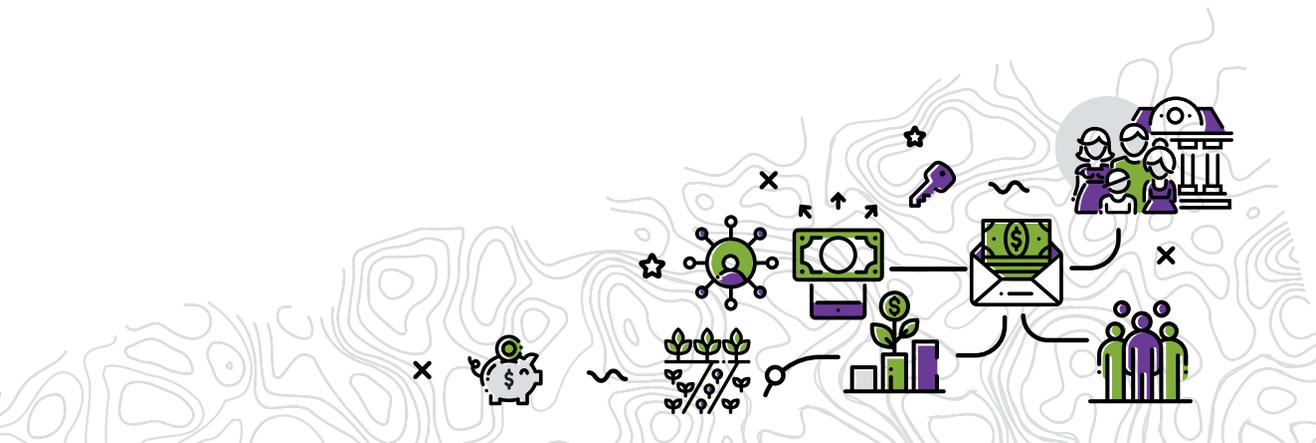
Payments and Remittances

It is estimated that more than 5 million Zimbabwe diasporas live outside the country. They send money back home (remittances) almost once every month to support their loved ones. Due to the increase in remittances into the country, the Reserve Bank of Zimbabwe had licenced more Money transfer agents/ Authorised dealers in foreign exchange with limited authority to process remittances from all over the world. The Money transfer agents/Authorised dealers in foreign exchange with limited authority have increased from 286 to 322 between 2014 and 2018.

The average costs of low value remittances have reduced on the identified corridors. This may be attributed to the use of new technology by the players as well as increasing competition due to the addition

of new players in the market. For instance, Econet has partnered with other regional players such as Mukuru, World Remit among others. Mobile network operators are also entering into partnerships with regional Money transfer agents. This will probably have an effect on the pricing of remittances.

The value of bank to wallets transfers have increased significantly during the period under review. This is mainly due to the existence of interoperability between banks and mobile network operators. Almost all banks are now linked to all mobile money platforms hence this provides an opportunity for clients to move their funds from bank to wallet at any given time and place. The high values are also largely attributed to the cash shortages prevailing in the country.



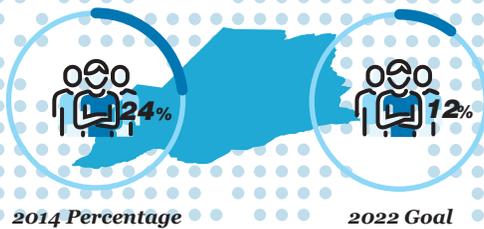


Botswana

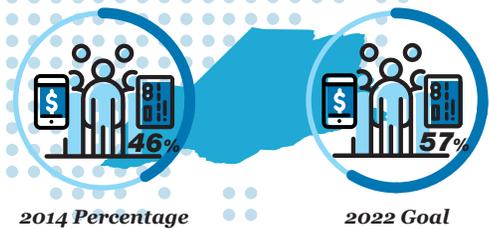


Vision: The Botswana Financial Inclusion Roadmap¹ 2015 – 2020 lays out the national priorities for the enhancement of financial inclusion in Botswana, in order to help improve citizen’s welfare and support national objectives by “Deepening access, extending financial services to the farthest corners of Botswana”

Financially Excluded in Botswana



People with access to more than one formal financial product



ACCESS STRAND 2015



- BANKED
- OTHER FORMAL (NON BANK)
- INFORMAL ONLY
- EXCLUDED

	Baseline	September 2017	September 2018	Data source
ACCESS INDICATORS				
1 - Number of access points per 100,000 adults (>18 years old)				
Bank Branches	9	10	9,19	Bank Supervision
ATM	33	33	34,10	
Mobile Money Agents	31	91	76,91	
POS			187,11	
Total	73	134	307,31	
5 - Bank Account: ATM withdrawals as percentage of account transactions				
	85%	83%	81,98	BoB
6 - Numbers of Mobile Money Accounts: 30, and 90 day active				
	283,044	293,077	323,653	MNO BOCRA
		Average: 80,644	528,065	
8 - Cost of entry level transactional account				
	Zero	Target Zero Actual Zero	Zero	Visit to banks
9 - Cost of mobile money transactions				
	MNO Cash in - P9	Target 13P Actual 7P	6P (paid by sender if receiver is registered) 16P (paid by sender if receiver is unregistered)	Visit to MNOs and brochure
	MNO Cash out P9	0P	0P	
	MNO bill payments - P9		5P	
12- Average cost of low value domestic remittance (100Pula=10US\$)				
	Post Office fee 28,40P	28,40P	28,40P	
	Mobile money Operator 18,00P	11P	15,00P	

	Baseline	September 2017	September 2018	Data source
13 - Average cost of low value cross border remittance (100-300Pula) - Outbound				
	Banks – 25P Post Office fee from 28.20 P	Banks 25,00P Post office 28.20P	Banks - 22,14P Post office – 22.5P	Visit to banks, post office and MTO to view cost menu
	MTO - 40P	47P	47P	
	Interoperability not in place	New regulation drafted	New regulation not yet in place	Bank of Botswana

14 - Interoperability: Bank to wallet - Wallet to wallet - Wallet cash out at atm.				
	No strategy developed	No strategy developed	Interoperability is operational with mobile money users being able to cashout at bank ATMs	MFED Regulators 2017: New regulations drafted. Central Bank authorised Braclays Bank to accept mobile money deposits.

15. Dedicated Institutional capacity for FI and budget allocation				
			There is a financial inclusion team with a budget. The permanent secretary receives a report on financial inclusion every 6 months.	

16. National Financial inclusion strategy				
The permanent secretary of the MFED is responsible for the implementation.				
<ul style="list-style-type: none"> • Mobile Money Guidelines regulation to be published in early 2019. • Credit Information Bill approved by MFED and sent to the Attorney General Chamber for legal draft. • Secured Transaction on Movable Assets Bill drafted and under stakeholder's consideration. • Revision of agriculture credit guarantees regulation. 				



Access Indicators

In Botswana, there has been a decline in the proportion of bank branches per 100,000 adults even though it is marginal. On the other hand, there has been a slight increase (less than 1%) in ATMs per 100,000 adults. The increased use of digital technologies, such as internet banking, mobile banking and mobile money, would appear to have reduced the need of “brick-and-mortar” infrastructure.

The population census survey report 2017 shows that 33.4% of the adult population live in rural areas (475,342). These areas are served by 50 post offices, one single commercial branch and 60 mobile money agent outlets, which clearly points to an underserved rural market in terms of accessibility to financial access points – and an urban bias in the ubiquity of access points.

Mobile money agent locations decreased from 91 to 77 per 100,000 between 2017 and 2018 showing that digital financial services are being driven by banks as opposed to mobile money. However, there is interoperability between banks and mobile money access points indicative of an integrated payment system. With an underserved rural population, mobile money agents would serve as an appropriate option to reach that market. It is also important to note that the total number of mobile money agents decreased due to inactivity with only 943 agents being active out of the 1,096 in 2018. This could be indicative of a sub-optimal deployment of agents in areas where they might be saturated.

Transactional Accounts and Usage

The percentage of adults cashing out from an ATM increased between 2017 and 2018 from 80 to 82% of the adult population. This reinforces the hypothesis that the banking model still has an edge over mobile money in Botswana. As mentioned, this is driven

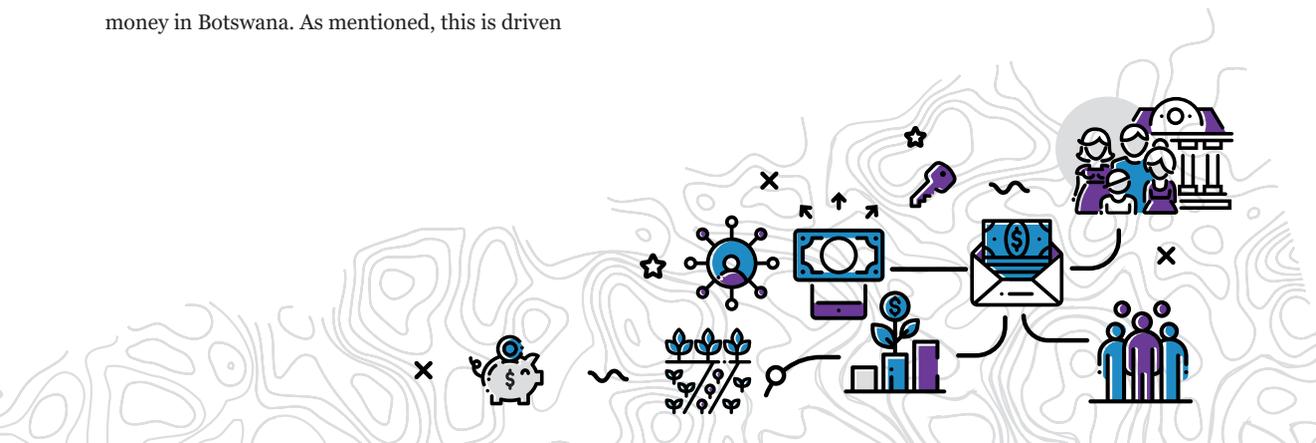
by customers being able to cash out mobile money payments through the ATM given an interoperable environment. The usage of mobile money did increase between 2017 and 2018 based on 30 and 90-day levels of activity. In 2018, 53% of mobile users were female.

Furthermore, commercial banks have an entry level transactional account which is free to open to attract low income customers even though there is limited visibility in rural areas. However, there are costs to using these entry level accounts which would require further investigation.

Registering for mobile money is also free of charge. The cost of cashing in and out has decreased between 2017 and 2018 showing an environment looking to drive usage of mobile money leveraging on price elasticity to the cost of mobile money transactions.

Payments and Remittances

The cost of domestic remittances is cheaper using mobile money services compared to the post office. For outbound cross border remittances, the average cost has been calculated on the basis of Western Union, Mukuru, MoneyGram and Orange. Fees range from 30P (Mukuru) to 89P (Money Gram). Western Union is the most used channel for the cross-border transaction. Money transfer operators offer lower charges on cross border remittances compared to the banks.



3

Sex-disaggregated data

There is a challenge in accessing sex disaggregated data from the regulatory data on financial inclusion. This section provides some context on access to financial services based on the disparities between men and women across the region. Of the 5 countries included in this report, Malawi has the highest level of financial exclusion for women (59% of women vs 53% of men excluded), while Lesotho has the lowest female exclusion rate (16% of women vs 23%

of men excluded), and the only country of those in this report where female exclusion is lower than male exclusion. Botswana on the other hand is the country with the biggest negative difference between women and men; women have an exclusion rate that is 6 percentage points higher than those of men. The gender gap (difference between financial exclusion for men and women) is due to a variety of factors which require further research.

Total financial exclusion across SADC region



*Along with Lesotho, Namibia and South Africa also have a favourable gender gap driven by social welfare transfers, funeral insurance and informal savings groups.

4

Measuring stakeholder commitment

The M&E framework attempts to measure local stakeholder commitment to the implementation of the roadmap. In this regard the contribution made by government and local donors is reported below for the last financial year:

MAP country commitments

Project / Programme	Funders	Value US\$
 Lesotho		
SIMM Project - Mobile Money Eco System and Agent Mapping Programme	UNDP	\$460,000
SIMM Project	Ministry of Finance	\$150,000
Stakeholder Workshops	Ministry of Finance/UNDP	\$15,000
 Botswana		
Ministry of Investment Trade & Industry (MITI): Financial support of stakeholders and implementation	BEUC Finance	\$1,000
 Eswatini		
FinScope Consumer	Centre for Financial Inclusion	\$163,000
Stakeholder Workshops & Meetings	Centre for Financial Inclusion	\$1,000
Mobile Money Capacity Building	Central Bank	\$2,000
Innovation/Fintech Support	Central Bank	\$2,000
SMME 360 - Diagnostic for SMMEs	Centre for Financial Inclusion	\$15,000
Credit-information sharing visit to Namibia	Centre for Financial Inclusion & UNCDF	\$10,000
 Malawi		
FinScope MSME and MAP	EU, World Bank, DFID, UNDP	\$542,765
 Zimbabwe		
Zimbabwe Financial Inclusion Forum	Reserve Bank of Zimbabwe	\$10,000



5

Towards Agenda 2030 – Making Financial Inclusion work

In this first tracking report of the implementation of the financial inclusion policy among SADC countries, it is pleasing to see the increasing levels of commitments by Governments, demonstrated by the increase in the number of dedicated staff and committed budgets. This sets a firm baseline within which we can work with national counterparts towards the achievement of the national vision for financial inclusion.

There is a general move towards the expansion of financial inclusion driven by mobile money across the board. However, there is an increase in the cost of mobile money in some countries, and the proportion of accounts that are active remain low.

Given that mobile money is meant to be an alternative to banking, rising costs within mobile money pose a worrying problem, and the increasing cost could counteract the intent of having a low-cost product – resulting in mobile money no longer having a value proposition for poor people. This requires further understanding in each country, for example an increase in the costs of mobile money (cash out specifically) in Eswatini could be indicative of a drive to discourage people holding cash. However, cash holding is still relatively high given the percentage of cash withdrawals of ATM transactions.

Thus, similar to bank accounts, mobile money is more likely to be used as a ‘post box’ serving the purpose of P2P

transactions. The increase in the cost of using mobile money raises the question of the potential ‘mission drift’ of mobile money operator’s in serving low income customers and thus, the need for appropriate regulation to ensure these costs are kept low.

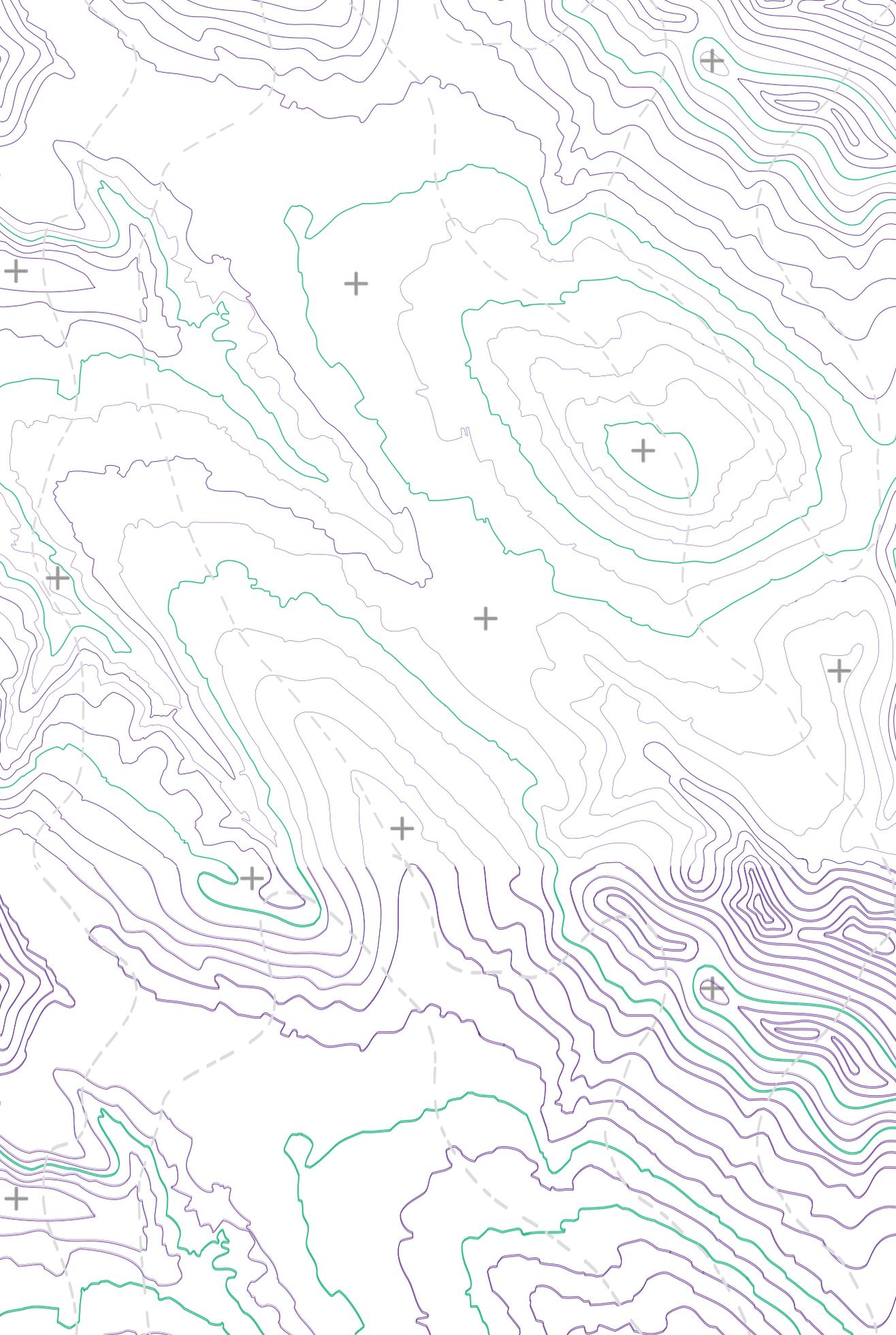
Cross border remittances have seen more competition in terms of the number of products and models across the five countries. This has led to a reduction in the cost of cross border remittances. Different business models are emerging across the countries. For instance, the retailer model is the cheapest in Lesotho while the Money transfer operator model is the cheapest in Botswana.

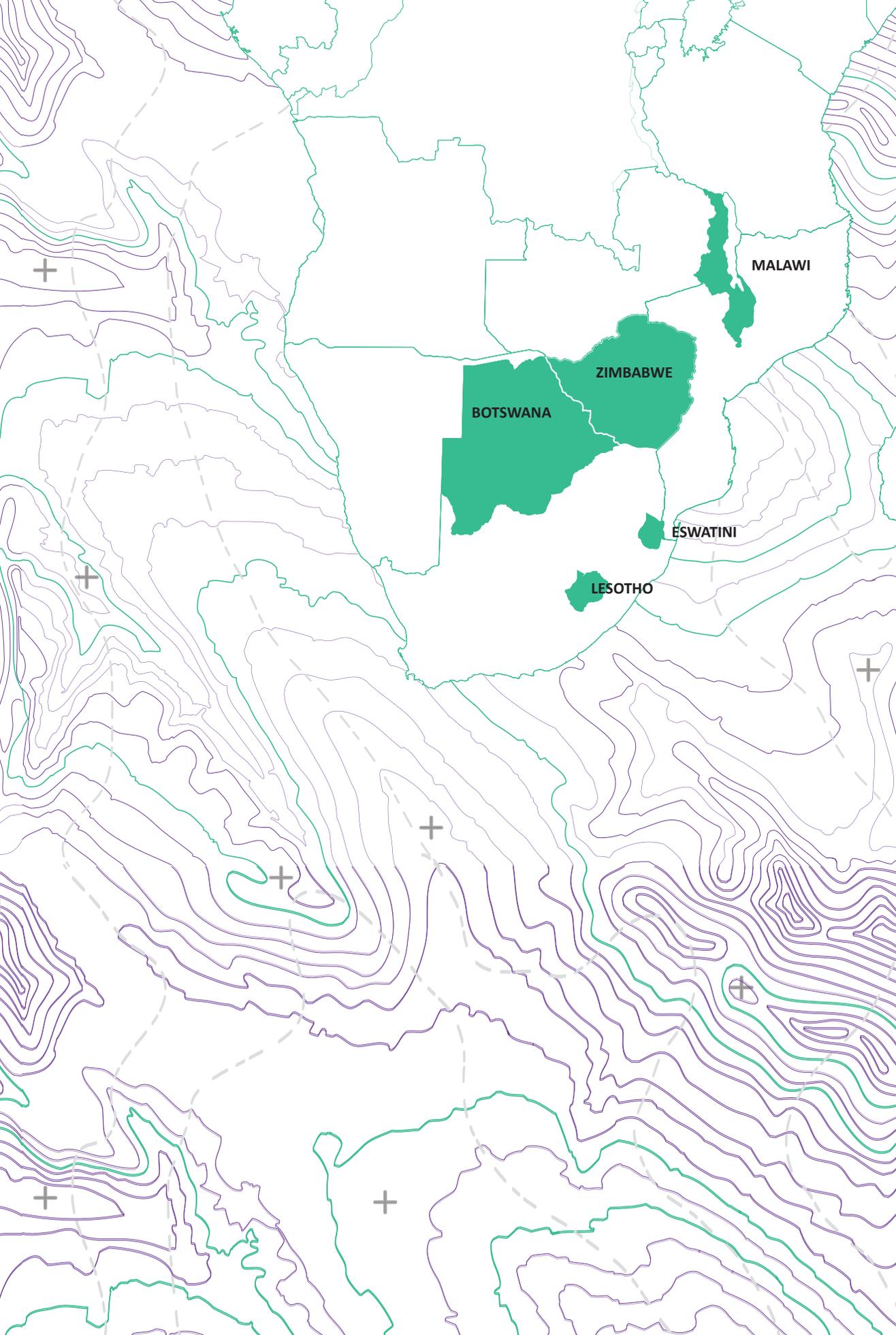
Consistently, this report highlights the need for more primary data on the lower end of the market to deepen customer understanding in order to ensure more robust interventions in order to build sustainable market systems.

This regular tracking report of the implementation of the national policy, gives a solid basis on which to understand the market dynamics at play with the interventions that have been put in place. At a market level, there is no doubt an evolution in the nature of demand and the consumption of financial service products, as consumers, markets and technology evolve, thus providing a real time view of how the interventions are working on the ground.









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MALAWI

ZIMBABWE

BOTSWANA

ESWATINI

LESOTHO

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