

PROJECT FACTSHEET

Title of project	SCBF 2012-10: Better outreach and Productivity for Financial Services in rural areas of Mozambique through the use of mobile phone technology
Country/ region	Mozambique
Financial Intermediary	Microbanco FIDES Moçambique Lta (MBFM), licensed Microfinance Bank
Competence Centre mandated for execution	FIDES AG, Route de la Fonderie 2, 1700 Fribourg, Switzerland
Overall project budget	CHF 233'340 (40% self-contribution by partner)
SCBF contribution	CHF 140'000 (60% SCBF funding share)
Date of project approval	23.01.2013
Project period	01.2013 until 12.2014; put on hold in 10.2013 for much delayed receipt of banking licence of MBFM; restarted in 01.2015 with project period extended until 09.2015
Context	<p>The financial sector of Mozambique is characterized by a combination of banks and microfinance institutions with limited outreach, focusing primarily on salaried people and small and medium entrepreneurs (SMEs) in the urban centers. The rural economy - being the employment and income basis of more the large majority of the population - is largely underserved by the formal financial sector. Lending to small enterprises and smallholder farmers is virtually absent with first attempts now undertaken by Banco Opportunidade and MBFM.</p> <p>Almost 80% of the adult population manages their lives without using any kind of financial product (i.e. formal or informal). Only 12% of the adult population is banked (i.e. use a commercial bank product) and 4% use financial products provided by formal financial institutions which are not commercial banks (e.g. insurance companies). In rural areas only less than 5% of the active population are served by banks.</p> <p>FIDES Mozambique has started its operations and is now disbursing the first loans. The response of the market to its products is very favorable and the readiness of the market for more client friendly financial services including long-term savings products is a reality. Key challenges are (1) high transaction costs in rural areas, and (2) the general low level of school education in the country and the lack of skilled labour in the financial sector.</p>
Current status	<p>Keys challenges could be identified and following steps implemented:</p> <ol style="list-style-type: none"> 1. Intensive research on client level has enabled a better understanding of the required product range and of barriers of accessibility. 2. A number of systems has been analyzed on site by staff members, in Kenya, South Africa, Indonesia, and Senegal. 3. Staff has been trained in this field. <p>The choice for TAG technology has been made. Many of these elements are still not fully finalized, but the results are already substantial and clearly show the high impact on accessibility of financial services as well as the technical reliability of the System.</p> <p>Due to a much longer than foreseen licensing process the bank had to temporarily suspend project execution in 10.2013. The bank has now started its lending activities and the portfolio is growing. This creates the basis for the restart of the phone-banking project. Its results will be crucial for reaching out to micro-entrepreneurs and farmers in rural areas.</p>
Objective and main activities	<p>The SCBF supports MBFM in achieving the following objectives:</p> <ol style="list-style-type: none"> 1) To offer client-oriented financial services conveniently through a network of service points with village shops and/or within the women groups that are clients of MBFM. 2) To increase productivity and security by data entry on field level to the MIS. 3) To participate to the reduction of potential fraud since the clients will register the transactions themselves limiting the intermediaries. <p>Three analytical elements are required to form the basis for the identification of the branchless banking technical solution:</p> <ol style="list-style-type: none"> 1) A more in-depth client demand assessment concerning the savings, payments, transfer and financial services requested / client capabilities. Mapping the client demand in terms of financial transactions and assess their current usage of mobile devices and cards. 2) An implementation plan for the pilot taking into account client behavior and client demand, plus the operational organization of the MFI, its products, and its MIS features. 3) An analysis of cost structures built into the pricing of the products, obtained by a pilot operation on a significant scale.