

Urwego Bank mobile-agent banking application upgrade (Rwanda)

1. DEVELOPMENT RELEVANCE

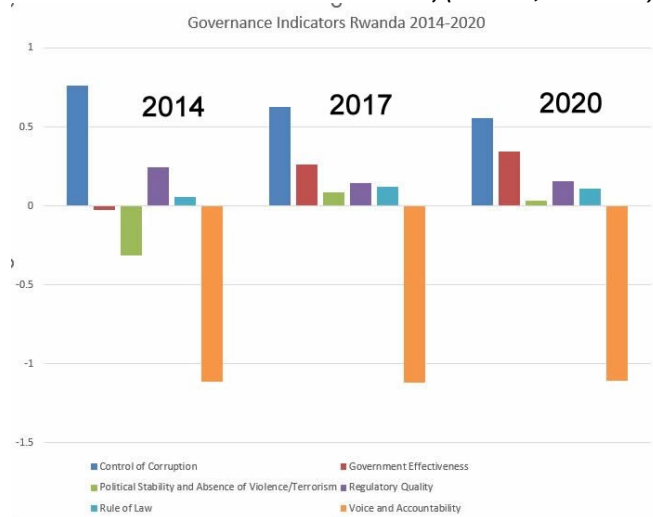
Economic and poverty context

Rwanda has achieved a strong economic recovery in 2021, according to the 18th edition of the Rwanda Economic Update (REU18). Industrial production increased by 16.5% and agricultural output rose to 6.8% in the same year, while traditional exports (coffee, tea, cassiterite, wolfram, and coltan) increased by about 35% in the first nine months of 2021. Overall, gross domestic product (GDP) increased by 10.9% in 2021, reflecting a broad-based recovery from the 2020 recession and COVID-19 pandemic (IMF press release 22/105).

However, the outlook is clouded by the impact of the war in Ukraine as well as the deteriorating levels of unemployment despite growth acceleration, partly reflecting a shift in employment to higher-productivity activities (manufacturing and construction). While the GDP got close to the pre-pandemic level, the unemployment rate has remained more than 13 percentage points higher compared to the beginning of 2020, with a rise in unemployment rates for women.

Table 1 ⁱ : Population and economic indicators	
Population in million (please indicate year)	
GDP growth (2020)	-3.4%
Inflation (2021)	-0.4%
Trade balance (% of GDP) (2020)	-16.3%
Foreign direct investment (net) (% of GDP) (2020)	1%
Net ODA received (% of GNI) (2019)	11.9%
Remittances received (% of GDP) (2020)	2.7%
Economic Freedom Index ⁱⁱ (Rank among 186 countries) (2022)	57.1
Poverty indicators	
GDP per capita (USD) (2020)	797.9
Gini Index (0= equality 100= inequality) (2016)	43.7
International poverty rate (2016; at 1.90 USD/day)	56.5%
National poverty rate (2016)	38.2%
National rural poverty headcount rate (2010) https://knoema.com/atlas/Rwanda/Rural-poverty-rate (data no longer available from World Bank)	48.7

Governance indicators chartⁱⁱⁱ, (Rwanda, 2014-2020)



Financial sector context

Rwanda's financial sector has made great strides towards modernisation. The sector is stable, well-capitalised, profitable, and liquid. The sector consists of a vast and growing array of institutions, a stock exchange, banks, microfinance institutions, savings and credit cooperatives (SACCOs), insurance companies, and pension funds, and is becoming increasingly diversified. In terms of total assets, the banking sector continues to dominate the financial system with banks accounting for 66.1%, followed by the pension, insurance, and microfinance at 17%, 9.7%, and 6.4%, respectively.

In total, 93% (about 7 million adults) of people in Rwanda are financially included (including both formal and informal financial products/services). Levels of financial inclusion vary from 99% in Gasabo district to about 83% in Rusizi district. The gender gap in financial inclusion is closing with only 8% excluded women compared to 7% amongst male counterparts. About 77% (5.5 million adults) in Rwanda have access to or use formal financial products/services, including banking and other formal (non-bank) financial products/services ranging from insurance to mobile money (FinScope Survey 2020).

Financial sector partner(s)

Urwego Bank (UB) has been operating in Rwanda since 1997, providing financial services to low-income populations who are historically excluded or underserved by commercial banks. In 2007, Urwego became a regulated Microfinance Bank. Since then, UB has scaled its operations to 17 branches and some 350 agents throughout the 30 districts in Rwanda. Opportunity International sold its 50% ownership of Urwego to HOPE International in 2017, making HOPE a 99% shareholder in the bank, with World Relief continuing to own 1%.

UB identifies its core target client-base as micro, small and medium enterprises (MSMEs). MSMEs are the biggest source of employment in the Rwandan economy. UB's second or 'frontier' tier of clients are savings groups, smallholder farmers and youth. Savings groups represent the most significant means of increasing financial inclusion in Rwanda. Smallholders and the agricultural sector in general are amongst the most underserved populations in Rwanda (agriculture represents 31% of the GDP but receives only 2% in credit).

2. INTERVENTION APPROACH

Capacity-building needs

Before the beginning of the SCBF intervention, UB was only able to reach new clients at brick-and-mortar branches, which severely limited their outreach. The lack of digital delivery channels made it impossible for marginalised clients in rural areas to access formal financial services.

The SCBF intervention was designed based on extensive market research and stakeholder engagement activities. The businesses' and individual clients' needs, thus identified, were incorporated into specifications for the new digital platform to be developed. At various points during the development of the platform, User Acceptance Tests were carried out to identify and eliminate potential problems.

Main activity areas (goals, targets, resources & time frame) and outputs

Activity 1: Technical design of the mobile banking application

Having established the business and clients' needs for the mobile banking app through market research and stakeholder engagement activities, UB worked with a vendor to translate these needs into technical design. New and improved functionality were developed, and a smartphone app was integrated with UB's core banking system.

Milestone 1: App design, development and integration with the core banking system were completed by April 2021.

Main Activity 2: Mobile banking application roll-out

Following the switch to a live environment, the vendor provided post-production support to ensure that UB staff, agents and clients experienced a seamless transition to the new mobile banking system. UB agents were trained to use the app's new functionality, including account opening and electronic KYC checks. Client Champions were identified and trained to assist in training low-income and marginalised clients groups (e.g. women, youth) on using the mobile banking app.

Milestone 2: 275 staff and 34 agents were trained by June 2021.

Milestone 3: 150 Client Champions trained and 30,000 clients reached through a marketing and education campaign by September 2021.

Main Activity 3: Technical design of the digital field application

A similar process of reviewing business and client needs, developing functionality, integration with the core banking system, and User Acceptance Testing were followed for the digital field application. After the technical sign-off, the vendor supported UB to transition the app into a live environment. Field staff were trained to use the digital field app for remote loan origination and approvals, account opening and mobilising deposits.

Milestone 4: The FLOW mobile front-end was developed by March 2021.

Milestone 5: 200 staff were trained by April 2021.

Main Activity 4: Digital field application roll-out

Following the switch to a live environment, the team provided post-production support to ensure that FLOW was functioning as expected and enabled the field staff to provide high quality services to clients remotely. Client Champion training and a marketing and education campaign was delivered by UB's in-house training department, to build client confidence in digital banking services and encourage clients to access financial services remotely rather than via branches.

Milestone 6: 150 Client Champions trained and 1500 new clients reached through the education campaign by August 2021.

Milestone 7: 1500 new lending clients and 3000 additional savers reached by August 2021.

Milestone 8: 4,000 new lending clients and 8000 additional savers, more than 31,000 active mHose users (62% women) against of a target of 50,000, 80% of total transactions through digital channels, 300 active Urwego banking agents (30% female Agents - up from 221 in Q2 2020) completed by April 2022.

3. RESULTS ACHIEVED AND NOT ACHIEVED

Client-level

The benefits of the new mHose platform are described by different stakeholders in their own words below:

An **Urwego Loan Officer** describes one aspect of how things have changed: *“Previously, we used to give cash in hand to the savings group leader and he/she used to go with that money to deposit at the bank. This sometimes caused problems, whereby a bank employee would take the money and not deposit it on time, creating problems with late fees charges. Other times clients would bring fake money, thereby putting the bank staff at risk. These and many other practical problems linked to deposits have gone away as clients and banking agents all use the new digital platform.”*

Similar practical problems with dealing with cash are described by a **savings and loans group member**: *“In the past we used to gather as a loan group and be given cash in hand and go back home with our money. It sometimes happened that thieves learned that we collected money on that day; they would come and wait for us on the way home to steal the money. However, today the bank has made our accounts available on our phones, which means I can easily pull and push money from my bank account to my mHose account or even go to the agents near me to withdraw cash without any obstacle.”*

The ease of moving money around is described by this **user**: *“Some time ago, I did not know that I can send money from my bank account to another person’s bank account, but now I do. It has been an answer to my prayer especially when in need to send money to my relatives and parents back in the village.”*

Common activities such as paying for utilities have also become much easier: *“Urwego Bank made things so easy. Currently, I can buy electricity from my bank account using my phone, at home, in my living room, but some years ago we used to buy it with other means like Momo, where it required me to withdraw cash from the account and go buy electricity through an agent.”* Another client says: *“We used to buy airtime from MTN agents or through banks, but today I can buy airtime by myself from my Urwego bank account and also check my balance whenever I wish to.”*

Similar remarks were made by a **female micro-entrepreneur**: *“Before mHose, I used to go to the bank and wait in line for a very long time to be served. However, today I can deposit money from my business to my account through nearby agents and then use that money in different ways: sending to friends or partners, buying airtime or electricity for myself at home or anything else I may need.”*

This short statement illustrates how the new system increased the penetration of financial services to the lower socio-economic strata of the population: *“We, as the clients, are now aware of what is being done on our accounts. We have come to recognise this service isn’t just meant only for those who are educated, as we used to fear before anything relating to the word technology.”*

This other client reflects on how the availability of the new platform promotes beneficial changes in behaviour: *“When you have cash in hand, it is easy to be tempted to buy something we want when we see it. But in these days it is easy to send money to our blocked savings account for use tomorrow or for increasing our future capacity for loan requests, and we can do it ourselves, without the need for bank staff.”* On broadly the same subject, another client says: *“The new system has increased our skills and helps us to save money for the future. It helped us to know how to make transactions on our bank account to Momo and from Momo to bank account; in a few words, we have general knowledge about the use of mHose and bank accounts.”*



“We used to gather as a group loan client with an Urwego Bank representative and that representative would carry cash when they came to collect our payments every week. After this, we used to take that money to the banks, but many times we found ourselves with fake notes or less money compared to what we should pay back. Currently, we have been trained on how to use the new system and we now use our phones to credit, debit, buy electricity or other goods and services, send money and check the balance. When Urwego Bank merged our accounts and phones and we got to know how to use them, we learned that it is an amazing system! We did not welcome it that easily at first, as we thought it was a way for them to steal from us. However, after realising the benefits of this system, it has become an answer to our many needs. We are no longer saving just time, but also transport money, and more time is spent on our businesses compared to the way we were before. We do everything easily now. We can't express our gratitude enough to Urwego Bank and the partners.”

Helen Nyirashumbusha, tailor, mother of three, and an Urwego client since 2007

More customer accounts and stories can be found [here](#).

Financial sector partner-level

As of 30 April 2022, indicators for the use of digital financial services were as follows:

- Number of registered customers: 42,755
- Number of active customers (with at least one money transaction in the last 30 days): 31,218
- Percentage of active customers (out of total registered customers): 73%
- Number of transactions per month: 9,986 transactions
- Average value per transaction: US\$ 71.12

Outreach KPIs are summarised in below table:

KPI	Objective	Actual	Comments
Number of <u>registered</u> users of new mobile banking solutions	Total: 50,000 % women: % youth: % rural:	Total: 42,755 % women: 56.5 % youth: 24.6 % rural: 73.3	
Number of <u>active</u> users of new mobile banking solutions	Total: 50,000 % women: 60 % youth: n/a % rural: 65	Total: 31,218 % women: 61.8 % youth: 19.5 % rural: 59.4	no indicator for % of youth in the initial application
Number of transactions through new mobile banking solutions (rollout to end of April 2022)	80% of total transactions (up from 55% in Dec 19)	80.8% of total transactions	
Total value of transactions through new mobile banking solutions in CHF (rollout to end of April 2022)		CHF 2,182,245 or RWF2,357,281,385	
Total number of staff and agents trained on the new products	509	483 (283 agents and 200 staff)	
Total number of clients trained on the new product	Total: 300 % women: n/a	Total: 2,543 % women: 52.5	

4. LESSONS LEARNT

In general, despite some delays due to the restrictions imposed by the COVID-19 pandemic, this technical assistance project has made important advances. All the technical elements are now in place, and working well. Client uptake has been very good and the rate of growth is encouraging. The fact that more women compared to men have registered is an indication that digital financial services can reach more marginalised and previously unbanked users.

More specifically, the intervention met (and sometimes exceeded) all the milestones within the agreed timeframe, with one exception: the target of 50,000 active mHose users was not met. The number of users of the mHose platform has been steadily increasing and as of the end of March 2022, there were 40,711 users. Of these, 17,333 were male and 22,978 female. It is hard to know the percentage of urban vs rural clients because customers transact differently depending on where they are located during the transacting moment. Although short of the 50,000 targets, it is important to understand that this is not a failure of the technical assistance project. All the systems and procedures that were to be developed are in place and fully working. The speed of client growth is a complex issue. New clients join primarily as loans clients, and their numbers follow a natural growth that has to do with marketing, bank capacity and other factors independent from what has been produced as a result of the project. Based on the rate of growth (at the end of April the number had grown already to 42,755), it is reasonable to expect that the 50,000 users mark will be reached sometime during the summer of 2022.

It is also important to stress that users of the platform use all services (loans, savings, payment of utilities, transfers). The division of clients in "savers" and "lending clients" as per the project milestones does not correspond to reality. Therefore, given the current userbase, all targets for "savers" and "loan clients" have been largely exceeded. Furthermore, at the end of the reporting period there were 359 active banking agents, against a milestone of 300.

It is also useful to note that the mHose platform users are organised in groups of about 30. Each group has a leader who can be considered as a "client champion". The number of champions is currently over 1,200, and the target for milestone 6 has been largely exceeded.

Feedback from Urwego Bank:

"The design and implementation so far have been effective. The app will be available in both English and Kinyarwanda. UB is currently working with the vendor to complete the Kinyarwanda version before it is made available to all customers. In the meantime, a commercial pilot has started in June 2022 with the staff using the English version of the app.

So far, the implementation was executed as planned, except for one type of transaction (withdrawal) the model of which was changed to respond to the needs of the customers. The change was done in a way that it would be very easy for the customers and Urwego will also be complying with the regulations using two-factor authentication. In the initial design, customers were to initiate the transaction and receive a one-time password to complete the transaction. After the implementation, customers complained that they were not receiving the SMS on time. The change that was done would still require the customer to initiate the transaction, but it would go in a pending state for the customer to confirm and approve the transaction for it to be completed.

The main challenge has been the no-response from MTN, one of the third-party companies UB was to integrate with, which has not responded to complete the integration. Hence, the delay in giving customers that particular service."



Urwego Bank branch