

2022-17 | E-float money management of Orange agents

Financial sector partners (FSP)	Flow Madagascar	SCBF contribution	CHF 149'850 (45%)
Grantee/TA provider	n/a	Matching contribution	CHF 152'067.5 (46%) – Flow CHF 30'000 (9%) - DEG
Country	Madagascar	Theme	Financial resilience
Duration	Dec 2022 – Nov 2023	Product	MSME loans (float finance)
Potential outreach	1,248 mobile money agents	Target group	MSMEs (mobile money agents)
Thereof women	780 (62.5%)		

CONTEXT

Madagascar's National Strategy for Financial Inclusion for 2018-2022 notes that the level of financial inclusion in the country remains relatively low and unevenly distributed across the country. Low literacy levels combined with severe infrastructural constraints and an underdeveloped payments ecosystem, make it difficult for formal financial service providers to reach most consumers, especially in rural areas. Hence, the Government of Madagascar's (GOM) vision for financial inclusion is to improve access to financial services for the population by increasing the number of adults with access to formal financial services from 29% in 2016 to 45% in 2022. The GOM understands that financial inclusion contributes directly to poverty reduction. Furthermore, the GOM in this strategy specifically mentions the role of FinTech companies when it states that on the financial service provider side, the use of new technologies, including the strengthening of various FinTech initiatives already underway, is a real opportunity to increase access to and use of financial services in Madagascar.

Mobile money is the key distribution channel for formal financial services in Madagascar. As in other markets, e-money distribution and management – both key for mobile money usage – are outsourced by mobile money providers (MMPs) to third parties, so called 'e-money distributors'. In Madagascar, the ecosystem for e-money distribution and liquidity management lags far behind more mature markets such as Kenya and Uganda . Generally the overall potential of mobile money is constrained by the lack of e-money (float) liquidity at the level of mobile money agents (MMAs) and inefficient liquidity management. MMAs often have to travel far (up to 70km, taking >3h on public transport) to obtain liquidity, incurring high transport and opportunity costs. Flow Madagascar addresses this problem by delivering transparent and convenient e-money distribution. These services are provided in partnership with Orange Money, for whom Flow operates as an e-money distributor. The direct target group are MMAs, who benefit from reliable and non-discriminatory mobile money e-float distribution to their businesses, are never charged illegal fees, receive tools to monitor their business and can request a delivery service (i.e. get the services at their place of business rather than having to travel to restock e-money float).

CURRENT STATUS OF THE FSP

Flow Madagascar (FlowMa) leverages the technology infrastructure of Flow Global (the holding company) to distribute the e-money float to MMAs. Flow Madagascar, to date, has reached 11,703 retail mobile money users (unique mobile clients who have transacted at MMAs served by Flow) and facilitated transactions worth US\$ 2.14 million. On average, FlowMa's MMAs have reached 390 retail customers and its top ten performing agents have reached more than 1000 retail customers each this year.

OBJECTIVES AND MAIN ACTIVITIES

Flow Madagascar's expansion to hard to reach areas and urban centres will be supported and driven by technology provided by through this SCBF-funded technical assistance project. The full integration of Flow's field operations into a technology platform, and the further development of mobile applications for float and staff management is pivotal for successful, reliable and efficient distribution. Upon project completion, Flow Madagascar should be in a position to achieve aforementioned objectives and achieve profitability in due course.

Partnering with:

