Inova: A home-grown mobile money service in West Africa

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Sector • Financial services
Enterprise Class • MSME
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Executive Summary

Inova is a company offering mobile money services in West Africa. Established in 2007 in Burkina Faso, Inova was created with the ambition to help revolutionize the financial sector in the same way that mobile telephony revolutionized the telecommunications sector. By offering financial services, such as deposits, withdrawals, transfers and payments, through simple mobile phone technology and thus eliminating the need for customers to travel to a physical location to carry out transactions, Inova makes financial services more easily accessible to low income groups in urban and rural areas.

Inova does not exclusively target the poor as customers, but it actively pursues this market segment as the company views the poor as economic agents. Profit margins on mobile money services are quite low and it is therefore critical to reach high transaction volumes. Inova has adopted a franchise model, by which individuals or existing businesses set up Inova service centres across the country where consumers can carry out cash deposits or withdrawals. Inova has also established a network of merchants accepting Inovapay as payment. Finally, Inova has also established institutional partnerships with Western Union, Caisses Populaires, a microfinance institution, Orange, a mobile phone provider in the Ivory Coast, SONAR, an insurance company and ISEC, a cable TV company. These different partnerships are key for increasing the reach of Inova services and attaining the critical mass of transactions necessary for the sustainability of the model.

A pioneer in the mobile money sector in Burkina Faso, as well as in the French-speaking West African region, Inova recorded a transaction volume of USD 6 million for about 60,000 clients for mobile money services including transfers, payments of utility bills and purchases, deposits and withdrawals in 2011.

GUIDING QUOTE

“Even the poor are economic agents.”

Mahamoudou Ouedraogo, Managing Director, Inova (source: interview)
Introduction

Mobile money is revolutionizing the way people move money and is providing access to financial services for millions of Africans previously excluded from the formal banking sector. Mobile money systems utilize cellular phone technology to undertake financial operations such as money transfers, deposits, withdrawals and payments, thus eliminating the need for customers to travel to a physical location to carry out key transactions. Since the successful launch of M-pesa in Kenya in 2007 by the mobile phone operator Safaricom, a subsidiary of the UK-based Vodafone, several multinational mobile phone operators and banks have launched or plan to launch mobile money services in countries across Africa. In Burkina Faso, a local, homegrown company that combines ICT expertise with banking expertise is at the forefront of the mobile money phenomenon.

Inova is a corporation created in 2007 in Burkina Faso with the goal of changing the way financial services are handled in West Africa. Licensed in 2009 by the West African Central Bank (BCEAO) as only the second electronic money establishment in the West African Economic and Monetary Union (WAEMU) zone, the company started offering services to the general public in 2010. A pioneer in the sector in Burkina Faso, as well as in the French-speaking West African region, the company recorded a transaction volume of USD 6 million for about 60,000 clients for mobile money services including transfers, payments of utility bills and purchases, deposits and withdrawals in 2011.

Context and Genesis of the Company

Burkina Faso is a low-income country with GDP per capita estimated at just over 500 USD and 43% of the population living under the national poverty line. The country’s financial service sector is still in its infancy even in comparison to other African and low-income countries. The BCEAO estimated the bankarization rate for the WAEMU zone in 2010 at 9.5% for bank institutions only. For Burkina Faso, Inova estimates the rate, including microfinance institutions (MFIs), at around 13% in 2012. As in other African countries, the bankarization rate lags far behind the rate of mobile phone penetration; in 2010, there were 5.1 million mobile phone customers representing 33% of the population. Mobile penetration rates have seen tremendous growth amongst urban as well rural populations in less than a decade of operations and mobile penetration is expected to continue growing. Indeed, the

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1 See the UNDP GIM case study “Vodafone and Safaricom Kenya: Extending the Range and Reliability of Financial Services to the Poor in Rural Kenya”, September 2007
2 The WAEMU zone comprises 8 countries using the franc CFA as a common currency: Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, Mali, Niger, Senegal and Togo.
4 CGAP, 2011
5 Interview with Mahamoudou Ouédraogo, Director of Inova, July 2012. This figure was corroborated by other financial experts working in the field.
6 CGAP, 2011.
Consultative Group to Assist the Poor (CGAP) – and independent policy and research center - has estimated that in 2012, 1.7 billion people will have mobile phones in the developing world but no bank account.

The West African Central Bank, BCEAO, was one of the few central banks in the late 2000s to authorize non-bank institutions to employ electronic money in its drive to promote the utilization of financial services in the region. This favorable regulatory environment opened the door to new actors to launch “agency-less” banking operations and to develop a wider range of services. Inova, which was started in 2009, was the second company in the region to seize this opportunity; the first was Ferlo, which is headquartered in Senegal.

In addition to the enabling regulatory environment at the time, a number of other observations and ambitions drove the founders of Inova to create the company. There was a desire to contribute to the development of the country and the region in a significant way. A large part of the region’s population is excluded from the formal financial sector. This is partly due to a lack of the supply of suitable services - it is notoriously difficult for banks to open agencies in rural areas and these areas are thus underserved. Without reasonably easy access to financial services, the poor are more likely to spend any incoming revenue on immediate needs, and the nature of poverty is such that there are almost always needs that can be considered immediate. Inova’s founders felt that if there were possibilities for income, however small, to transit in a virtual account, this might help change the pattern of immediate expenditure for the poor and thus contribute to mobilizing local savings crucial for financing investments for economic development.

Inova’s founders also perceived the low-income masses as significant economic agents. There is relatively low inequality in Burkina Faso: the country’s Gini index in 2009 was 39.8, compared to 54.7 for Brazil and 63.1 for South Africa. This means that the base of the economic pyramid is quite wide; in Burkina Faso, 6.7% of income is earned by the poorest 20% of the population, compared to only 2.9% and 2.7% in Brazil and South Africa respectively. For Inova, it was clear: if one could interact on a large scale with the poor in the country, then one could access an aggregate market of significant size.

Thus, Inova was born with an ambition to offer a different kind of financial service and contribute to revolutionizing the financial sector in the same way that mobile telephony had revolutionized the telecommunications sector. Conceived with ambitions to cover the WAEMU zone, the founders initially targeted the neighboring country, Ivory Coast, to launch the company. However, due to the political instability in that country at the time, the founders, several of whom are Burkinabè, ended up choosing Burkina Faso instead. It was also a country where Inova would have the opportunity to be the first mover in terms of mobile money services.

Mahamoudou Ouedraogo and his associates, who hailed from successful careers in the banking and telecommunications sectors across the region, founded the financial institution

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7 Afful, 2011
8 Source: www.worldbank.org. The Gini index measures equality of income with a score of 0 representing an economy with completely equal income distribution.
Inova in 2007 as a corporation. They also created a subsidiary, the limited liability software company Inovasoft, as the research and development arm of Inova. Inovasoft was charged with the company’s first key task: developing an ICT platform for the different mobile money services that Inova wanted to offer. This was a considerable task requiring substantial investments – platforms similar to those developed by Inova are easily sold for millions of dollars on the international market. As often the case for African businesses, Inova’s founders had to struggle to raise the seed capital to launch the company, all the more so because they were, at the time, more or less solo actors presenting creditor banks with a product proposal that was neither well known nor understood in the region.

With perseverance, they managed to overcome this hurdle by accessing loan financing from banks and some funding from private investors. With the platform up and running and its license from the BCEAO issued in October 2009, Inova started its operations to the public in the last trimester of that year.

**Business Model**

Inova offers several products through different channels with the aim of facilitating financial transactions for individuals and businesses. By utilizing this model, they can offer choices to all segments of the population; including rural, urban, poor, rich, semi-literate, and computer savvy. Access to most Inova products requires the creation of an Inovapay “electronic wallet”, a virtual account that is linked to a mobile phone number. This can be done in a simple one-step operation on any mobile phone – even the most basic models - on any of the three networks operating in Burkina Faso. Once the account is created, the Inovapay customer needs to make a cash deposit into their account to be able to carry out mobile money transactions. A monthly service fee of roughly USD 0.25 (USD 3 a year) is automatically deducted and a minimum of US$1 needs to be kept in the account to keep it operational. The electronic wallet allows access to the following services:

- **Deposits and withdrawals**: customers can make cash deposits free of charge in any Inova service centre across the country. They can also withdraw their cash for a small fee.
- **Transfers**: customers can transfer money within the country to other Inovapay account holders or to non-Inovapay account holders with their mobile phones. The transfer recipient receives a text message and a code. The Inova account holder recipient can choose to either use the money received to make mobile payments or to go to an Inovapay service centre to get cash. The non-Inovapay account holders must go to a service centre to receive their cash. Inova also offers the possibility for non-account holders to make
classic cash-to-cash transfers. For all types of transfers, the sender pays a commission based on the amount of money transferred, with commissions being lowest for Inova to Inova transfers. The transfer fees are between 25 – 50% lower than the fees of other major money transfer services within the country. Through a partnership with the money transfer giant, Western Union, Inova has been offering international money transfers from mobile phones in Burkina Faso to any country in the WAEMU zone since 2011. Standard Western Union rates apply to these regional transfers.

• **Payment of utility bills:** customers can pay their electricity, water and phone bills using their electronic wallet. The customer pays a fee of 0.50 USD for each bill paid. Since 2010, account holders can also pay their insurance premiums to the Inova partner insurance company SONAR and their cable TV bills to another Inova partner company, ISEC. These payments can be done from the mobile phone or on the Internet, around the clock and at the customer’s convenience. This service is currently only available to customers whose utility accounts are registered in one of Burkina Faso’s two major cities, Ouagadougou and Bobo Dioulasso.

• **Purchase of mobile airtime:** customers can purchase airtime for any one of the three mobile network operators in Burkina Faso, directly from their mobile phone. Inova purchases the airtime at wholesale price from the mobile phone operators and sells them to its customers at retail price.

• **Payments of general purchases:** customers can use their electronic wallet to make purchases from merchants that are part of the Inova network. These vendors include pharmacies, hairdressers, tailors, supermarkets, small grocery stores, and restaurants around the country. At present, it is the buyer who pays a small commission on purchases made, although Inova would like to shift to a model in which merchants pay commission rather than the consumer.

In order to attract low-income customers who represent the bulk of the consumer potential, Inova keeps the commissions charged for the mobile money services small. Overall, a profit margin in the range of only 4 – 5 % is possible. The success of the business model thus depends on high volumes; if the volume of transactions is large enough, then the small margins add up to a comfortable profit.

Inova’s services can be accessed on the internet for a minority of urban computer-savvy customers, and for the bulk of customers, of whom especially low-income customers, on any type of mobile phone with the use of USSD technology, which is more secure than the simple SMS technology, and in Inova service centres. All operations are protected by a PIN code chosen by the Inova account holder.

The service centres are generally Inova franchises opened up by individuals or businesses meeting certain criteria and are the key point for cash transactions such as deposits.

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9 Unstructured supplementary service data is a protocol used by GSM cellular telephones to communicate with the service provider's computers. USSD can be used for WAP browsing, prepaid callback service, mobile-money services, location-based content services, menu-based information services, and as part of configuring the phone on the network.
withdrawals and cashing transfers. Recruitment of franchisees in large numbers, as well as widely distributed across the country, is critical for getting Inova services to customers. Extensive networks of merchants accepting Inova as payment provide an incentive for customers looking for the convenience of cash-free transactions to open up an Inova account. How Inova manages its network of service centres and merchants is described in the section that follows.

In addition to the services available to the general public, Inova also offers partner institutions, such as banks, insurance companies, or money transfer companies, the use of its mobile money platform. Banks and microfinance institutions, for instance, can incorporate their ATM machines and debit cards onto the Inova platform, allowing the bank’s customers to access the wider Inova network of service centres as well as the Inova services through their bank accounts. The Caisse Populaire, a major microfinance institution in Burkina Faso, recently did this.

Inovasoft, the R&D subsidiary of Inova, which until recently has been completely dedicated with the development and management of Inova’s platform, will also develop tailor-made platforms for corporate clients, especially mobile phone companies or banks interested in also developing mobile money services, in Burkina Faso and elsewhere in the world in the medium term, ensuring another revenue stream for the company.

The Business and its Relationships

Partnerships are key for the success of the Inova business model. So far, it has been multinational mobile phone operators, either acting alone or in association with banks, that have launched most mobile money operations in Africa. These mobile phone operators have three significant advantages over a company like Inova: a wide and already established network of agents and outlets, a captive audience for new products amongst their existing clients, and huge, often international, budgets at their disposal for advertising and promotional campaigns across the whole country. These advantages can permit mobile phone operators to rapidly reach high volumes. M-pesa in Kenya is a case in point: in three years the product developed by the mobile phone operator, Safaricom - a subsidiary of Vodafone - has attracted almost 10 million users and registered 670 million transactions in 2009.\(^\text{10}\)

Inova instead has to rely mainly on partnerships to build up a client base. The first tier of partnerships is made up of Inova franchises and merchants accepting Inova payments. The franchises are the physical service centres in which Inova operations can be carried out (deposits, withdrawals, transfers, bill payments, purchase of top-up units) and are key partners for getting Inova products to the customer base. Interested franchisees have to pay a one-off registration and training fee and make an initial safety deposit. The amounts vary depending on the kind of service centre that is to be set up: a “mobile service centre”, which only offers operations through mobile phone, pays about US$230 for registration and training and requires an initial minimum deposit of US$2000; more elaborate service centres (with internet

\(^{10}\) Clémençot, 2010
services and/or payment terminals) pay higher registration fees and have to make a larger initial deposit. A service centre cannot undertake operations beyond the amount deposited in its Inova account; a safety measure intended to prevent liquidity problems. The service centres receive a percentage (varying from 35-50%) of the commissions paid by Inovapay customers.

Inova provides initial training on how to carry out the mobile money operations for the service center staff, as well as providing branding and publicity materials and occasionally undertaking information campaigns. Inova’s staff, particularly its three full-time trainers and members of its 130 member sales team, spend a considerable amount of their time providing training and ensuring quality control of the services offered.

The sales team also puts considerable efforts into recruiting franchisees in semi-urban and rural areas where there is strong potential demand for Inova services. A wide variety of businesses have signed up to be Inova service centres; including small microfinance institutions, phone centres, Internet café operators, and small grocery stores. Initial experience has shown that the most successful service centres are those set up in pre-existing businesses with an already established clientele. After two full years of operation, there are currently 82 service centres in 20 towns across the country, including semi-rural settings and small border towns such as Niangoloko (near Côte d’Ivoire) and Bittou (near Togo). Inova aims to have service centres in each of Burkina Faso’s 45 provinces. Indeed, increasing the number of service centres is key not only for greater inclusion of the poor, particularly if these service centres are in semi-urban and rural areas, but also for the success of the business model, which needs a high volume of transactions to be profitable.

The Inova network merchants, the businesses that accept Inova as a form of payment, are another way of attracting customers in order to generate a high volume of transactions. By providing an added convenience of cashless purchases that might appeal to a certain class of consumers, generally urbane and well off, the network of merchants can pull in new customers or generate new transactions for existing Inova customers. Some Inova network merchants can also accept deposits and those that have payment terminals can undertake a wide range of Inova operations.

Becoming an Inova network merchant is practically free for those who only want to deal with mobile phone payments, but there are fees for merchants that want to make use of additional services, such as Inova’s Internet payment services or payment terminals (which in effect allow access to several other Inova operations). In most countries in the West, merchants on a payment network pay small commissions on transactions, as this form of payment tends to attract more customers by offering a preferred form of payment. In the Burkinabè context, however, this does not work the case and so it is the client who pays a commission for the privilege of using a cashless form of payment; the merchant retains a part of this commission. In mid 2012, there were 700 merchants accepting Inova payments, most of which are located in the country’s two major cities rather than in rural areas.

The second tier of partnerships involves institutional partnerships, which allow Inova to increase its client outreach often by offering new products. Institutional partners include microfinance institutions (a small MFI based in Ouagadougou, Microaid, was one of Inova’s
first partners when operations were launched in the last trimester of 2009) who are often interested in mobile money systems as a way of physically increasing their client outreach with minimal investment and reducing traffic to their existing agencies. This can help them ease common human resource constraints by offering the opportunity to make certain operations remotely.

Some key Inova institutional partnerships include:

• **Western Union**: the partnership established in November 2011 with this international money transfer giant (who has 3500 agencies in the WAEMU zone), allows Inova to extend its money transfer services to the seven other WAEMU countries. By making it easier to send and receive transfers, Inova and Western Union will contribute to increasing the mobilization of regional remittances.

• **Fédération des Caisses Populaires du Burkina**: The *Caisses Populaires* is the biggest microfinance institution in Burkina Faso, with over 675,000 clients and 160 agencies. The MFI signed a partnership agreement with Inova in March 2010 to use the Inovapay platform to offer a co-branded *Caisses Populaires* – Inovapay card to its customers. This card enables them to carry out operations in any *Caisses Populaires* branch across the country, something that had previously not been possible because of the MFI’s low computerisation rates, which means that the branches were not electronically connected. Through this partnership, *Caisses Populaires* clients will also be able to access all Inova services. In the long run, the *Caisses Populaires*, may be interested in using the Inova platform for loan reimbursements as well.

• **Orange Côte d’Ivoire**: in 2012, the international mobile phone operator chose to connect to the Inovapay platform to offer mobile money services to its Ivorian customers. This is an important first step in Inova’s long-term plans to offer mobile money services in all WAEMU countries. Côte d’Ivoire is also of particular interest for Inova because of the large Burkinabè migrant population that lives there – estimated at around 4 million. The Ivorian market therefore has a good for mobilization of migrant remittances if cheap and easy mobile money transfer services are available. Similar plans are underway with Orange in Senegal.

• **SONAR Insurance Company**: this Burkinabè insurance company became an Inova partner in 2010 in order to facilitate customers’ payment of life insurance and accident insurance premiums. This improved their recovery rates and reduced human resource
needs. Plans are underway to develop the partnership further so that customers can also subscribe to insurance policies using their mobile phones.

- **Union des Assurances du Burkina**: another insurance company for which developments are still underway; this partnership aims to put a new micro-insurance product on the market that would give its customers the option to pay their premiums by mobile phone.

- **ISEC, a cable TV company**: this cable company offers satellite bouquets to largely urban well-to-do clients but also has marketing strategies targeted towards middle income groups – for instance, the company offers pre-paid cable top-up cards in addition to conventional monthly billing. ISEC partnered with Inova in July 2012 to facilitate purchase of its top-up cards and thus hopes to increase its clientele.

**Constraints and solutions strategies**

The primary challenge for the Inova business model is reaching the high volumes necessary to make the small margins that low-income consumers are able to afford into a profit. Unfortunately, product uptake to date has been very slow. Initially, Inova sales agents were met with incredulous scepticism from potential customers during their information campaigns: according to Mr Ouedraogo, sales agents were often told, “If only what you said could be true, that would be wondrous”. Two years down the line, there is less scepticism thanks to information campaigns, but potential customers still appear to be largely risk averse and prefer to stick to their old habits. One may note that risk aversion is a characteristic generally found more amongst the poor than higher income groups, as the poor cannot afford to experiment with a new product that might not work out for them.

To offset this risk aversion on the part of potential customers, significant advertising and information campaigns are required. Inova has adopted traditional and non-traditional marketing campaigns. In the latter category, Inova uses direct marketing and has a sales team of about 130 agents who go to all corners of the country to present the product to potential franchisees and customers. Some institutional partners, such as Western Union and Caisse Populaire also undertake joint publicity campaigns for the specific products they develop with Inova. Despite these efforts, greater financial outlays would be necessary for Inova to be able to undertake the kind of wide-reaching campaigns required to attain high volumes.

Inova staff does not feel that illiteracy of potential customers has significantly hindered product uptake. The mobile phone operations were designed to be as simple as possible so as to be accessible to semi-literate customers who can only recognize numbers (a good part of the “illiterate” have some numeracy skills): the operations only make use of numbers and the “*” and “#” keys (see table below).

In addition to campaigns targeted to the end-users, building high volumes also requires achieving a large network of service points. The franchise model that Inova uses is a way of leveraging the strengths of its consumer base, including individuals from a low-income background (though the minimal initial deposit required of service centres would certainly be a constraint for many low-income entrepreneurs). By engaging small-scale entrepreneurs as
franchisees, Inova significantly increases its capacity to be close to potential customers in urban and rural areas without having to invest in additional market research or opening of agencies. Inova does, however, invest in capacity building of its franchises by offering training on their products.

Figure 1. Instructions for accessing some Inova services on mobile phone

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Instruction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create your electronic wallet by phone</td>
<td><em>329</em>5<em>3</em>pincode*pincode#</td>
</tr>
<tr>
<td>Create an electronic wallet for someone else</td>
<td><em>329</em>5<em>4</em>phone number<em>confirm phone number</em>amount to deposit*pincode#</td>
</tr>
<tr>
<td>Buy mobile phone top-up units</td>
<td>Airtel: <em>329</em>2<em>1</em>1<em>amount</em>pincode#</td>
</tr>
<tr>
<td></td>
<td>Telecel: <em>329</em>2<em>2</em>1<em>amount</em>pincode#</td>
</tr>
<tr>
<td></td>
<td>Telmob: <em>329</em>2<em>3</em>1<em>amount</em>pincode#</td>
</tr>
<tr>
<td>Buy mobile phone top-up units for someone else</td>
<td><em>329</em>2<em>1</em>1<em>phone number</em>confirm number<em>amount</em>pincode#</td>
</tr>
<tr>
<td>Pay your water bill</td>
<td>Pre-register your billing account: <em>329</em>1<em>8</em>4*water company account n&quot;PINCODE#</td>
</tr>
<tr>
<td></td>
<td>To pay: <em>329</em>1<em>4</em>bill amount*PINCODE#</td>
</tr>
<tr>
<td></td>
<td>The customer then receives a receipt of payment of their phone within 1 working day.</td>
</tr>
<tr>
<td>Pay for purchases</td>
<td><em>329</em>1<em>1</em>merchant code<em>amount</em>pincode</td>
</tr>
<tr>
<td>Pay SONAR insurance premiums</td>
<td>Life insurance: <em>329</em>1<em>3</em>31<em>policy n&quot;amount</em>pin code</td>
</tr>
<tr>
<td></td>
<td>Accident insurance: <em>329</em>1<em>3</em>30<em>policy n&quot;amount</em>pin code</td>
</tr>
<tr>
<td>Transfer – mobile wallet to mobile wallet</td>
<td><em>329</em>3<em>3</em>destination mobile wallet<em>amount</em>pincode#</td>
</tr>
<tr>
<td>Transfer – mobile wallet to cash</td>
<td><em>329</em>3<em>2</em>226 destination phone number<em>amount</em>pincode#</td>
</tr>
</tbody>
</table>

A constraint, which may become increasingly significant as transaction volume grows, concerns sufficient liquidity, especially in service centres in remote rural locations. Other mobile money service providers have often faced this problem, finding themselves with insufficient cash on hand, especially to carry out such services as paying out money transfers to recipients. Building on new and partnerships to pool together resources can help alleviate this constraint: for instance, partnerships with microfinance institutions can serve to increase the cash flow for service centres.11

Through its institutional partnerships, Inova also combines resources and capabilities to try to increase its client base. For example, the partnership with the MFI *Caisses Populaires* that has a strong rural presence may work to attract new rural clients who had previously had no exposure to Inova.

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11 McGovern, 2011
According to Inova’s director, Mr. Ouedraogo, the infrastructure environment in Burkina Faso did not create any extraordinary constraints when setting up the business. Limited access to ICT technology did not place undue hindrance to the development of the platform in Burkina Faso; if anything, Mahamoudou Ouedraogo thinks the development cost less than it would have in the West because of lower labour costs.

Whilst the regulatory environment has generally been supportive, Inova would like to see more active support from the Burkinabè government. According to Mr. Ouedraogo, one reason M-pesa was able to be such a great success in Kenya was because of the government’s strong buy-in through the Central Bank of Kenya. The Inova director thinks the government can play a key role in stimulating demand for the innovative mobile money products; for instance, they could accept mobile money payments for some taxes and licences. Mobile money services could also, as one public servant stationed in a remote border town has requested, be used for the payment of civil servants’ salaries. This would also help send a strong message that could counteract what Mr. Ouedraogo sometimes senses as a suspicion of a 100% African-grown ICT product.

**Results**

After two full years of operation, Inova’s results are still very modest. In 2011, the company had 60,000 clients and registered US$6 million in transactions. This volume of transactions represents a 300% increase from the volume registered in 2010, but has not nearly reached the large volumes required to make the low-profit-margin business model sustainable. As a matter of comparison, M-pesa in Kenya gained an average of 3.3 million customers per year in its first three years of operations and registered annual transactions totalling more than US$2 billion. Inova has the short-term goal of attaining a critical mass of 200,000 clients that should generate a volume of transactions sufficient to sustain the business model.

Financially, the company has not yet broken even; the current level of activity has not yet allowed Inova to recover the initial investments made in the development of its platform. The financial results are also tepid for most Inova service centres, which are still unable to generate significant revenues due to the low volumes, a predicament which has discouraged some franchisees. Microaid, a small MFI also serving as an Inova service centre estimates that only 2% of its clientele use Inova pay services and on average, less than US$50 are generated in commissions for the MFI monthly.

Nonetheless, Inova’s director remains optimistic and enthusiastic about Inova’s products, which offer several benefits for the poor, as well as the economy as a whole. Inova agents report strong demand for mobile money services in rural and semi-urban settings where several customers perceive mobile money as a real “lifesaver”. Most Inovapay transactions occur outside of Burkina Faso’s two biggest cities. The service centres, although still modest

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in number (currently 82 centres in 20 towns) have already opened up new possibilities for low-income clients. Mr. Ouedraogo, recalls a small-scale trader based in the western part of the country who, for the first time, felt confident enough to do business with a client in the eastern part of the country because he knew he could use Inovapay to receive his payment.

Financial service experts also expect that mobile money wallets will help to foster a culture of savings amongst low-income groups by giving them access, often for the first time, to the possibility of making deposits. Abibou T., who works in an Inova service centre, a small business centre offering phone booth services and different money transfer services located next to a busy community market in Ouagadougou, particularly appreciates her Inova account for precisely this reason. “Now when I get a bit of money, I can put it aside in my Inova account,” she declares proudly. True to the initial ambitions of its founders, Inova may indeed contribute significantly to mobilising domestic savings to fund the country’s development in the long run.

Other key benefits that accrue to the economy as a whole include saved time and greater convenience for Inova customers. Africans, including those in Burkina Faso, spend considerable time going to and from offices and utility agencies in order to carry out simple operations, for which most Westerners would simply write a check or send a credit card payment. By allowing mobile money payments, especially on utility bills, Inova saves customers time and offers considerable convenience. Indeed, the utility bill payment service is currently Inova’s best selling product. Benefits can also be significant for businesses that, as seen in an example above, have a means to do transactions with others who were previously too far away. The aggregated gains for individuals could have a considerable impact on economic development. Some studies claim that a 10% rise in mobile phone subscriptions in emerging economies leads to a 0.6 to 1.2% rise in GDP thanks to productivity gains associated with mobile phone communications. The greater ease of transactions resulting from mobile money services should have similar effects on productivity.

As well as providing greater convenience, Inova mobile money services also offer greater security. By reducing the need to carry cash, Inova helps reduce the risks of theft, which disproportionately affects lower income groups and is often a concern for those travelling cross-country on public transportation.

Finally, as with all products that eliminate the need for travel, mobile money services may contribute to the reduction of carbon emissions. This will become more significant as larger volumes of transactions are attained.

**Conclusion**

Inova is a business that does not exclusively target the poor, but that engages in a significant way with the poor as customers, as well as entrepreneurs through its franchise model. Indeed

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the future success of the business depends primarily on it being able to increase its customer outreach, which in a context such as Burkina Faso’s means increasing significantly the number of poor customers.

As shown throughout this case study, Inova has adopted several strategies to increase the number of clients and its volume of transactions, including leveraging the strengths of the poor through its franchise model and pooling resources with partner institutions. Despite these efforts, volumes are still below what is needed for the business to be financially sustainable. A key priority for Inova in the near future is seeking low-cost financing to invest in widespread advertising and information campaigns. Funding might also permit Inova to modify its franchise model, making it financially less onerous on the franchisee, and thus opening the door to greater inclusion of low-income franchisees. Such steps could perhaps help step up that marketing of Inova products to low-income consumers. Inclusive business experiences across the world have demonstrated that poor people often have the great ideas for creating new products and services that meet other poor consumers’ needs.15

The Bill and Melinda Gates Foundation, which set up a mobile money fund some years back, has shown some interest in Inova; perhaps this foundation or other similar sources of subsidies or soft loans will be able to assist Inova in its campaign to increase transaction volumes. Indeed the Inova case, a business so far funded solely by private sector sources, might be an illustration of how crucial soft funding can be for an inclusive business model to reach financial sustainability.

In the meantime, Inova also has to prepare itself to face the competition from the big players, such as multinational mobile phone operators and banks. Orange Money, MTN Mobile Money and Airtel Money are already present in several of the WAEMU zone countries; and Airtel launched its mobile money service in Burkina Faso in August 2012. As long as the big mobile phone operators play it fair, Mr. Ouedraogo is not worried: “The elephant does not have the same elegance as the gazelle,” he says smiling serenely.

15 UNDP, 2008
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### Interviews

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