Branchless Banking/Mobile Money Market Research in Timor-Leste

Presentation of Results
September 2012
Dili, Timor-Leste
Agenda

• Background and methodology of the survey

• Findings on rural clients

• Findings on agents
Branchless Banking/Mobile Money survey

• INclusive Finance for the Underserved Economy (INFUSE)
• With technical backstopping from the Pacific Financial Inclusion Programme (PFIP)
• Consultation with Asian Development Bank (ADB)

Various research methods:
  – Client focus groups
  – Client survey
  – Agent survey

• Research carried-out by Catalpa

• Special thanks for their support and guidance to: Ministry of Finance, Direcção Nacional de Estatística, World Bank, ILO, ANZ, Digicel, Alan Marlin and Tambri-Ann Housen
Survey objectives

• Learn about potential users of branchless banking /mobile money services in rural areas
  – Test if welfare recipients can constitute the core target group
• Inform service providers who may consider providing financial services in rural Timor-Leste (TL)
  – banks
  – mobile network operators (MNOs)
  – microfinance institutions (MFIs)
Materials made available

• Research methodology & results summary
• Client survey questionnaire (English & Tetum)
• Client survey dataset
• Agent survey dataset
• Client survey overview
• Agent survey overview

www.pfip.org/infuse
Client Survey

- 145 Client individual surveys
- Sampling methodology that includes welfare recipients
  - Clients selected with assistance of suco chiefs
- Focus areas:
  - Household (HH) information
  - Income and employment
  - Receiving social payments
  - Receiving money
  - Sending money
  - Education
  - Health
  - Airtime/mobile phone
  - Money habits
  - Cultural obligations
  - Natural disasters
- 3 Focus Group Discussions to put individual responses into perspective
Client survey – locations

**DISTRICT ERMEIRA**
- Goulolo: 18
- Atsabe: 22
- Total Respondents: 40

**DISTRICT BAUCAU**
- Bamori: 18
- Fatulia: 15
- Total Respondents: 33

**DISTRICT LAUTEM**
- Com: 14
- Home: 18
- Total Respondents: 32

**DISTRICT COVALIMA**
- Suai Loro: 14
- Lalawa: 26
- Total Respondents: 40
Agent Survey

• 20 Agent Surveys
• Identified via matrix
• Focus areas:
  – Financial literacy
  – Mobile phone usage
  – Pulsa (airtime) distributors
  – Receiving money
  – Sending money
Agent Survey – business selection criteria

• 20 business surveyed in each district

• Targeted based on:
  – level of sophistication
  – willingness to participate in the agent survey
  – a matrix score identified prior to the surveying process

• Matrix tool identification
  – Location (urban or rural)

Rating criteria:
(1-5)*5=25 Max.
1. Established distribution network with Dili
2. Financial literacy
3. Ability to facilitate numerous transactions (75-100 per day)
4. Financially stable i.e. enough capital for daily float
5. Established place of business
District capitals, sub-district capitals, and sucos (outside district capitals)

- Baucau: *Bahu, Tirilolo, Fatulia, Waioli*
- Ermera: *Lauala, Reheiu, Poetete, Leguimea*
- Lautem: *Fuiloro, Daudere, Com*
- Covalima: *Suai, Debus, Lalawa, Maudemo*
Agent survey – locations (2/2)

Distribution of Households, Timor-Leste 2010

Legend
- Distribution of Dwelling
- District Capital
- Road
- Districts Boundary
- West-Timor

0 - 100m
100 - 500m
500 - 1000m
1000 - 1500m
1500 - 2000m
2000 - 2500m
> 2500m

Branchless Banking/Mobile Money Market Research, INFUSE Sep12
Agenda

• Background and methodology of the survey

• Findings on rural clients

• Findings on agents
Possession of Identification (ID)

Forms of ID owned

- Passport: 198
- Medical certificate: 279
- Other (Specify): 301
- Drivers license: 184
- ID card: 803
- School certificate: 577
- Electoral card: 629
- Baptism certificate: 20
- Birth certificate: 7

Number of IDs owned

- 1 ID: 11
- 2 IDs: 14
- 3 IDs: 20
- 4 IDs: 629
- 5 IDs: 803
- No response: 19
- No response: 21

Branchless Banking/Mobile Money Market Research, INFUSE Sep12
Salary and Income

- 134 HHs reported having someone that is a regular salary earner

Salary ranges per month:

- <$100: 29%
- $100 - $199: 39%
- $200 - $299: 22%
- $300 - $399: 9%
- Over $400: 1%

Salary frequency:

- Monthly: 87%
- Qtrly: 3%
- Fortnightly: 1%
- Half Yearly and Other: 9%
- Daily and Weekly: 0%

Branchless Banking/Mobile Money Market Research, INFUSE Sep12
Salary payment method

Focus group:
Men reportedly use money for goods that they needed for themselves, rather than their family. Mostly they spend money on cigarettes, pulsa, clothes and transport.

Focus group:
Women reportedly use money for goods for their family. They identified: child necessities, food, betel nut, clothes for the family and household items as being important.
Main source of yearly income

- Remittance
- No response
- Casual Work
- Fishing
- Selling part or all of harvest
- Kiosk or own business
- Selling coffee
- Selling Animals
- Selling food in market
- Regular employment
- Social payments
Types of social payments and average amount received

59% of respondents reported someone in their household receiving a social payment.

47% of respondents claim that social payments contribute half or more of household income.
How & how often social payments are received

No. of times a social payment was received in the last year

- Twice (74%)
- 3 times (12%)
- Once (7%)
- 4 times (5%)
- >5 times (1%)
- No response (1%)

In general respondents (surveys, focus groups) are happy with social payment delivery

Receiving social payments

- Chefe de Suco
- MoF Official
- NGO Official
- Put into Bank
- Other
- Didn't answer
- MSS Official

Branchless Banking/Mobile Money Market Research, INFUSE Sep12
Remittances to the rural HH

- 32% of HHs report receiving a remittance
- 90% receive from HH member living apart (permanently or temporarily)

Frequency of money received:

- Weekly: 0%
- Fortnightly: 4%
- Monthly: 18%
- Qtrly: 21%
- Half Yearly: 22%
- Yearly: 35%
72% of HHs reported sending money, most of which was sent to Dili.
96% to a member of the HH living apart (perm. or temp.).
FG: usually children, mainly in Dili or Baucau for education and basic needs.
Method of receiving the money

Focus group:
Many forms of money transfer exist already. The most popular tend to be transport in person, transport via bus-drivers or via a network of friends and family.
Method of sending the money

<table>
<thead>
<tr>
<th>Method of sending the money (count)</th>
<th>Average amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money transfer (Western Union)</td>
<td></td>
</tr>
<tr>
<td>Transferred through MFI</td>
<td></td>
</tr>
<tr>
<td>Other (specify)</td>
<td></td>
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<tr>
<td>Transferred from BNCTL</td>
<td></td>
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<tr>
<td>Bank transfer</td>
<td></td>
</tr>
<tr>
<td>No response</td>
<td></td>
</tr>
<tr>
<td>Gave to taxi or bus driver</td>
<td></td>
</tr>
<tr>
<td>Meet person in another location</td>
<td></td>
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<tr>
<td>Give to someone in the home</td>
<td></td>
</tr>
<tr>
<td>Someone carried to house</td>
<td></td>
</tr>
<tr>
<td>Gave money during visit</td>
<td></td>
</tr>
</tbody>
</table>

Branchless Banking/Mobile Money Market Research, INFUSE Sep12
Where HHs keep savings

FG: All groups reportedly save; prefer using multiple forms.
Rural HH pulsa (airtime) habits

Frequency of pulsa purchase

- 90% of HHs in the sample contained a member with a mobile phone
- 55% of those said their HH has more than 1 phone
- 88% primarily buy pulsa from a kiosk

- 65% say they never send pulsa
- 8% said they do 3-5 times a week

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Cultural Payments

Where cultural payments take place

The payments are generally paid in either livestock or money.

Funerals, Uma lulik and Kore Metan are most common cultural obligations.
Amount spent on cultural payments in the last 12 months

- Less than $10: 15%
- $11 to $100: 28%
- $101 to $1000: 54%
- $1001 to $1999: 0%
- $2000 and above: 3%
Summary conclusions

• Though an important, common source of HH income, more frequent, direct social payments may not be a perceived need in rural households.

• Remittances are most often hand-delivered, so cost, speed and safety could be attractive selling points for branchless banking/mobile money.

• Client ID should not be a significant problem for opening accounts.

• Rural people have access to phones, but are not frequently remitting pulsa (airtime).

• Paying for cultural obligations is ubiquitous, which indicates potential for microinsurance.
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Matrix totals – urban and rural

<table>
<thead>
<tr>
<th>RANK</th>
<th>URBAN</th>
<th>RATING</th>
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<tbody>
<tr>
<td>1</td>
<td>Petrol Station</td>
<td>25</td>
</tr>
<tr>
<td>1</td>
<td>General Store</td>
<td>25</td>
</tr>
<tr>
<td>2</td>
<td>Truck Company</td>
<td>24</td>
</tr>
<tr>
<td>2</td>
<td>Restaurant</td>
<td>24</td>
</tr>
<tr>
<td>3</td>
<td>Photocopy Kiosk</td>
<td>23</td>
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<tr>
<td>4</td>
<td>MFI</td>
<td>22</td>
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<tr>
<td>5</td>
<td>Brick Maker</td>
<td>21</td>
</tr>
<tr>
<td>6</td>
<td>Kiosk</td>
<td>20</td>
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<tr>
<td>7</td>
<td>Carpenter</td>
<td>18</td>
</tr>
<tr>
<td>8</td>
<td>Mechanic</td>
<td>17</td>
</tr>
<tr>
<td>9</td>
<td>Tais Maker</td>
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The connecting lines indicate an informal distribution network between the various market levels.
Stratification of business and capacity
Preferred method of saving

- Most businesses saved money at local bank branch
- Complaints: small daily withdrawal limits; difficulty, length of process
- Concerns: distrust linked to collapse of system in 1999
Bookkeeping, financial literacy and pulsa (airtime)

**Bookkeeping, Fin. Lit skills**
- Education levels low (no school or primary)
- Difficulty assessing monthly earning
- Provide receipts on request, but bookkeeping skills vary

**Selling pulsa**
- Most receive from Chinese or Indonesian re-sellers
- Min. purchase: $200 to stock
- Margins, incentives too low for interest
- Some mark up (up to 25%)
Perception of Mobile Banking

• Most responded positively to the idea of mobile banking
• Trust and security issues raised
• Need awareness campaigns
• Good support systems would be needed for mobile banking agents