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1. Preface

Somali Micro Finance Institution (SMFI) is an institution that operates in Somali regional state of Ethiopia, with a vision to become an efficient, reliable and inclusive financial service provider in the Somali regional state of Ethiopia.

SMFI has currently 16 branches, 1 sub branch and 4 satellites in the region and it plans to reinforce its coverage through Mobile and Agent Banking Services using the “HelloCash” Brand name.

By the use of Mobile and agent banking, SMFI aims to address the problem of low financial inclusion in the area and to facilitate loans, savings and local money transfer, payment and provide access to financial services through an extensive agent network. For this purpose, SMFI has entered into an agreement for the provision of mobile and agent banking Technology Platform offered by BelCash Technology Solutions PLC (BCTS).

BCTS is a technology service provider for mobile and agent banking services. BCTS has obtained the necessary VAS licenses from Ministry of ICT and signed an agreement with Ethio-telecom to provide for the Ethiopian market a new approach to interaction between end users and their mobile or online devices with main focus on the banking and payment services.

SMFI has made the necessary preparations for the delivery of the service and made a request to the National Bank of Ethiopia, so as to launch mobile and agent banking services as per NBE’s directives NO.FIS/01/2012 and Circular No. FIS/01/2014. Accordingly NBE has given its approval to SMFI to run a pilot program of the service on a letter dated December 26th 2014.

As per the national bank directive, it is obligatory for any financial institution that wishes to engage in Mobile and Agent Banking business should have first to complete a pilot roll out which shall stay for a duration between 2 to 3 months.

The purpose of the Pilot program is to test and evaluate the overall implementation of the mobile and agent banking services in a limited scale.
This Document reports on the scope, activities, transactions and findings that were identified during the Pilot period of the Mobile and agent banking services.

2. **Scope**

The scope of the pilot program was limited to 5 SMFI branches with each branch having an average number of 2-10 agents taking part in the pilot.

It was planned that 1000 to 2000 end users who would register in the process and to be become subsequent customers using the services offered in a real environment.

The pilot had been conducted in the Somali region, and was consisting of the following Branches’.

a. Jigjiga  
b. Shinille  
c. Togochale  
d. Lafaise  
e. Degehabur

The scope of the services to be delivered for the pilot are the following;

- Account opening at Branch and at Agent,  
- Deposit at Branch and at Agent,  
- Transfer,  
- Withdrawal at Branch and at Agent.
3. Setup of Mobile & Agent banking

3.1 Technology Set up

The Technology used for the service has been first verified through an internal testing process whereby the SMFI staff have made a trial of the features and the functionality of the service in Jigjiga area prior to the pilot program has formally commenced.

The Service was made available using the Following channels;

- IVR (8246) - Voice based interaction by which end users call a short code number (8246) and are able to access their mobile account and perform various transactions using any type of mobile phone.
- USSD (*838#) - a Menu based application, by which end users Dial a 3 digit code (*838#) to have access to a written Menu with options to perform various transactions using their mobile phones.
- SMS – Short messaging service (SMS) which has been used as a confirmation channel for various activities while using the service.
- WEB- a website interface that has been used to allow the SMFI branches with internet access to be connected to the Datacenter of SMFI and perform various activities related to the service.

The IVR, USSD and SMS channels have been made available in the following 5 languages;

- Somali,
- Amharic,
- Oromiffa,
- Tigrinya, and
- English.
3.2 Infrastructure Setup

SMFI has established its dedicated Data center in Addis Abeba and acquired the required Telecom infrastructures from Ethio Telecom.

The telecom infrastructures that have been used for the service are the following:

- E1/T1 Telephone lines,
- Short code number,
- USSD connectivity,
- SMS connectivity, and
- Internet connectivity.

In addition to the telecom infrastructures SMFI has used the following IT equipment for the service:

- Database servers and
- Telecom Servers.

Note: complementary information is available in the Annex 1 infrastructure and technology.

3.3 Training

The staff members located in the 5 pilot participant branches had been trained on the new service and their specific role on the delivery of the service.

These Branches had been trained previously as part of the pre- Pilot preparation, and they have been given a refreshment training at the beginning of the Pilot period.

The staff who had been given the training are the following:

- Branch Managers (1 per Branch),
- Branch Cashiers (1 per Branch), and
- Branch Tellers (2 per Branch)

Note: complementary information is available in the Annex 2 agent, branch and training program.
3.4 Operational agent network

Each branch has recruited between 2 and 10 Agents. The Number of Agents to be recruited per branch has varied within the above mentioned range, based on the density of the population and availability of qualified agents.

These agents had undertook Agent training on the new service and how to perform their specific roles in the delivery of the service.

Note that complementary information is available in the Annex 2 agent, branch and training program.

3.5 Customer support

As per the requirements of NBE’s directives N0. FIS/01/2012 SMFI has established a call center in Addis Abeba, to provide customer support for the mobile and agent banking services.

The customer support is staffed with 5 operators with a capacity to expand depending on the service demand and volume of calls received from customers.

The main task of the customer support had been the following;

- HelloCash User Support,
- Operational Support to Agents and Branch Staffs,
- Complaint Handling,
- Receiving reports from Agent related to Anti money laundering (AML) and counter terrorist financing (CTF), and
- Following up on KYC and Data entry activities.

Note: complementary information is available in the Annex 3 call center/customer support.

3.6 Dedicated field support

Even if it was not mandatory, SMFI decided to implement a dedicated field support to create a daily interaction with the agents and help to understand their concerns, as well as get a better control of the KYC. Our institution did its all best to monitor its field activities and satisfied with the work accomplished on a field level by its dedicated field support team.

Note: complementary information is available in the Annex 3 dedicated support.

3.6 Informative material

The level of marketing activities of the service during the pilot period has been restricted to the design and distribution of standardized forms, availing a limited number of brochures, Identification cards and service indicator sign ages restricted to the agent outlets and the pilot participating branches.

This items have been used to manifest visibility of pilot participating agents and provide pertinent information that are required for end users and agents participating in the pilot.

There had not been any promotional campaign or marketing activities at a media or mass communication level, so as to restrict the service in a limited environment and be compliant to the directives set by the NBE.

Note that complementary information is available in the Annex 4 informative items
4. Outcomes

4.1 Mobile and agent Banking Service Indicators

During the Pilot Period, there has been the following service indicator reports which have been collected from the system as per the National Bank Mobile and Agent Banking Directive Annex IV, Mobile and Agent Banking Service Indicators requirements.

<table>
<thead>
<tr>
<th>No</th>
<th>Indicators</th>
<th>Amount/Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>I.</td>
<td>Total number of agents</td>
<td>19</td>
</tr>
<tr>
<td>II.</td>
<td>Total number of active mobile accounts</td>
<td>1,456</td>
</tr>
<tr>
<td>III.</td>
<td>Total balance in mobile accounts (in Birr)</td>
<td>273,841.89</td>
</tr>
<tr>
<td>IV.</td>
<td>No of transaction in the quarter</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A) Fund Transfer</td>
<td>167</td>
</tr>
<tr>
<td></td>
<td>B) Deposit (Cash in) to mobile account</td>
<td>669</td>
</tr>
<tr>
<td></td>
<td>C) Withdrawal (Cash out) from mobile account</td>
<td>437</td>
</tr>
<tr>
<td>V.</td>
<td>Total number of transaction in the quarter, (a b c), (In Birr)</td>
<td>1,273</td>
</tr>
<tr>
<td>VI.</td>
<td>Value of transaction in the quarter (In Birr)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>D) Fund Transfer</td>
<td>52,911</td>
</tr>
<tr>
<td></td>
<td>E) Deposit (Cash in) to mobile account</td>
<td>629,848</td>
</tr>
<tr>
<td></td>
<td>F) Withdrawal (Cash out) from mobile account</td>
<td>299,870</td>
</tr>
<tr>
<td>VII.</td>
<td>Total Value of transaction in the quarter (d e f),</td>
<td>982,629</td>
</tr>
<tr>
<td>VIII.</td>
<td>Average size of transaction in the quarter (VII/V)</td>
<td>771.9</td>
</tr>
<tr>
<td>IX.</td>
<td>Average number of transactions in the quarter per day,</td>
<td>17.4</td>
</tr>
<tr>
<td>X.</td>
<td>Total number of regular accounts opened at agent premise during the quarter</td>
<td>0</td>
</tr>
<tr>
<td>XI.</td>
<td>Total number of regular accounts opened at agent premise</td>
<td>0</td>
</tr>
</tbody>
</table>
4.2 Growth of customers

SMFI was convinced during the pilot that agent and mobile banking is the fastest way to create financial inclusion for the non-banked in the area, the number of expected new customers was over initial expectation. We firmly do believe that the region will be able with a good promotional campaign to reach in the coming three years the target set by the National Bank of Ethiopia (66% of the population should have a bank account).

*In the three months of pilot SMFI could increase its customer database of 20%.*
4.3 Business model validation

The customers are enjoying the extreme convenience of the system as well as the easiness of the registration process, they seem at this stage comfortable with the pricing structure but would appreciate that the fee should be break down in more low ranges.

The fact that a lot of people do not actually have one of the ID’s required by SMFI in account opening procedures as mentioned in the documents submitted to NBE that issue should be taken in consideration if we want to achieve 66% of financial inclusion. We suggest that civil servant ID’s, student ID’s, as well as work ID’s could be accepted after pilot.

Agents were also very pleased by the introduction of a new source of revenue for their business, for most of them between 1 500 and 3 000 Birr a month. Our first concern is will the agents be motivated to remain providing the HelloCash services and will they inform properly their neighborhood,

4.4 Errors and omissions identified

Errors and omissions where clearly identified during the pilot, they have been mitigated, the delays as well as the control mechanism to be aware of the level of compliances of the agents was not in place day one. We have mitigated the risk factors by implementing new mechanism that provided us a better control of the KYC’s.

Initially 5% of the KYC’s who were non-compliant due to the internet instability at certain parts of the region, During the last month of the pilot we have been able to drop down to 1% and trust that in the future it will be totally inexistent.

We did appreciate our TSP for providing us adequate technology to make services possible. The fact that internet is not always available can be very challenging, but new technology recently available by EthioTelecom such us the 3G and 4G connections will allow us to be fully compliant.
4.5 Type of transactions

<table>
<thead>
<tr>
<th>A) Fund Transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td>B) Deposit (Cash in) to mobile account</td>
</tr>
<tr>
<td>C) Withdrawal (Cash out) from mobile account</td>
</tr>
</tbody>
</table>

4.6 Volume of transactions

<table>
<thead>
<tr>
<th>A) Fund Transfer</th>
<th>167</th>
</tr>
</thead>
<tbody>
<tr>
<td>B) Deposit (Cash in) to mobile account</td>
<td>669</td>
</tr>
<tr>
<td>C) Withdrawal (Cash out) from mobile account</td>
<td>437</td>
</tr>
</tbody>
</table>

4.7 Feedback received

Complaints and recommendations received from customers have been the following:
- The daily amount of 6000 Birr is insufficient for businesses
- The maximum balance of 25 000 Birr is insufficient for businesses
- Some days Ethiopian-Telecom network is not available
- Some phones cannot access the USSD platform (under investigation with the help of Ethio-Telecom)
- Making a photocopy of the ID was a real issue in some areas
- Pay bills or pay goods is not available
- Some customers want to be able to access a web interface
- Being called by the call center for a double check after that they have done their KYC at agent level is not always pleasant
- Top up their phone should be available
Feedback concerning the different services provided by SMFI HelloCash:

How was your experience making a DEPOSIT?

- Very Good: 58%
- Good: 21%
- Average: 8%
- Bad: 13%

How Was Your Experience OPENING A HelloCash Account?

- Very Good: 67%
- Good: 21%
- Average: 8%
- Bad: 4%
How Was Your Experience Making A TRANSFER?

- Very Good: 54%
- Good: 29%
- Average: 13%
- Bad: 4%

How Was Your Experience Checking Your BALANCE?

- Very Good: 34%
- Good: 54%
- Average: 8%
- Bad: 4%
Agents

- Accessing a web interface to control their transactions would help; it remains that it should not be mandatory.
- Having an available photocopy can be a real issue in some areas.

Branch staff

- Uploading the KYC's can be difficult knowing that internet is not always working properly;
- The policies concerning the KYC's should be reinforced; customer's account who have no KYC's should immediately be frozen;
- Customers of SMFI should be able to use HelloCash to repay their loans;
- Accessing the web console can be difficult if internet is down, using the GSM Network is a solution but remains more time consuming.
4.8 Modification and changes sought’s as a result of the pilot

Integrating businesses’ seems to us a major challenges that should be immediately addressed, actually the directives do not integrate the businesses’ who are eventually the early adapters of mobile and agent banking.

Concerning Bill payments as well as Payroll, we suggest that the businesses have a higher limit in terms of daily transfer and balance.

Our sought is to divide the business in two different categories A and B (depending on their existing capital).

- The businesses who are from category (A) could have a limit of 250,000 Birr balance and 100,000 Birr transfer on a daily base.
- The businesses who are from category (B) could have a limit of 100,000 Birr balance and 40,000 Birr transfer a daily base.

On the other hand we do believe that for regular customers the actual directives are perfectly adapted.

4.9 Other issues and deviations identified during the Pilot

The major issues that we have faced during the pilot was the impossibility to get all necessary services from EthioTelecom in terms of connectivity (E1 lines), however we have brought experts to do the study and see how the issues could be mitigate.

For that reason SMFI maintained its main tech. platform in Addis Ababa and started building its Data Center in Jijiga.
5. **Recommendation**

During the pilot roll out of the service, we have evaluated the service in terms of the below listed components;

5.1 **Technology**  
Always provide more than one channel which is available, redundancy of channels is the best guarantee to maintain the uptime.

5.2 **Infrastructure**  
Always provide more than one site of connectivity which is available, redundancy of connectivity is the best guarantee to maintain the service available.

5.3 **Operational Training**  
Trainings conducted at the Agent outlet have proven to be cost effective and advisable method to maintain the quality of the training.

5.4 **Agent Due Diligence**  
Some businesses could not get Agent requirement documents. Although some of the agents have an evidence for their source of funds they were not able to produce Bank statement because they do not use a Bank account or there is no Bank in area. The Bank statement requirement for agents might not be applicable in all cases.

5.5 **KYC procedure**  
Create lower delays to:

1/ Access the customer that he is in control

2/ Access the agent that we can monitor his registration process

3/ Control if the KYC his at agent level

5.6 **Customer Support**  
No recommendation at this stage.

5.7 **Complaint Handling**  
Get all calls registered, monitor the delay of reaction, ensure the customer that he have all our attention.
5.8 Policy and Procedures
Increase the option of identification, a lot of end users do not have the ID required by SMFI, full financial inclusion will may need some more comprehension of the administration in terms of the nature of the documents that have to be provided, professional cards could be an option.

5.9 Documentation
Get all documents in a digital format available

5.10 Pricing
Break down the existing transactions ranges as well as charge rates

5.11 Paper Receipts
There is a duplication of paperwork at the level of the agent while performing Deposit and withdrawal transactions, in which the Paper receipt and the SMS confirmation have the same content. This requirement might be considered to facilitate the transactions.

6. Timelines

Key Dates

- January 5th Branch refreshment training completed
- January 7th, 2015. Pilot with internal SMFI staff, register and start using the service – 7 working days
- 8th of January up to 10th January, Refreshment Training for Agents
- 13th of January, Test of the system with Internal SMFI staff at SMFI Branches
- January 15th, 2015 Open Pilot where the Public register and start using the service
- March 26th, 2015 End of Pilot report period.
7. Annexes

7.1 Transaction Charges and commissions

The following transactions fees and commissions will be used for the pilot rollout.

### 7.1.1 Transaction Charges

#### HelloCash Customer Transaction Charges – Pilot

<table>
<thead>
<tr>
<th>Transaction ranges (In Birr)</th>
<th>Deposit Charges (In Birr)</th>
<th>Transfer Charges (In Birr)</th>
<th>Withdraw Charges (In Birr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>50.00</td>
<td>1,000.00</td>
<td>Free</td>
<td>7.50</td>
</tr>
<tr>
<td>1,001.00</td>
<td>2,000.00</td>
<td>Free</td>
<td>8.50</td>
</tr>
<tr>
<td>2,001.00</td>
<td>3,000.00</td>
<td>Free</td>
<td>8.50</td>
</tr>
<tr>
<td>3,001.00</td>
<td>4,000.00</td>
<td>Free</td>
<td>9.50</td>
</tr>
<tr>
<td>4,001.00</td>
<td>5,000.00</td>
<td>Free</td>
<td>9.50</td>
</tr>
<tr>
<td>5,001.00</td>
<td>6,000.00</td>
<td>Free</td>
<td>10</td>
</tr>
</tbody>
</table>

*Registration for a new customer account is Free*

### 7.1.2 Agent Commission’s

#### HelloCash Agent Commissions- Pilot

<table>
<thead>
<tr>
<th>Transaction Range (In Birr)</th>
<th>Deposit Service (In Birr)</th>
<th>Withdrawal Service (In Birr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>1,000.00</td>
<td>2</td>
</tr>
<tr>
<td>1,001.00</td>
<td>2,000.00</td>
<td>3</td>
</tr>
<tr>
<td>2,001.00</td>
<td>3,000.00</td>
<td>4</td>
</tr>
<tr>
<td>3,001.00</td>
<td>4,000.00</td>
<td>5.5</td>
</tr>
<tr>
<td>4,001.00</td>
<td>5,000.00</td>
<td>6.5</td>
</tr>
<tr>
<td>5,001.00</td>
<td>6,000.00</td>
<td>7.5</td>
</tr>
<tr>
<td>6,001.00</td>
<td>25,000.00</td>
<td>0.10% (of the Deposit amount)</td>
</tr>
</tbody>
</table>

*Registration of New customer – 10.00*