



# Humanitarian cash and financial inclusion

## Findings from Red Cross movement projects in Kenya and Nigeria

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## Introduction

**The Red Cross movement commissioned two case studies in Kenya and Nigeria to examine whether humanitarian cash programmes can contribute to financial inclusion for crisis affected people. Building on earlier ELAN case studies, household surveys and complementary qualitative research were carried out in Maiduguri in Nigeria and Kilifi and the Tana Delta in Kenya.**

The research set out to answer the following questions:

- When can and should humanitarian projects have explicit objectives around financial inclusion?
  - What has worked and what are the drivers and opportunities to help promote financial inclusion in the design and implementation of humanitarian cash transfer programmes?
  - What lessons can be learnt around the respective roles and responsibilities of aid agencies, financial service providers, government authorities and other actors in supporting financial inclusion if and when it is feasible?
- What evidence is there of use of financial services beyond the duration of projects and that such use can generate positive benefits for the well-being of disaster affected populations?

We used the definition of financial inclusion elaborated by the Center for Financial Inclusion which also appears in the CaLP glossary:

**“Financial inclusion means that a full suite of financial services is provided, with quality, to all who can use them, by a range of providers, to financially capable clients”.**



## The cash programmes

In response to ongoing conflict in Northern Nigeria, ICRC in partnership with the Nigeria Red Cross started providing cash in 2016 and scaled up its use in 2017. The case study focused on a cash for livelihood programme in Maiduguri in Borno State, which targeted vulnerable female headed households over 6 months. Women received a one-off business grant of \$194 at the start of the programme and 6 monthly multipurpose cash grants (3 months at \$55.5 a month and 3 months at \$97 a month). Cash was provided through a bank account, which recipients accessed using ATMs and debit cards.

In Kenya, we analysed two projects one in Kilifi and one in Tana Delta, where cash was delivered using the M-Pesa mobile money service. The Kilifi project provided 4 monthly payments of 6,000 KSH to 1,000 households in 2016/2017 as an emergency response to drought. The Tana Delta project provided cash to 600 households affected by ethnic violence in 2012/13, with the cash distributed in

2016. Three hundred of the households just received 8,000 KSH per month for three months. Those identified as the most vulnerable and worst affected also received 70,000 KSH in two instalments. The larger grant was conditional on developing business plans and undergoing training and was complemented by the establishment of village savings and loans institutions (VSLAs).

None of the programmes had explicit financial inclusion objectives and ongoing use of M-Pesa and bank accounts was not monitored by the programme. However, in Tana Delta there were complementary activities to encourage the establishment of savings and loans institutions. There was also no structured training provided to beneficiaries on how to use M-Pesa or the bank accounts in Nigeria. The case studies therefore examined what degree of financial inclusion is possible without it being an explicit objective and without complementary activities aimed at supporting inclusion.

**Table 1: Programme Details**

	Tana Delta	Kilifi	Nigeria Borno State
<b>Programme Length</b>	9 months – Apr to Dec 2016	5 months – Nov 16 to Mar 2017	6 months – Mar 16 to Aug 2016
<b>Recipients</b>	600	1,000	1,423
<b>Number of transfers</b>	Three	Four	Six
<b>Frequency</b>	Monthly	Monthly	Monthly
<b>Cash transfer amount</b>	8,000 KSH (plus a lump sum additional payment of 70,000 in 2 instalments for 300 of the most vulnerable)	6,000 KSH	Six monthly transfers (3 months at \$55 and 3 months at \$97). One off business grant of \$139 in the first month
<b>Donor</b>	ICRC	Finnish Red Cross	ICRC
<b>Implementer</b>	Kenya Red Cross	Kenya Red Cross	Nigeria Red Cross

## The findings

In Nigeria, prior to the programme, 9 % of the participants had a bank account and most of the other women had never entered a bank before. Given the limited presence of financial service providers (FSPs) in their place of origin, the programme was the first experience with a regulated financial service for the overwhelming majority of recipients, who used to rely on informal savings and borrowing methods. However, since the programme did not provide them training on how to use their debit card nor product orientation on the suite of financial services available to them as United Bank of Africa (UBA) clients, very few women were able to withdraw their monthly grant independently. Instead, they relied on support from a child or relative (often male), and even at times from the bank security guard manning the ATMs. Similarly, limited use was made of services other than withdrawal and virtually all recipients cashed out their entire grant. Following the programme, to routinely save, recipients continue to rely on their *asusu*, a traditional mode of saving resembling a piggy bank or a private safe at home.

The programme therefore only afforded the recipients financial access in a limited form and not financial inclusion in the full sense of the concept. The survey, however, did suggest some changes in behaviour with 99 % of the recipients interviewed saying that they changed their financial management practices as a result of their participation in it and 98 % saying that they are now able to “better plan to meet their financial needs”. However actual use of the bank accounts beyond the life of the project was limited. A month after the end of the cash for livelihood programme, only 13% of the beneficiaries interviewed had used their account in the last 30 days.

During FDGs, it transpired that recipients of the cash for livelihoods programme in Maiduguri have a savings-oriented view of finance as opposed to communities impacted by microfinance who began their financial lives from a borrowing perspective. Indeed, one financial behaviour that remained unchanged before, during and after the programme was the saving habit through *asusu*, as mentioned above. In this regard, the emphasis the programme placed on using the bank account primarily as a savings product was in line with recipients’ personal financial habits and values, which may account for the 71% satisfaction rate of the programme in spite of the many challenges it faced. It must be noted that mobile money service is not available in Maiduguri and participants had very limited knowledge of MFIs. Therefore, for the purpose of financial inclusion banks were the most appropriate cash delivery mechanism.

Financial inclusion in Kenya has been rapid and widespread since the launch of the mobile money service provider M-Pesa in 2007. Kenyans excluded from any form of financial service dropped from over 40% of adults to 17% between 2006 and 2016. Access to any form of formal financial service has dramatically increased from about 27% to over 75%. Inclusion was driven largely by mobile money services, used by over 71% of adults. Most of the recipients had heard of M-Pesa and about half had used it before the project. Network and agent coverage in both areas was sufficient for M-Pesa to be an effective way of delivering assistance and one which was seen as appropriate by beneficiaries who were highly satisfied with the process. In this context, the use of M-Pesa was highly relevant and much in line with prevailing habits. Indeed, according to the IMF Financial Access Survey<sup>1</sup>, some 46% of the GDP of Kenya in 2016 was transacted through the mobile money channel.

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<sup>1</sup> <http://data.imf.org/?sk=E5DCAB7E-A5CA-4892-A6EA-598B5463A34C>

The survey findings in Kenya do provide some grounds for optimism that, even without financial inclusions as a specific objective, some positive impacts on people's ability to access and use financial services can be achieved. The project did lead to increases in the use of M-Pesa for savings and in participation in VSLAs. Use of M-Pesa to save increased from 23% to 39% of recipients in Tana and from 12% to 34% in Kilifi. The use of VLSAs increased from 13% to 45% in Tana Delta largely due to the project itself starting VSLAs. But in Kilifi which did not have a VSLA component participation increased from 36% to 53%, perhaps a result of the cash enabling people to start saving or to re-start participation. The use of M-Pesa to send and receive money increased from 29% to 50% of people in Tana Delta and from 40% to 52% in Kilifi.

However, knowledge of the range of M-Pesa services on offer and its use beyond payments for borrowing or saving remained limited. High numbers of the beneficiaries were unable to confidently use M-Pesa or be able to describe the cash out process. Only 25% in Tana Delta and 7% in Kilifi were able to mention all steps in the cash out process whilst 43% and 61% in Tana Delta and Kilifi respectively were unable to mention any steps at all.

The cash programmes do appear to have contributed to an increased use of M-Pesa and survey respondents felt that it had contributed to stronger savings and better household cash management. This is partly, of course because of the dynamism of the financial services sector in Kenya and the successful penetration of mobile money services even into remote areas with high levels of poverty. What is possible in terms of financial inclusion in Kenya may not necessarily translate to other contexts. The huge expansion in mobile payments in Kenya means that financial inclusion is happening at pace anyway and there is a need for modesty about how much a short-term, humanitarian project can contribute to this.



## Conclusions

Red Cross cash programmes in Nigeria and in Kenya both chose cash delivery mechanisms (bank accounts and mobile money) that were contextually relevant for beneficiaries. These choices matched beneficiary saving-oriented financial management in Nigeria and financial instrument preference in Kenya. That said, lack of financial access was not a major pain point for beneficiaries, therefore, there is a need for caution in assuming that financial inclusion should be a priority objective in future responses. The primary focus of the Red Cross movement should continue to be on getting cash to people as quickly and effectively as possible as part of alleviating suffering during humanitarian responses. Financial inclusion should only ever be a sub-objective, especially in countries where financial infrastructure is lacking (e.g. poor network coverage, limited liquidity or presence of ATMs/agents). Conditions that could suggest scope to support financial inclusion could include where assessments show demand for financial services from recipients, where there is capacity to support financial inclusion from the Red Cross or financial service provider and where the project timeframe allows engagement or there is scope to work with other actors with long-term perspectives.

People's main problem remains poverty and not financial exclusion. As one old man in Kilifi said – 'I don't have any money to send to anyone and I don't know anyone who wants to send me money'. So whilst access to a wider range of financial services that enable people to make and receive payments, send money, access loans and save more effectively might help to increase people resilience to and ability to cope in the face of disasters, it is unlikely to be transformative, in the absence of regular income. But the link between the two should not be underestimated either. In Kenya a recent study found access to M-Pesa has lifted an estimated 2% of households out of poverty by increasing consumption levels at critical times.<sup>2</sup>

The survey findings do, therefore, provide grounds for optimism that, even without financial inclusion as a specific objective, some positive impacts on people's ability to access and use financial services can be achieved. Our case studies do suggest options for encouraging some aspects of financial inclusion that could be explored further. They are:

1. More training for beneficiaries in how to use delivery systems and the additional services for savings, payments and loans offered by financial service providers
2. More active engagement with financial service providers – using agents for training, expanding network or agent coverage
3. Encouraging the use of other services and more general training in financial literacy
4. Exploring stronger links with development actors able to support financial inclusion over the longer term.
5. Having financial inclusion as a specific objective and monitoring it
6. Scope for piloting and experimentation in what works for promoting financial inclusion in ways that contribute to resilience to shocks and well-being.
7. Address pain points and provide a feedback mechanism

Given that financial inclusion is a relatively new potential objective for the Red Cross and that it is not yet clear what works and what does not, there is an argument for experimentation and adaptation. Future cash projects could pilot different approaches with sub-sets of target populations. For example in Kenya we suggested testing whether providing phones and/or SIMs makes a difference to usage and experimenting with soft conditions to encourage people to save and to start using services like M-Shwari. In Nigeria, we propose setting financial inclusion objectives on microeconomic initiative programmes, which typically serve a small target group and include dedicated support activities such as financial literacy and business management skills.

Meeting financial inclusion objectives requires building the financial literacy of programme beneficiaries. In emergency CTPs, all efforts must be made to make the most productive use of contact times with programme recipients so that they may at a minimum be able to make independent use of the services available to them. In Nigeria, this could have included conducting ATM withdrawal simulations during waiting times at the bank, which were generally very long and training of trainers of the leaders of the associations of which programme beneficiaries are members.

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<sup>2</sup>Suri, T. and Jack, W. (2017) The long-run poverty and gender impacts of mobile money

Sustained use of financial service is first and foremost motivated by perception of value-added. While most recipients in Nigeria valued having a bank account, lack of proximity from ATMs and general over-crowdedness were deterrents for them. This was compounded by the fact beneficiaries still see the bank as being for rich people while they underestimate their own need for a safe saving place and for additional services such as payments, account-to-account transfers, etc. CTPs with a financial inclusion objective should address these challenges by co-designing the programme with the FSP to allow

enough time to plan disbursements and by supporting the rollout of pro-poor services (such as reduced KYC accounts, use of biometric technology, etc.) and most importantly, by putting in place a robust two-way feedback mechanism in local languages for fast troubleshooting. For example, in Nigeria, 14% of beneficiaries experienced issues withdrawing their cash, yet 80% of them told no one about these difficulties.

The framework that we suggested for how financial inclusion could take place could be developed into a checklist for consideration during project design.

**Table 5: Financial inclusion opportunities checklist**

Financial inclusion opportunities	Possible activities
<b>Promoting beneficiary ownership of the used financial services.</b>	When identifying the transfer mechanism, try to ensure that beneficiaries can continue to use the financial service (mobile wallet, bank account, debit card, etc.) following the end of the project. This will often require that the ownership of the 'account' or wallet is with the beneficiary, rather than the RC.
<b>Improving network coverage to facilitate mobile money</b>	Map mobile network coverage and highlight where it is poor. If there are issues with network coverage contact the mobile network providers to ask whether planned improvements could be fast-tracked.
<b>Expanding the FSP network</b>	Map agent / branch / ATM coverage and the distance people will have to travel to find an agent or withdraw money. Where there are gaps in coverage contact the financial service provider to see if they can support agent expansion. Publicise the planned programme to encourage new agents to establish in poor coverage areas.
<b>Using and understanding the transfer system</b>	Understand people's current financial behaviours and chose transfer options that can complement them. Assess people's knowledge of the planned transfer mechanism. Plan training in how to use the service at points of distribution and when payments are being made.
<b>Encouraging use of additional services</b>	Assess knowledge of additional financial services available for savings, credit and payments. Provide training if needed. Consider soft conditions to encourage use of saving services such as M-Shwari (eg a final bonus payment if people save a small amount per month). Consider making payment into the existing accounts beneficiaries may have (mobile, bank or other).
<b>Expansion of other financial services</b>	Publicise the planned payments and encourage other financial service providers to offer services. Coordinate with other services such as banks, MFIs, VSLAs to see if they can expand networks to cover project recipients. Use multiple financial service providers.
<b>Inclusion in other forms of assistance</b>	Assess whether people have ID cards or other documents needed to access assistance. Provide training on entitlements to other forms of social assistance. Facilitate government or other actors to register those eligible for further assistance. Ensure beneficiaries are not wrongly excluded from other assistance.

There is evidence from the two case studies and the previous ELAN studies that short-term humanitarian programmes providing one or a small series of payments are unlikely to radically shift people's longer term financial behaviours. There is therefore a need for modesty in setting financial inclusion objectives. It is important to realise the limits to demand for new financial services amongst the very poor and the most vulnerable. But at least some

of what we suggest (additional training, providing SIM cards, linking more with other organisations) would have been worth doing anyway in order to improve efficiency, reduce risks and generate possible links between relief and development. Whilst financial inclusion probably will not and should not be a main objective, modest contributions, in terms of awareness raising and experience building, are possible by tweaking existing programming.

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