



POLICY BRIEF

Mobile Money for Increased Financial Inclusion in Burundi

CURDES

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Key messages

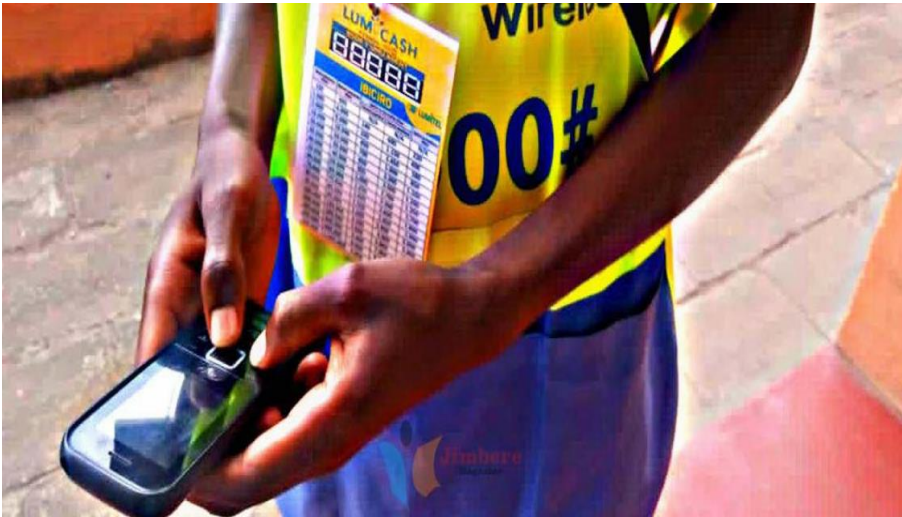
- Burundi has one of the lowest levels of financial inclusion in Sub-Saharan Africa, and people from rural areas especially women and the youth are the most affected by the financial exclusion.
- Mobile money technology is known to be a way to bridge the financial inclusion gap in Africa. However, mobile money adoption and use is still low in Burundi.
- Mobile money has a big role to play for increased financial inclusion in Burundi, since it dominates by far other digital financial services provided by operators.
- Different socio-economic factors are found to drive the adoption and use of mobile money in Burundi.

What is the issue?

Despite the importance of financial inclusion for economic growth and poverty reduction, the formal banking system rarely reaches the rural areas, and when it does, the cost of their services becomes a barrier for low-income households and small businesses. The proportion of adult population that owned an account at a financial institution in Burundi was 12.5% in 2016. This is very low compared to the sub-Saharan African average of 34%. In addition, a national financial inclusion survey in Burundi in 2016 indicated that the ratio of account holders was five times higher in urban areas than in rural areas. Moreover, the survey indicated some gender and demographic differences in account ownership. The proportion of men owning an account was found to be almost double the women, while the proportion of young people (aged 18-29 years) owning an account was half of those aged 30 years and older. The ratio of account holders was found to vary depending on socioeconomic category; it was found to be 89.5% among state employees, 52.1% for private sector employees, 30.1% for traders and 5.3% for farmers. Contrary to what is observed in many other developing countries, women were found to constitute only 28.3% of microfinance institutions' customers.

It should be noted that the lack of access to formal financial services means that the poor and small businesses are limited in their ability to save, repay debts, and manage risk responsibly. It's therefore imperative to find innovative models that help extend financial services to the financially excluded and the poor. It's for this reason that digital financial services started in developing countries through mobile phones, in a bid to try bridging the financial inclusion gap. Mobile money technology has been

introduced in Burundi as well, but the adoption and use are still low compared to other countries in the region.



Why is this important?

Mobile money technology was introduced in Burundi in 2010. Although mobile money uptake has been growing in Burundi, it is yet to translate to financial inclusion. One of the explanations given is that the products offered by the existing operators in the market do not necessarily match the needs of financially excluded individuals. There is therefore a need for concerted efforts from different stakeholders, to increase mobile money adoption and use in Burundi for an increased financial inclusion.

What should policy makers do?

- Age, education level, place of residence, wellbeing category, membership of saving and loans association and the household size are found to be the key determinants of mobile money adoption and use in Burundi. Our findings indicate that the probability of mobile money adoption for those aged 36-60 years, and 60 years and above, is respectively 1.2% and 2.8% lower than younger individuals (15-35 years). However, the probability of mobile money use for those aged 36-60 years is 5.8% higher than younger individuals (15-35 years). Individuals with tertiary level of education are less likely to adopt mobile money technology but are more likely to use it, compared to those with other levels of education. Urban dwellers are also more likely to use mobile

money technology. The government of Burundi should implement policies to reduce existing gaps in mobile money adoption and use.

- The probability of mobile money use is associated with the wellbeing level. The government of Burundi should continue implementing policies aimed at raising the wellbeing of the population, initiatives to increase incomes of the population especially in rural areas should be encouraged, mainly to improve the population's purchasing power, enabling them to access the mobile money technology. A focus should be put to improve livelihoods at household level.
- Being a member of savings and loans associations increases the probability of mobile money adoption by 2.9%. The population can be encouraged to join such associations for increased mobile money adoption.

Source

Arcade Ndoricimpa, Jean Claude Nyamweru, and Michel Armel Ndayikeza. 2023. Determinants of mobile money adoption and use in Burundi. AERC Collaborative Project on Financial Inclusion.



Mission

To strengthen local capacity for conducting independent, rigorous inquiry into the problems facing the management of economies in sub-Saharan Africa.

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