

Case Study: Extending Financial Inclusion

Integrated savings and loans

CBA & M-Pesa launch M-Shwari

IFC Mobile Money Toolkit

Background

- Only 40% of Kenyans have access to formal financial services; (10 Million Kenyans in a population of 24 million adults.)
- In line with the vision 2030 agenda on financial inclusion, CBA and Safaricom are launching a product that will revolutionize this agenda.
- Safaricom and CBA believe that this product takes their core mandate of transforming lives to the next level by providing financial access to all Kenyans.
- It is the natural progression from M-Pesa to trying to offer more products than just payment service.

What is M-Shwari?

- A paperless banking service for M-PESA subscribers provided by Commercial Bank of Africa (CBA) in conjunction with Safaricom that will have the following features:

Savings with Interest

- Allow customers save as little as ksh1 and earn interest (b/w 2-5%) on their saving balance.
- Money is moved into the savings account using the customer's phone via the M-PESA Menu.
- No minimum balance

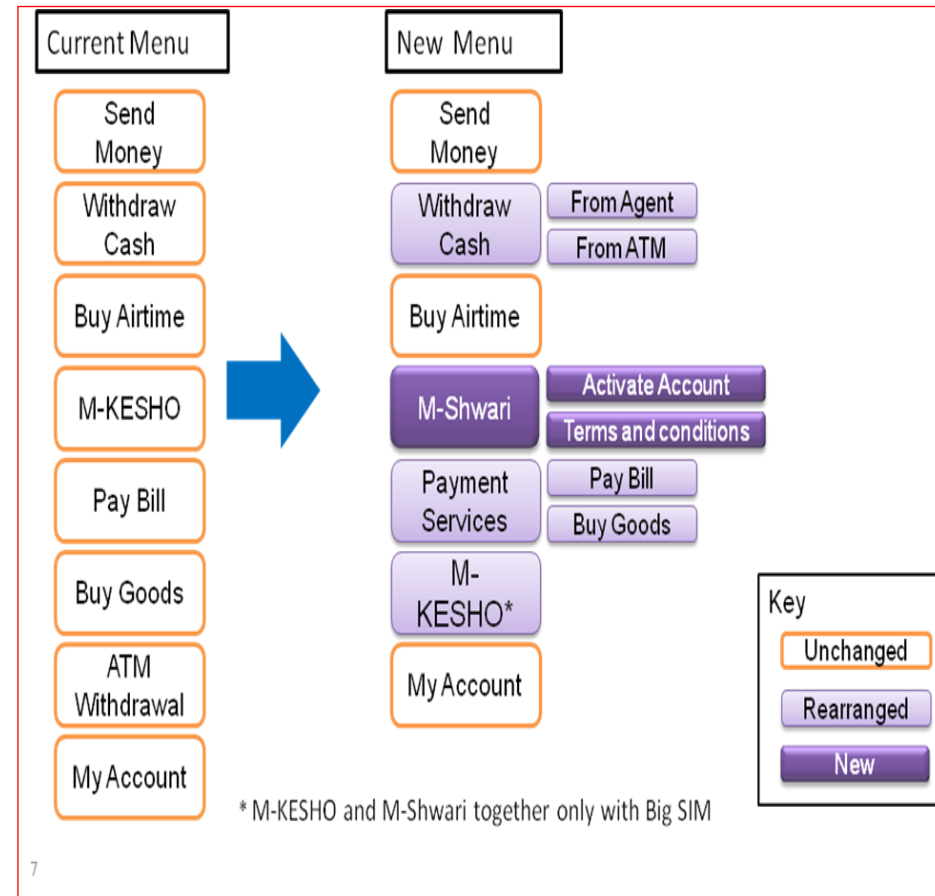
Instant Loans

- Allow customers access to a micro-credit product (loan) at a minimum of Ksh100 anytime and receive their loan instantly on their M-PESA account.
- Loan amount is determined by one's savings, loan repayment behavior and usage on Safaricom services.
- Check loan qualification by calling a number
- 30-day duration & 7.5% transaction fee
- Defaulters - lose their phone number

Enrollment Process

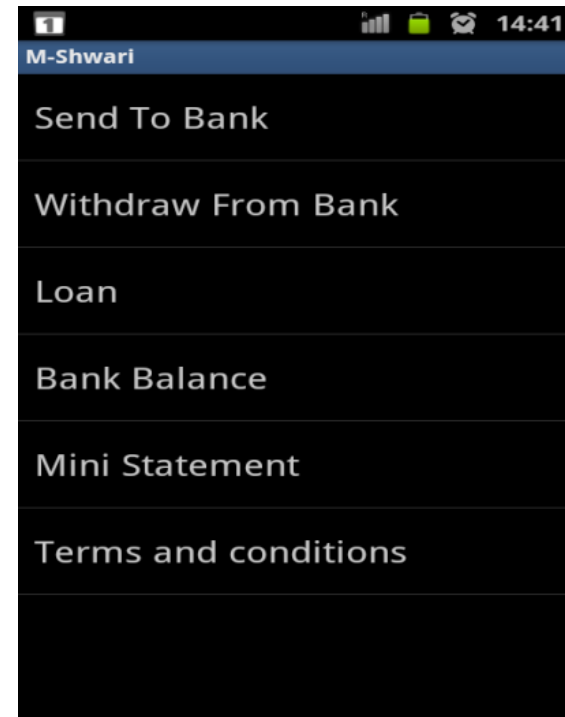
To get an M-Shwari account, the customer has to be:

- A registered Safaricom M-PESA customer and an active Safaricom M-PESA account/line.
- Opt in to M-Shwari after updating menu
- To update menu on the phone
 - Select “ M-PESA”
 - Go to “My account”.
 - Select “Update Menu”
 - Enter M-PESA PIN
 - (No new PIN needed for M-Shwari)
- Wait to receive the updated M-PESA menu



M-Shwari Menu

- M-Shwari menus are intuitive and easy to use.
- Each of the key activities has clearly labeled commands on the menu.
- PIN used is the same as the M-Pesa Pin
- User receives SMS confirmation of all his/her transactions.



Strengths

- Product is offered in conjunction with M-Pesa which is associated strongly with financial services in Kenya
- It is a natural progression from M-Pesa's payment service to a savings and short term lending product.
- Product is simple and easy to understand combining the following features:
 - Easy to apply for a loan
 - Menu is intuitive and can be operated by anyone
 - Offers savings and lending services
 - Product features are easy to understand, no minimum charges, simple fee structure
 - Easy to access agents to cash out savings through M-Pesa Agents

Annexure

Additional Information

- **Do I need a different PIN to access my M-Shwari account?**
 - No. Your M-PESA PIN is the same PIN that you will use for your M-Shwari account. Always remember that PIN Yako Siri Yako
- **What happens if I lose my mobile phone and have an M-Shwari account?**
 - Your money is safe because your M-Shwari account is protected by your M-PESA PIN. Replace your SIM card at any of our Safaricom Retail Centres or agent outlets. Once you activate your M-PESA menu, using your current M-PESA PIN you will be able to access your M-Shwari account .
- **After a SIM swap, will my M-PESA line pick the M-Shwari account I had on a previous line or do I have to opt-in again?**
 - You do not need to opt-in again, the system will automatically update your M-Shwari account and all the money in your account will be reflected as soon as you reactivate your M-PESA account using your current M-PESA PIN.
- **What benefits do I get when I save my money on the M-Shwari service?**
 - You will be paid interest paid on your savings balance (Interest will be calculated daily but paid out at the end of each calendar quarter).
 - The product offering will have tiered savings amounts as below subject to KYC validation.

Savings amount	Interest P/A
KES 1 - 10,000	2%
KES 10,001 – 20,000	3%
KES 20,001 - 50,000	4%
KES > 50,001	5%

Additional Product Information

- **What is the minimum amount that you can hold in your M-Shwari account (Minimum account balance)?**
 - The minimum amount that you can keep in your account is Ksh 0 (zero) balance
- **What is the maximum you can transfer from M-PESA to M-Shwari and vice versa?**
 - The normal M-PESA limits apply.
- **Can I access my account through any CBA branch?**
 - No. Your account is only accessible through your mobile phone via the M-PESA menu on your Safaricom line.
- **How do I check how much I can borrow?**
 - Dial *234*6# you will get a notification asking you if you have read and accepted the terms and conditions. This will also give you information on whether you are eligible for a loan and the loan amount limit that will be awarded to you.
- **Do I get charged interest on my M-Shwari loan?**
 - The M-Shwari loan **DOES NOT** attract any interest. The 7.5% charged is a loan facilitation fee payable only once for each loan taken
- **If I request for a loan of Kshs 1,000 how much will I receive and how much will I pay back?**
 - You will receive the full loan amount requested if you qualify. You will however be required to pay back Kshs 1,075 within 30 days because each loan attracts a 7.5% facilitation fee
- **Can I pay a loan on behalf of another person?**
 - You can send money to their M-PESA account and they can pay the loan.

Additional Product Information

- **If I have saved Kshs 5000 in my M-Shwari and I have a loan of kshs2000 and I do not repay within loan duration, what happens to the money in my deposit account?**
 - When you borrow the Ksh 2,000, the money in your savings account will be frozen to the loan amount and the loan fee (loan amount Ksh 2,000 loan plus a facilitation fee of Ksh 150)
 - You will only be able to access any balance above the frozen amount. The frozen amount will be accessible once you pay the loan. However you can continue to deposit money. Note: during the period the savings are frozen you will continue to earn interest which will be paid into your M-Shwari at the end of the calendar quarter.
- **Can I request for a loan immediately I opt-in?**
 - For you to qualify for your initial loan you must have saved for a period of 30 days. The M-Shwari customer is eligible for his/her first loan after 30 days of initial deposit/saving
 - Customers who are on postpay and use okoa jahazi are eligible for a loan after making fist deposit/savings
- **What happens if you pay in excess of the loan amount?**
 - The outstanding loan balance will paid off and the extra amount will be moved to the customer's M-Shwari savings account.
- **If I have Kshs 5, 000 in my M-Shwari account, will I get a loan of the equivalent amount?**
 - The loan amount is dependent on your loan amount limit, previous loan repayment behavior and usage of other Safaricom services such as voice/ data and M-PESA

Websites for Additional Information

- Websites with Additional Information:
 - M-Shwari FAQs website: <http://www.safaricom.co.ke/personal/m-pesa/m-shwari/m-shwari-faqs>
 - Safaricom Website: www.safaricom.co.ke
 - Commercial Bank of Africa: www.cbagroup.com