

# Inclusive Business Case Study: Roshan

Location: Afghanistan Sector: Telecommunications IFC Investment: \$65 million in debt finance

## COMPANY BACKGROUND

Launched in 2003, Roshan (Telecom Development Company Afghanistan Corp) is a leading telecommunications provider with over six million mobile telephony subscribers. A social enterprise, the company's vision is "to be the benchmark emerging market telecommunications company that focuses on customers, stakeholders, and employees, providing quality and value in an ethical manner while contributing to the social and economic development of Afghanistan within the region." Roshan directly employs over 1,130 people—96% are Afghan nationals and 18% of the total are women. Roshan is owned by an international consortium made up of three shareholders: The Aga Khan Fund for Economic Development or AKFED (51%), Monaco Telecom International (36.75%), and TeliaSonera (12.25%).



## ROSHAN'S INCLUSIVE BUSINESS MODEL

Roshan engages low-income people through its core business in two key ways. On the customer side, Roshan offers mobile telephony as well as value-added services such as mobile payments, remittances, and agri-commodity prices among other offerings. On the distribution side, Roshan's 33,000 agents—typically micro and small business entrepreneurs—sign-up mobile subscribers, sell airtime, and offer value-added services.

### Mobile Telephony and Value-Added Services

**Mobile Telephony:** Roshan offers four types of pre-paid tariffs for telecommunications, enabling customers to select an option best suited to their needs and budget. Customers benefit from a loyalty program by earning rewards such as free talk time and text messages. The SOS loan, an airtime credit service, helps customers borrow airtime from friends, family, and Roshan. Also, customers may share airtime for a fee through M-Share.

**Mobile Financial Services:** Roshan's M-Paisa<sup>1</sup> product, launched in 2008, is Afghanistan's first mobile financial service. M-Paisa is advancing financial inclusion, especially in remote rural areas, and supporting the development of the economy. Customers must submit a national ID or joint customer registration form to sign-up for the service.

M-Paisa's flagship offering was loan disbursements and repayments for customers of the First Micro Finance Bank Afghanistan (FMFB-A). Roshan has since expanded its offerings to include salary disbursements, airtime recharge, cash deposits and withdrawals, domestic and international person-to-person money transfers in partnership with Western Union, merchant and bill payments, salary payments, and humanitarian aid disbursements. Roshan earns revenues through customer fees to agents for each transaction. Its institutional customers include two microfinance institutions, the Afghan National Police, the Ministry of Rural and Rehabilitation Development (MRRD), the Norwegian Refugee Council (NRC), and the Department for International Fund for Development (DIFD).

Central aspects of M-Paisa's value proposition are security, 24-hr accessibility, and ease-of-use. Rather than travel a great distance to reach a bank and face security risks, customers can access financial services through mobile phones. Women entrepreneurs can make loan payments from home, avoiding late payment penalties. M-Paisa has helped police officers receive salaries in full—the first time for many due to corruption in cash payments. Organizations like NRC have replaced cash and voucher

payments with electronic payments to internally displaced persons and refugees. M-Paisa services are also easy to use—customers transact via text messages (SMS) or an Interactive Voice Response (IVR) system that is available in Dari, Pashto, and English. About 70% of Afghanistan's population is illiterate, making the IVR system critical for large-scale adoption.

Roshan also focuses on customer education to increase familiarity with the new technology, build understanding of the offerings in the M-Paisa basket, and create confidence in the service. The right messages are critical for adoption. Using the slogan "the hawala on your mobile," Roshan helps customers understand M-Paisa by comparing the service to the country's centuries-old hawala system of money exchange dealers who transfer payments domestically and internationally.

**Agriculture Information Services:** Over 75% of Afghans are engaged in farming. Roshan's Malomat service—provided via both SMS and IVR—increases transparency by providing farmers, input suppliers, traders, and wholesalers access to real time prices of over 40 commodities. Information about buyers enables farmers to be strategic about what to grow and where to sell crops, while farming tips help improve productivity.

### Distribution Network

A strong distribution network is essential to reach people scattered across difficult terrain. Roshan has developed an agent network by building relationships with thousands of small stores that sell basic necessities. There are around 33,000 Roshan agents including nine flagship stores owned and run by Roshan, 6,550 street vendors, 400 kiosks, 4,200 licensed retailers (micro outlets with two employees), and 4,300 non-traditional outlets such as barber shops, salons, restaurants, etc. Agents receive regular training on product information and promotions from Roshan's sales force, which in turn enables them to impart knowledge to customers.

Among Roshan's agents are Public Call Offices (PCOs) run by village elders out of either their homes or small kiosks. Roshan's PCO program currently enables 15,000 micro entrepreneurs to offer GSM services using their own phones to customers who cannot afford phones. To help women in rural areas earn a livelihood, Roshan, in partnership with AfghanAid and USAID, offers a Women's PCO (WPCO) program. Women receive a \$250 loan from FMFB-A while Roshan provides a subsidized PCO kit consisting of a handset, SIM card, charger, 12,500 units of talk time, and a signboard. WPCO operators also get an additional 60% airtime credit when they buy airtime.

1 M-Paisa was supported by the Vodafone platform used by Safaricom in Kenya for M-Pesa. Since December 2013, M-Paisa has been supported by Comviva and operates in three languages. This functionality will help expand services and increase usability. The Comviva platform also features bank and utility system integration, enabling money transfers from bank accounts to mobile wallets and utility bill payments from phones.

2 The Joint Customer Registration Form (CRI) is accepted by the Afghan Telecommunications Regulatory Authority (ATRA) for customer sign-up

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## DRIVERS FOR ROSHAN'S INCLUSIVE BUSINESS MODEL

- Vision to contribute to Afghanistan's economic development
- Significant market opportunity in mobile telephony
- Great need for mobile financial services—around 95% of the population is unbanked
- Demand for electronic payments from institutional customers

First, as a social enterprise, Roshan's primary inclusive business driver is its vision to provide all Afghans with access to mobile telephony, as well as to play a key role in the country's reconstruction and economic development.

Second, the low fixed line penetration (less than 0.7% of the population) creates a strong need for mobile telecommunications. When Roshan entered the market in 2003 there was only one other player, presenting a significant market opportunity for the company. As of 2012, according to the World Bank's World Development Indicators, mobile cellular subscriptions stood at 54 per 100 people in Afghanistan indicating room for further growth.

Third, with around 95% of the country's population unbanked, low bank branch penetration, and high security concerns, there is a great need to leverage mobile

phones to deliver financial and value-added services. Decades of conflict have had a negative impact on the formal financial system and resulted in a low level of trust among people in formal banking. Roshan has an opportunity to build upon the trust that people have developed in mobile communications to offer mobile banking and other services.

Fourth, institutional customers such as the government, microfinance institutions, development and aid agencies are increasingly turning to electronic payments to increase transparency, security, and efficiency of payments, thus building the payments ecosystem and making it viable for Roshan to generate revenues through mobile money and other services.

## RESULTS OF ROSHAN'S INCLUSIVE BUSINESS MODEL

- Catalytic role in the development of the mobile telecommunications industry in Afghanistan
- More than six million mobile phone subscribers and 1.2 million registered M-Paisa customers
- 1,000-plus farmers using the Malomat agri-commodity price and information service
- As of 2014, Roshan had 15,000 PCOs of which 320 are run by women

During the past decade, Roshan has played a catalytic role in the establishment of the telecommunications industry in Afghanistan. The company's success in the market incentivized new entrants thereby driving down prices and making mobile telephony affordable for the masses. SIM cards that were priced at \$650 each dropped to \$100 when Roshan entered the market in 2003; today they cost less than a dollar.

Roshan's network is available in 240 cities and towns throughout Afghanistan's 34 provinces. As a result, over 71% of Afghanistan's population can access Roshan's GSM voice and data services. Its 3G network is available in all major cities in the country. Of Roshan's six million mobile subscribers, 99% have pre-paid accounts, and more than 1.2 million are registered M-Paisa customers. Its Malomat service has over 1,000 users and benefits entire villages since communities often share services to reduce costs.

The company engages large numbers of low-income entrepreneurs as distributors in its value chain with its 33,000-strong agent network. Roshan has over 500 registered M-Paisa agents who double up as cash-in and cash-out outlets. M-Paisa agents are present in 120 cities and towns across the country, covering 32 provinces.

Based on the success of Roshan's social enterprise model, Roshan's parent company, AKFED, is expanding the model to Burundi, Tanzania, and Uganda in 2014. Roshan has received several international awards for innovation including from the Bill & Melinda Gates Foundation, USAID, and the GSMA.

## IFC'S ROLE AND VALUE-ADD

- Provide finance to a large company with limited access to funding from private commercial banks in Afghanistan
- Offer long-term debt, enabling Roshan to make capital expenditures for its 3G network roll-out
- Help Roshan to have greater operational flexibility through access to long-term debt
- Send a positive message to potential investors that it is possible to finance infrastructure projects in Afghanistan



**IFC's Investment:**  
\$65 million in long-term debt finance

**Investment Year:**  
2013