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INSTITUTE FOR MONEY, TECHNOLOGY
& FINANCIAL INCLUSION

Project Infographic

Social Relations and Payments in Rural Ethiopia

by Woldmariam Fikre Mesfin

Most studies of mobile money for the poor pay little attention to the complex relationships of people on the ground with money and financial services. In order to better inform the design of new mobile money systems for the purpose of financial inclusion, this research project by Woldmariam F. Mesfin investigates social relationships and payment practices among the poor in rural Ethiopia. A study of existing payment practices in Ethiopia is pertinent especially given the recent proliferation of various mobile money initiatives. Two key questions face mobile money professionals and scholars of financial inclusion alike: How will these mobile money initiatives reach out to the local population? How will they incorporate existing (albeit unbanked) financial practices?

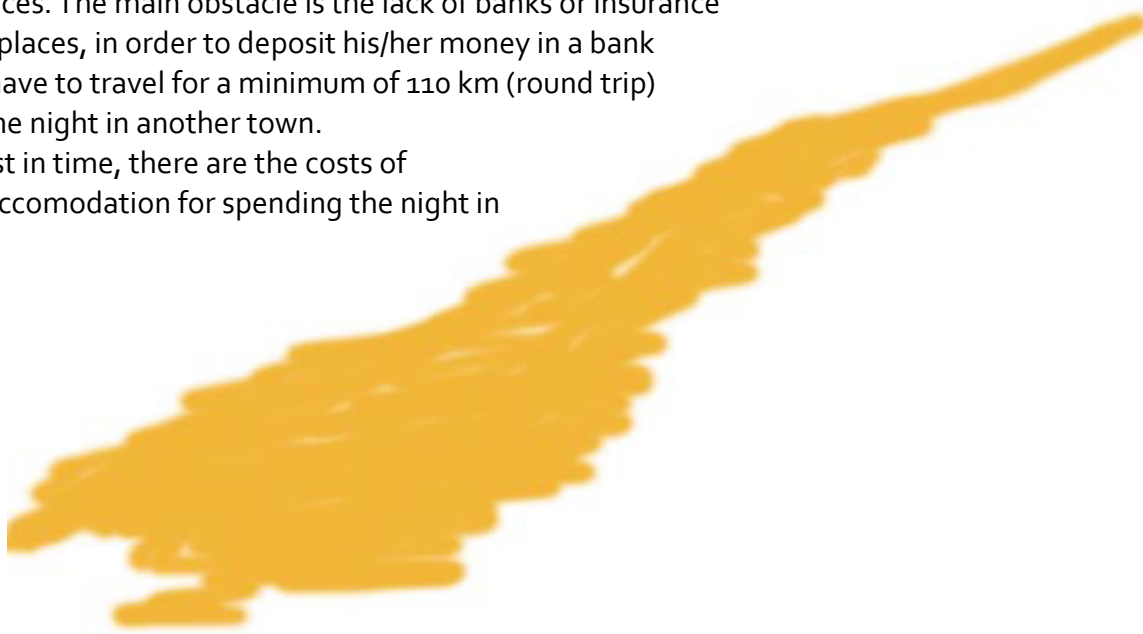
In order to inform new designs for mobile money products and services about local financial institutions and practices, this study explores the ecology of social payments—informal savings and loans institutions, monetary and non-monetary gifts, payments to people with power and to deities—while identifying some key challenges to fulfilling these payments.



The Real Costs of Banking

Residents in rural Ethiopia face a great difficulty in gaining access to financial institutions and services. The main obstacle is the lack of banks or insurance companies. In some places, in order to deposit his/her money in a bank account, one would have to travel for a minimum of 110 km (round trip) and spend at least one night in another town.

In addition to the cost in time, there are the costs of transportation and accomodation for spending the night in the nearest town.



Distance

110 km (68 miles)

Time

24+ hours

Monetary Costs

hotel: 100 Birr (6.67 USD)
travel: 50 Birr (2.78 USD)

Social Cost

shame if gifts/
payments not made

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14	20.00	10.00	30.00	50.00
15	20.00	10.00	30.00	50.00
16	20.00	10.00	30.00	50.00
17	20.00	10.00	30.00	50.00
18	20.00	10.00	30.00	50.00
19	20.00	10.00	30.00	50.00
20	20.00	10.00	30.00	50.00

Payments to Edir

Local residents make regular contributions to community associations called edir. These payments take a monetary form and are recorded in tabular lists locally known as *mesgeb* (above). Edir payments act as a form of savings. These contributions are used to pay for funerals.



Money-gifts
Gifts in the form of money are quite common in the event of weddings. A designated person writes down the amounts of gifted money in a register (right).

Non-monetary Gifts
These include cattle and other non-commodity forms of valuables and are usually given for weddings and funerals as well.

The Ecology of Payments in Rural Ethiopia



Personalized Church Payments
Church members make regular payments to the church. Typically, upside down umbrellas (above) and special cloth (right) are used to collect such payments.



Anonymous Church Payments
In addition to the personalized payments, people also make anonymous payments to the Church. In many villages, one notices locked vaults, locally referred to as *mudye mitswat* (above)

Designing Culturally Informed Mobile Money Alternatives

Over the past year in Ethiopia a number of mobile companies have partnered with local banks. As these various actors continue to shape their new products, their success will depend upon their ability to best incorporate existing local practices and institutions that have enabled savings and payments.

This research provides a few suggestions for designing culturally informed mobile money services in Ethiopia:

Interface

Acknowledge local social payment practices and their importance to individuals and the community.
Use iconography that takes after local payment practices.

Platform

Partner with local financial institutions, both formal and informal.
This may include edir and religious institutions which may act as mediators.

Infographic designed by Smoki Musaraj. Photos provided by Woldmariam Fikre Mesfin. Read the full report of the study at http://www.imtfti.uci.edu/files/imtfti/blog_working_papers/2012-6_mesfin.pdf