



The Determinants of Electronic Means of Payment in Mozambique



Prepared by the Bank of Mozambique and NOVAFRICA
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This policy brief presents the results of the study conducted by the Bank of Mozambique and NOVAFRICA, on determinants of the adoption of electronic means of payment by firms in Mozambican cities. After concluding a survey submitted to small business owners in the cities of Maputo and Matola, we analyzed the data collected and present here the main conclusions.

In this study we use adoption of electronic means of payment to measure the access to financial services by business owners. Access to finance is an important tool for boosting economic growth, since it increases business stability and allows small firms to grow to a larger scale. The core part of the analysis correlates characteristics of businesses and their owners with the probability of adopting Points-of-Sale (POS), Mobile Banking and Mobile Money in everyday transactions.

Surveyed businesses are mostly general retail trade shops or shops selling construction material, employing on average 3.5 workers. Out of all 1027 respondents (70% are in Maputo and 30% in Matola), only 22% of business owners claim to accept POS payments, 7% Mobile Money payments and 4% Mobile Banking payments. Most respondents are men and 1 in 5 was not born in Mozambique.

By correlating business characteristics and business owners' characteristics on whether businesses accept payments through POS, we conclude that business characteristics are the ones with stronger correlations. More specifically, the size of a business and volume of its transactions are positively correlated with POS adoption, and businesses selling construction material and automobile parts are the most likely to accept this method of payment. The acceptance of payments through

mobile phone (Mobile Banking and Mobile Money) depends more on the owner him/herself: namely on whether he/she is a frequent cellphone user and how young he/she is. We also conclude that education of the business owner is positively correlated with preferring alternative means of payments rather than cash.

Even though the use of electronic means of payments does not seem to be largely diffused in our sample, 75% of the surveyed business owners claim to have a bank account, which suggests that access to financial services in Maputo and Matola is not the principal constraint. Looking at the answers given to the question “Why do you not use POS?” we found that 26% of respondents claimed that they do not know how the system works, or how to get it and that 20% indicated that their clients do not use the system. This shows us that there is a clear problem of financial literacy, both on the side of the business owners and the buyers. Besides these, high commissions and excessive bureaucracy are also popular answers, suggesting that there is a need for improving the country’s banking system. Finally, 5% of respondents claim to be waiting for the technology to be installed. Concerning payments through mobile phones (Mobile Banking and Mobile Money), reasons for not adopting are similar to the ones stated for POS. Lack of knowledge by the owner and the client are the most common answers, while a significant number of respondents also claim not to trust the payment systems.

To increase the use of financial services in Mozambique, it is important that the country’s population is educated about these services. Business owners must first understand the advantages of using these services instead of working only with cash, and secondly learn how to get access to and use these services properly. Moreover, 83% of those business owners using POS indicated that they have experienced problems with the system, namely with network connections and with the POS machine itself. This suggests that it is necessary to improve the services provided in order to make them more appealing for both business owners and consumers.

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