



High Volume Payments in the Tea Value Chain

Using digital bulk payments to meet the needs of migrant workers

By Anne Craib



Images by Naomi de Groot

“

I need to send money to my family every time I get paid. I use mobile money.

—Johnson, tea worker in southwestern Uganda*

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When talking to migrant labourers on Ugandan tea estates, over 90 percent responded as Johnson did when he was interviewed at the end of 2016 about using mobile money (MM) to send remittances. Johnson is one of over 8,000 casual labourers employed by McLeod Russel tea company in Uganda, the majority of whom are migrants. They come from other regions of Uganda, as well as from neighbouring countries such as the Democratic Republic of the Congo and the United Republic of Tanzania, to work on tea estates in order to support themselves and their families back home. They need

to pay school fees for their children and support aging parents. Using MM is the safest and most cost-effective way to send funds.

These tea labourers exhibit the following characteristics:

- Over 90 percent earn less than US\$2 a day.
- Most are given food, housing and health care by their employer; so, despite low pay, they are able to send much of their earnings home.
- Travel to an MM agent to send funds to family can be expensive if done by boda boda (motorcycle taxi) or time consuming and dangerous if done on foot, carrying a fortnight's pay.
- There is a limited number of agents in trading centres nearest them (usually several kilometres away). Moreover, many of the agents are small and lack sufficient liquidity to handle the influx of cash on the workers' biweekly cash-based paydays. Therefore, when workers finally do reach an MM agent, they often find that the agent has run out of float.



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Key results

Digital financial services appeal to migrant labourers and their employers alike



McLeod Russel, like most agricultural firms in Uganda, pays its workers in cash. For McLeod Russel, the adoption of digital bulk payments would increase transparency, security and accountability. In addition, MM has the potential to increase productivity on paydays since currently the majority of employees stop working for half a day to line up and receive their cash payment in person.



It would also benefit the workers, who already use MM heavily to send remittances. Paying these workers via MM can ease their burden of sending money to family, and it can lessen the strain on the rural agent network.

Type of payee matters

Implications for the agent network

Across all agricultural value chains, payees are interested in MM because of the benefits that accrue in terms of access to financial services, safety of funds, and convenience. The tea value chain—with its prevalence of migrant workers—is unique in that payees need to send remittances immediately upon being paid.

In structuring the launch of bulk payments via MM, one of the primary challenges is ensuring the existence of a liquid agent network. Typically, the agent network must be ready to cash out much of the amounts paid to workers; accommodating this cash-out burden is expensive and logistically challenging. It is estimated that up to 30 percent or more of the amounts paid in cash by McLeod Russel every two weeks is deposited into MM. The current agent ecosystem strains to accommodate this biweekly influx of over 100 million Uganda shillings.

The impact of payees in bulk payment initiatives who use remittances is significant:



**Lowering
the cash burden:**

Because migrant workers are sending a large percentage of their pay outside of the region (see the figure), their cash-out needs are less than what would otherwise be expected. This situation lessens the burden on the agent network and eases the transition to bulk payments.



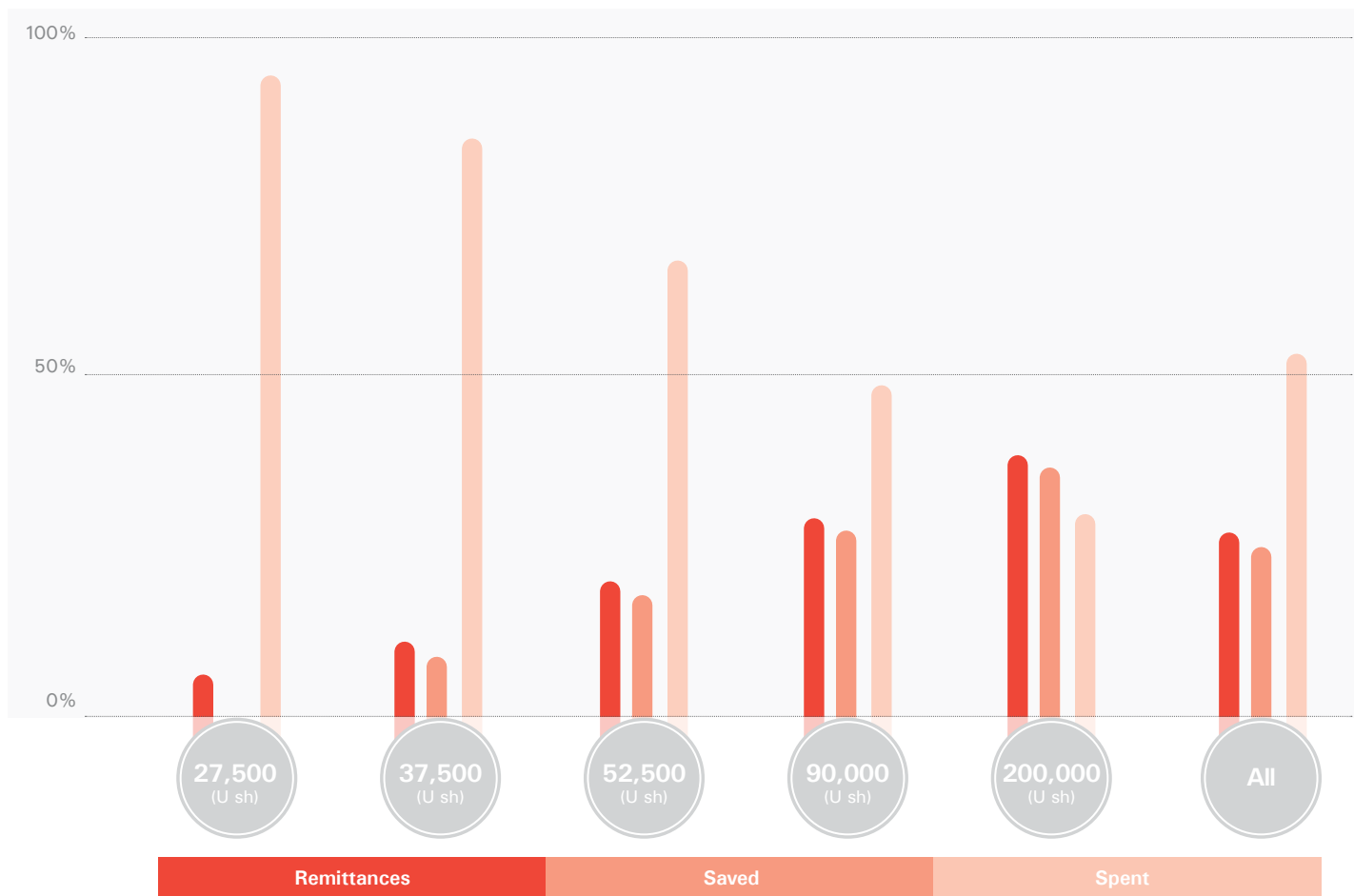
**Easing the need
for rebalancing:**

When digital bulk payments are introduced, the traditional model calls for agents to secure a large amount of cash in order to serve the cash-out needs of the payees. Ensuring adequate float in the local agent network is expensive and potentially dangerous. However, migrant workers do not require cash locally, thereby lessening the need for rebalancing within the agent network and increasing the likelihood that the local influx and outflow of cash will be in balance.

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Tea value chain in Uganda

Use of funds for average biweekly income



Migrant workforce and mobile network choice

For most bulk payment initiatives, especially those not tied to a single mobile network operator (MNO), payees determine which network to use based primarily on local availability of agents. By contrast, if payees are more focused on the ability to send remittances, the choice of network is influenced by the availability of agents in their home village. In Uganda, pending the introduction of cost effective and easily accessible interoperability, it is especially true. MTN is the predominant network in rural areas of the country, and it is also the network of choice for the migrant workforce.

In many donor-funded bulk payment initiatives, a single MNO, especially one that already has an agent network that it is willing to strengthen in the initiative area, can be chosen as the lead partner.

Because migrant workers send a large portion of their pay to other geographic areas, choosing the right MNO partner may be complicated as payees might be constrained in their ability to switch networks.

Understanding and meeting payee needs

Although the average earnings in the Ugandan coffee, dairy and tea value chains are similar, the fact that the tea industry utilizes a large migrant workforce has significant implications for the launch of MM-based bulk payments. Migrant workers, especially those sending a large percentage of their pay home, use MM in a different way than do those living with their family close to their payment point. Understanding these differences and accounting for them in the design phase is an important step in scaling bulk payments.



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Group Types



Field workers



Factory workers



Supervisors

Occupation	Pluckers, loaders, weeders, cooks, gardeners, etc.	Machine operators, electricians, engineers, etc.	Gang headmen, clerks, division managers, security guards
Approx. monthly pay (U Sh)	80,000–240,000	200,000–800,000	200,000–2,000,000
Financial inclusion	Unbanked	Unbanked	Underbanked
Goals	<ul style="list-style-type: none"> Supporting family in home village Saving for investment (house, animals, agriculture) 	<ul style="list-style-type: none"> Supporting family in home village Saving for investment (improved housing, trading/small business, boda boda). 	
Needs	<ul style="list-style-type: none"> Sending MM remittances Loans for emergencies and investment Interest-bearing savings Spending management 	<ul style="list-style-type: none"> Sending MM remittances Loans for investment Interest-bearing savings Spending management 	



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