The background of the entire page is a photograph of numerous stacks of Afghan banknotes. The notes are in various colors, including shades of blue, green, and brown. They are piled high, with some stacks appearing to be tied together with rubber bands. The lighting is somewhat dim, creating a sense of depth and texture. The text is overlaid on this background.

IN THE HANDS OF GOD

A STUDY OF RISK & SAVINGS IN AFGHANISTAN



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*A Study of Risk &
Savings in Afghanistan*

BY JAN CHIPCHASE, MARK ROLSTON, CARA SILVER,
AND JOSHUA BLUMENSTOCK

INTRODUCTION 7

NOTES FROM THE FIELD 11

About the Authors 11
Background / Context 12
Aims 13
Methodology 13
Biases 17
Extreme Gender Dynamics 18
Challenges and Omissions 19
Mitigating Risk 20

FINDINGS 27

Finding 1: Trust and Control 27
Finding 2: Trust in the Future 28
Finding 3: Trust in Institutions 28

IDEAS 31

Idea 1: Reward/Incentives 31
Idea 2: Intertwined Financial Lives 33
Idea 3: A Culture of Contribution 33
Idea 4: Insurance and Risk Aversion Strategies 37
Thoughts on the Competitive Landscape 39

THE DURANI FAMILY 45

A typical Afghan household

CONCLUSION 61

INTRO

Only 3% of the people of Afghanistan save at formal financial services.¹ In this, the second study on financial services and mobile technology by frog, researchers identify social, cultural and mental models that inform how people perceive and enact savings and risk-mitigation, with implications for the development of new models and services in this conflict-ridden country.

Most striking to me is the difference in understandings of liquidity between a modal “Western” perspective and that offered to our researchers by their informants. We think that liquidity means being able to convert between various forms of electronic money effortlessly, as when I pay my utility bills online via direct withdrawal from my bank account. But frog’s interlocutors found the distances, wait times, and the steps involved in moving electronic value cumbersome and complicated. Having a diverse portfolio of grain, livestock, property, gold, and what-have-you proves more effective than having a bank account. And some felt compelled to use bank accounts if that is how their employer paid them, a violation of the reciprocal give and take of relationships of solidarity and support. At a more basic level, people just don’t trust the banks: they fear for their stability, longevity, security. One can understand in this context the desire for tangible assets that one can move from hand to hand without the intermediation of any other institution or network other than one’s existing social network.

Our researchers speculate that, given this emphasis on tangibility and a concomitant ethos of contribution to one's fellow kin—for marriages, education, emergencies, and other expenses—perhaps savings with formal institutions could be incentivized by giving savers some material token for their effort: a contribution for their contribution, so to speak. If people are already seeking and creating new relations through contributions to each other, then banks wanting to forge a meaningful and durable relation with their clients might replicate existing relationship-maintenance behaviors through gifts or rewards.

The difficulty, of course, is that banks begin from a place of having limited faith put in them. They also begin from a place where rewards for financial activities skirt the line between permissible and forbidden gain, the latter indicated in Islam's prohibition against interest. That prohibition derives from the belief that interest shields the lender from the uncertainties of life, cordons the lender off from the risks faced by the borrower: that interest is the ultimate anti-contribution.²

Could other service providers like telcos step into the breach? The difficulties of distance, infrastructure, everyday violence, and kidnappings loom large. Amidst the uncertainty, however, there is still hope: the researchers discuss several old traditions and beliefs reframed by their encounter with mobile technology, and the possibility of regaining a sense of personal, familial, and community control in a world where so much is left, out of necessity as much as piety, in God's hands.

The Institute for Money, Technology and Financial Inclusion (IMTFI) at the University of California, Irvine, is devoted to supporting innovative research on the financial lives of the world's poor and marginalized, and the potential for new technologies to change the monetary ecologies in which people seek to make a life for themselves. IMTFI investigates the pros and cons of digital platforms for payment and savings, and tries to show how the experiences and philosophies of the "target" populations of development initiatives themselves provide invaluable guidance for how to design and implement systems and policies that will actually benefit those they are intended to serve.

—BILL MAURER, *Director of the Institute for Money, Technology and Financial Inclusion at the University of California, Irvine, where he is also Professor of Anthropology and Law.*



1 <http://datatopics.worldbank.org/financialinclusion/country/afghanistan> (2011)
9% have an account at a formal institution, 3% save at a formal institution

2 See Maurer, Bill. 2005. *Mutual Life, Limited: Islamic Banking, Alternative Currencies, Lateral Reason*. Princeton: Princeton University Press.



NOTES FROM THE FIELD



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The team's ongoing research is widely referenced, including *The New York Times*, *Technology Review*, *The Wall Street Journal*, *New Scientist*, *Die Zeit* and *The Economist*, and has been published in prominent academic journals and conferences in the field of Information and Communication Technologies and Development (ICTD).

Background/Context

With funding from the Institute for Money, Technology and Financial Inclusion, a small team from frog, a design and innovation consultancy, travelled to Afghanistan in December 2012 to conduct research into attitudes and practices around savings and people's perceptions of risk and reward. We explored the financial relationships among a wide variety of individuals and organizations, ranging from employers to formal institutions, neighborhood credit lines to extended family.

It is sometimes easy for us in the banked world to forget the value of taking money out of circulation and placing it somewhere safe, because it is a practice so very common in many areas of the world. But the concept of saving, and in particular saving regularly through a salary plan, could have a big impact on individual and family welfare in a country like Afghanistan, where there are few formal alternatives to having cash with you at all times. It is in such fragile and conflict-affected states, where concerns of corruption and physical insecurity are rife, that secure and regular savings are likely to have the most profound impact. Over the last few decades, social scientists have shown that a strong relationship exists between access to financial services and other measures of individual and family welfare.^{3, 4}

Our research and those of others have revealed that the idea of "saving" in Afghanistan comes in many forms, whether that be in property, livestock, grain, or gold, and that saving occurs in households from a range of financial standings, both rich and poor. frog's research focused on the underlying mental models that drive saving behaviors, rather than the nuts and bolts of how a particular group of Afghans save.

At first glance, Afghanistan might seem an unlikely place to explore how the future of savings will play out in the world, including the U.S., Europe, Japan, and the rest of the so-called developed markets, as it is a nation with minimal formal banking infrastructure, a fragile economy, and a turbulent geopolitical backdrop. But in our experience, it is precisely these conditions that can trigger innovative practices to overcome limitations in the status quo and make the most of the frugal resources that are available. We believe that such innovative practices in Afghanistan are clearer to spot because there are greater barriers to overcome, and the consequences of failure are arguably higher than in most other places.

And while many factors in Afghanistan can impede such innovation, the mobile phone may provide a potential shortcut to delivering effective financial services: although only 9% of the population uses financial institutions, approximately 65% own a mobile phone.⁵ This project builds on prior research conducted in 2010

that looked at the introduction of Mobile Money services in Afghanistan, and lays the groundwork for a larger impact evaluation, planned for late 2013, that will pilot a new mobile phone-based savings account that builds on the insights from our investigation. References and contact information appear at the end of this publication.

Aims

This project explored broad issues around attitudes toward savings and risk, to understand how a new type of savings product offered by an Afghan employer to its employees might look, its features, how it would be positioned and communicated.

Our hope is that through better understanding of current practices, we can spur the evolution of appropriate saving products in and beyond Afghanistan by adapting what we have learned.

Methodology

The field team of Jan Chipchase, Mark Rolston, and Cara Silver adopted the journalist-researcher model to running the research. This model offered an optimal balance between access to interesting sources of data such as interviews and observations at homes, on the street, and in markets and social spaces, while managing risk, to a point, for the team. The research was run over 2 weeks in December 2012, with 4 days in Herat and the remainder in Kabul. These locations were chosen as being both culturally distinct and sufficiently secure.

As the economic center of modern Afghanistan, Kabul carries a large international influence, both government affiliated and independent, and harbors the security tensions to match. It is seen as a safe zone for those associated with government work, like the Afghan National Army (ANA) and Afghan National Police (ANP), who often settle their families in the city and return to the provinces to work. It supports the money flows one would expect from an economic hub. Migrants, for instance, come to Kabul to find work, sending money out to families in the provinces, while government-affiliated employees support families from outside, sending money in, to their families.

Herat lies in the west of Afghanistan and is less than a 2 hour drive from the Iranian border. Traditionally there has been a high volume of migrant labor traveling to Iran to earn money to send back to families in Afghanistan. This cross-border human traffic brings with it both cultural, political, and commercial influence, reflected in the goods on the shelves through to investments in local infrastructure.

In each city, we canvassed numerous sites across the city, including the main hawala (money) market; mobile phone stores; prepaid and mobile money kiosks; retail outlets such as neighborhood bakeries, grocery stores, and electronic markets; banks; insurance providers; wedding halls and wedding planning shops. The spectrum of locations turned the lens onto the lifestyle of Afghan consumers and what influences some of their major purchases and their need and ability to save.

Our research centered on fifteen in-depth interviews. We spoke to individuals employed by the ANA, ANP, government civil service, banks, NGOs, and employees of Roshan, Afghanistan's largest telecommunications company and the first to market

3 Burgess, Robin and Rohini Pande (2005). "Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment." *American Economic Review* 95 (3): 780-795.

4 Dupas, Pascaline and Jonathan Robinson (2009). "Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya." NBER Working Paper #14693.

5 Budde Telecom Forecast

“Innovative practices in Afghanistan are clearer to spot: there are greater barriers to overcome and the consequences of failure are arguably higher than in most other places.”



with a mobile money transfer service: M-Paisa. Seven of the fifteen (those working for the telecommunications company or with the government) had their salary paid through M-Paisa, though not all currently saved. The focus on salaried employees was a key interviewee recruiting criteria as we believed these individuals represented the most likely early adopters of a regular savings plan, and as members of our team are currently designing a controlled trial of a mobile savings account that will be piloted on these employees in late 2013. Direct quotes from participants are referred to by their research code (Kabul-M02 is Male participant #2 and so on).

This foundational research was supplemented by eleven intercept interviews, daily observations while out and about, and several home visits, to build an understanding of dynamics at the street and household levels. Two expert interviews were conducted with department heads at two Afghan banks working with M-Paisa (AIB and Azizi Bank) to give insight into the banking processes and mobile products on offer.

Between us, the frog team has extensive cross-cultural research experience, including within Afghanistan.

To supplement the three core team members, we hired five fixer-guides, both male and female and of Pashtun and Hazara descent, with three based out of Kabul and two out of Herat. Their role was to assist with translation, navigate and interpret local customs, and tap existing trusted relationships for recruiting interviewees.





The guides also helped the team understand the security issues in different locations, all be it with their own personal and ethnic biases. In addition, a motorcycle plus driver were hired in each city for photoshoot-heavy days, to make it easier to traverse the city, beat traffic, dismount, interact, and document.

We took a multilayered approach to recruiting: through extended social networks of the team; through connections forged by Roshan and other key stakeholders on the ground; and by snowballing participants with whom we built up a good rapport. While we acknowledge that each recruiting method comes with its own biases, we considered the additional benefit of having trusted relationships to be paramount in building rapport and assessing and managing risk. This strategy appears to have been borne out by events on the ground.

We intentionally kept the team small and shied away from hiring separate translators, drivers, or security personnel, instead concentrating on bringing in three team members total in each location (to a maximum of five in group situations). The team often split into two groups to enable an agile and more clandestine approach to in-field work. Debriefs occurred shortly after each session, with the researcher staple of a nearby coffee shop replaced by a *dastarkhan*, a tablecloth spread over rugs and boards, piled with local dishes.

The aim of our research was not to find participants broadly representative of the Afghan population, but rather to focus on those in full-time employment, as this population seems to be best poised to take advantage of new options for savings and managing risk. One-third of research participants were female, all lived in urban or peri-urban settings, and all had a regular source of income, a relative luxury in a country where just under a quarter of the population lives in urban centers and over a quarter are unemployed.

We identified a number of biases in our approach:

- Kabul and Herat yielded good data, but more diverse and extreme (and thus potentially more interesting) examples could have come out of locations that had a higher risk profile.
- Time was limited by the availability of the team between other projects. A month on the ground would have been more appropriate.
- The core team relied on translators, with the inevitable loss of granularity and the risks of mis-translation that it entails. This was in part mitigated by the skill level of the translator and the relationship we built up; for example, we were able to openly talk about the kinds of biases this relationship introduces.
- The local team did not represent all ethnicities, and thus, stereotypical positions tended to come into play—for example, a visit to a Herat wholesale market at 6:30 AM was loaded with assumptions around the risk posed by other ethnicities travelling in from other (admittedly more militarily active) provinces. These risks were difficult to validate.
- Being a foreigner in any locale comes with a set of assumptions of appropriate

behaviors, in effect what a researcher may or may not do (or get away with) in any given circumstance. In Afghanistan, with its distinct social norms, and strong history of unwelcome foreign intervention, these are more distorted than most. A good research team knows how to make these biases work in their favor and in most (but certainly not all) contexts we turned “being foreign” into an asset.

Extreme Gender Dynamics

In a region where there is significant gender segregation outside of the family, gender had a considerable impact on the research team and in particular our local female guides. Cultural norms restrict when, where, and whom women can speak to and how the interaction will play out. For our local female guide, being seen to interact with foreign researchers in public impacted her, and by association her family.

The obvious way to combat this is simply to remove men from the equation. In each city the team was set up to be capable of all-male or all-female interviews. Finding a female guide was often the most challenging, not for lack of qualified candidates, but in finding a capable candidate who was comfortable working with a mixed gender team from the West, and whose family is also willing to accept this risk. Stigmas are rarely confined to an individual.

The team included one female local guide in both Herat and Kabul. Traveling as a full team—three foreign researchers, one local male, one local female—drew attention despite best efforts otherwise. Often, field teams can use this to their advantage, and will engineer situations to build relationships or draw attention away from conversations happening on the side. From the perspective of our female guides, this attention felt like objectification: local men observing the female guide traveling with foreign men (and women), glaring at her, and making, what we interpreted as lewd assumptions of this behavior. (This was backed up by other conversations with locals around assumptions of what foreigners get up to behind closed doors...) Especially in the more conservative areas of Herat, the mixed gender team limited their time outdoors together, choosing closed areas for team meals or splitting into male and female teams while traveling.

Foreign women, however, play with a different set of rules. Blending in—the oft-taken strategy in immersive research—may not always be the best strategy in this case. It is especially true that with the stringent limitations on women’s movements in more conservative cultures, it is helpful for the foreign female to stand out—thereby stepping out of the native cultural boundaries and leveraging the liberties afforded foreign guests. In Kabul this strategy worked well. In Herat, a more conservative city, all of the women wear a burka or chador while outside the home. Complying with these cultural norms, our local female guide wore a chador; the team’s female member, however, initially opted out. Our first public outing created tension in the surrounding street scene—stares from the men and commotion around what was seen as a “mini-skirt” rather than body covering. Our female team member later chose to wear long robe and head scarf.

Despite the initial stares, she still opted out of wearing a burka or chador. On

first glance an outfit other than traditional dress is less conspicuous and draws more attention. But, quickly learning the nuances of wearing a burka or chador—deftly holding fabric around one’s face while in the hustle of crowds during market days without revealing what is beneath while also wielding an in-field research kit of camera, notebook, pen, and phone—is difficult at best, dangerous at worst. The challenge is in finding the ideal ratio of blending-in vs. standing-out to maximize both access and safety.

The team prepared for the known gender-biased environments in part by using dress cues. In general, we like to dress for social and contextual parity. For the men this was supplemented by the keffiyeh (a square of cotton cloth worn as a head covering or scarf); and for the women, headscarves or other covering, robe or shirt-over-pants-to-the knees. Adapting to local dress norms as much as appropriate puts both parties on a level the playing field, so to speak. Dress can be modified to speak to a certain status, show acceptance of cultural norms, or build barriers. In environments where the dress differences between genders is so extreme, upholding gender boundaries can diffuse tensions. The female team member, although unmarried, wore a wedding ring when speaking with men.

Gender-specific interview teams were carefully assembled. When interviewing female participants, an all-female interview team was used. The team took extra care to limit photography of women to the female team members, and only with that woman’s verbal consent. Being photographed introduces the threat of being viewed by men outside her family. All-female photo booths, where photographs of women are taken, processed, and printed by another woman, lessen the fear of photos ending up in the wrong (male) gaze. Male-female tag teams were often utilized in interviews that could be testosterone heavy (ANA, ANP). Introducing a female researcher into the conversation can soften the dynamic just enough to talk about broader topics like marriage, children, and the challenges of saving for these events. Too little female presence and the conversation runs dry; too much and the team can be discounted.

The team remained acutely aware of the consequences of gender on the research, attempting to throttle up or tone down its effects depending on the scenario. Having the right gender mix before stepping in-field, recognizing the gaps in our knowledge, and being willing to adapt on the fly heightens the success and safety of our team, and that of our participants.

Challenges & Omissions

While the team sought to minimize biases from the research, the reader’s attention is drawn to a number of issues that impacted what data we were able to collect within the time and resource constraints of the project.

Money is a topic that people the world over are wary about openly talking about. Some overemphasize how much they have (primarily to project a higher status), while others go in the other direction for reasons such as to maintain social parity with peers, or to minimize the perceived risk of theft that they think may arise from the conversation. Others still prefer to avoid the topic thinking that any

discussion will lead to bad things, not in the least a tax official knocking on their door. Also considered highly sensitive: any discussion of exact and approximate locations where valuables and money were stored.

Exploring institutional bribery was also an issue, in particular when the institution was one that the participant worked for—for example, whether salaries were fully passed on to the employees or whether their bosses were skimming off the top. Where possible, we probed these issues, and in related work are developing a larger study to understand the potential role for Mobile Money to reduce different forms of corruption and “leakage.”

Security continued to be an issue, even within the “journalist” style mode of working. For example, we weren’t able to conduct interviews with police officers and army personnel in Wardak Province or Kandahar Province because of security concerns (described by one local as “hairy”), in part because of the additional logistical planning it would have required, building out sufficiently trusted local networks and so on.

As with previous studies that we’ve conducted inside and outside of Afghanistan, the first step of the mitigation strategy was to recognize the biases, then explore how to minimize their impact and, ideally, move the conversation to the point where the root of those biases can even be discussed. Significant effort was paid to the local fixer/guides in an effort to build up a trusted relationship both prior to the time on the ground, and in everyday activities. Local hires were treated like other full-time members of the team.

We scheduled as many of the interviews in spaces where the participant had a degree of control over the environment, not always easy in a country of extended families, and with limited spaces to socially hang-out. A small number of participant interviews were conducted on corporate premises where their colleagues were sometimes present. In such cases, careful attention was paid to participant body language for cues around discomfort and unease, and conversation was steered to more neutral topics.

The team would have naturally liked to spend more time in-field, and is aiming to return on a future project to conduct outlier research in provinces.

Mitigating Risk

Risk is an issue in every country where we run research (mostly in the form of vehicle accidents), but is elevated in Afghanistan, where there are occasional attacks, suicide bombings, and kidnappings. The challenge for the team in ascertaining risk, and developing strategies and tactics to mitigate that risk, was in looking beyond the dramatic headlines and the established and stringent security protocols for organizations that need to operate on the ground for extended periods of time, gaps in our own knowledge, and processing events on the ground as they unfold.

It is not our purpose to overstate the more adventurous aspects of this research and we recognize that there are people living and working in Afghanistan under far, far riskier conditions, not least the Afghans themselves. With that in mind we hope that some of you will find this discussion useful.

The perception of risk varies from context to context over the course of the research day. The general sense on the ground (and from Jan, who has researched in Afghanistan multiple times) was that the security situation has progressively become worse. Several of our translators reinforced this impression, saying, “2010 was the best year in recent history. Now, with the news that the U.S. will pull out, people have less hope. People stopped investing in the future. Construction has slowed, and families are pulling daughters out of school. Things are getting worse.”

The cornerstone of our research strategy was to maintain a low profile: with no security detail to draw attention, travelling in local taxis (rather than SUVs normally used by NGOs and contractors). Motorcycles were used on photo-shoot days where a broad swath of the cities needed to be covered and the photographer/researcher needed to get in and out at speed—with the researcher in near-to-local dress that would survive the squint test. The team avoided buildings, people, and convoys that were military or military-contractor related, when these were known (it is not always apparent). The risk from IEDs, or improvised explosive devices, was considered low because the unpredictable nature of our routes, of the use of local transport, and limited cues suggesting that foreigners were inside. However in today’s age it is relatively trivial to look up the background, employer, job title, and salary range of an individual, assuming they are transparent about their employer, i.e. through business cards, and travelling on their own passport. Our goal was to be not particularly interesting targets.

During street research, in riskier areas where the team needed to cover a lot of ground, find and explore topics of interest for the team, we:

- Moved with intent and purpose to project knowledge of the locale.
- Dressed in neutral clothes that could pass as local—headscarves are a boon since it is possible to cover much of the face. No sunglasses, preferring eye contact for building trust (it helps that some locals have blue eyes, as with two members of the team).
- Maintained a good situational awareness of what was happening on the street, the ebb and flow of movements, and worked as a team to gauge reactions to each other from bystanders.
- Kept hands in plain sight.
- Avoided having visible items of value.
- Generally avoided large crowds, and situations where we would gather a crowd.
- On arrival in a new context, carefully targeted whom to socially engage and build rapport, both to send a signal to others in proximity that it was fine to talk and engage with the strangers, and to have a nearby voice-of-calm if later on things got a little hairy.
- Made the most of our local guides in ascertaining the current situation.

While the team travelled with health and hospital repatriation insurance, we did not carry kidnap and ransom (K&R) insurance, which could arguably encourage riskier behavior among the team. (The insurance likely wouldn't cover much of the costs anyway, although admittedly, with or without it would be an undesirable situation). Kidnapping was considered unlikely since it usually requires planning, and planning requires targets that have time on the ground and a predictable schedule.

A key assumption is that a kidnapping takes knowledge, with the kidnapers knowing the routine of their intended target to be able to optimize their chances of success. The best knowledge of the potential target is likely to be from their colleagues or other close network, something that played out for a member of the team on the ground. In Kabul, our fixer-guide was offered \$200,000 USD by someone working as security in a government institution to assist in kidnapping one of the team. In Herat during a visit to the gold market one of our team mistakenly voiced the intent to return the the following day. The local guide smartly did not translate that same message to the vendor in the market, suspecting that those very locals were not safe to share such information with. It was our guide's impression that the chance of kidnapping was likely if we were to return, something that is obviously difficult to assess (even if it would make for an interesting experiment) but this provides some sense of the actual and perceived risk of being kidnapped. Such situations repeated themselves throughout the trip. However, it is possible to navigate such considerably dangerous environments by working with trusted guides, arriving unannounced, staying on the move and limiting time in any given locale. Perhaps it's most important to put this in perspective: For all of the risk we encountered, this is simply part of life for the people of Afghanistan.

Given that the team travelled in two relatively safe locales—Kabul and Herat—aside from being in a vehicle accident, we considered the primary risks to be: a chance encounter with someone strongly negatively impacted by the foreign presence, e.g. an extended family killed by a drone attack, or imprisoned, i.e. a motivated spur-of-the-moment attack; someone with deeply held beliefs against foreigners/invaders, the energy to do something about it, and the ability to get away with it in that context, i.e. a rational attacker. Being caught up in an event where crowd dynamics could be manipulated to have an impact on the group, i.e. mob mentality.

A number of lessons can be applied to other research projects: utilizing a heightened situational awareness to take in more details; a finer appreciation of contingency planning; a keener attention to detail and understanding of body language, social and large group dynamics; and a better appreciation of what it takes to blend in, until that moment when its better to stand out. This knowledge also increases the breadth of places in which the researcher can function. We've also learned that whatever the team thinks they know about what was happening on the ground, there are always things that they don't understand and can't control. There is always a bigger picture.







FINDINGS

The findings fall under a number of themes.

FINDING : TRUST AND CONTROL

In order to build and for the future, a people must have trust in that future, trust in the world around them, and the control of their money. For our participants, saving money is emotionally conflicted, despite being a commonly understood idea. Their lack of clear hope for the future is *the* central challenge. Not only do they have practical and emotional doubts about the future of their country, they lack faith in the current institutions that are most prepared to help them. What trust they might find is complicated by strong feelings about the types of control they require over their money. On a more practical level, many people simply do not have enough money to save effectively, and as a result the World Bank estimates only 3% of Afghans save at financial institutions (9% have accounts at those same institutions, just not all for saving). Lastly, religion and family have an extremely strong role in a person's life. The control an individual has over their finances is deeply entwined with their family. Shari'ah law (the moral code and religious laws of Islam, outlined in the Qu'ran and Sunnah) places strict limits on financial transactions.

“Afghans simply do not trust the banks. This, compounded by a lack of faith in the future and the limits that Shari’ah, or Islamic law, places on banking, drives them to consider money liquidity the primary factor in handling their money.”

FINDING : TRUST IN THE FUTURE

“When the Americans leave, the Taliban will return.” Whether or not this is going to happen, this statement, made by more than a few of those we met, reflects the underlying fear Afghans have for the next few years. Why save money, invest, or build if tomorrow things will get bad again? The lack in economic confidence is not unlike that in Western markets in recent years, after the global financial crises that began in 2008. Economies are driven by confidence, and if that is low, people will not save and invest. The effect is a downward spiral, not only at a market level, but also affects individual and family plans for tomorrow. While we cannot address the geopolitical questions, issues of trust can be mitigated by the design and marketing of savings programs.

FINDING : TRUST IN INSTITUTIONS

For more than 30 years, Afghanistan has experienced extreme shifts in influence from the Soviet invasion in 1979, through to the Taliban and most recently US and ISAF occupation. For most working adults, this is really the only world they know. What this has created is a culture with a deep distrust in institutions. To many that we spoke to, the working assumption is these institutions, namely the government,

the police, the army, and the banks, are propped up, ready to collapse the moment the outsiders leave and the Taliban return. What is most relevant about these greater cultural issues is that they drive very practical implications in how Afghans choose to manage their money. They simply do not trust the banks. This issue, compounded by a lack of faith in the future and the limits that Shari’ah, or Islamic law, places on banking, drives them to consider financial *liquidity* the primary factor is choosing how to handle their money.

“Only God Knows”—an answer we were given many times, and much like the common phrase “Insha’Allah” (“it is in god’s hands”), illustrating the deterministic context that Afghans use when describing their common assumption that there are greater forces at play in all situations and we are merely humans. It was applied in our interviews to describe the sense that an emergency could happen at any time and will require financial spending to fix. It is perhaps the most profound expression for how Afghans feel about having access to their money. It comes down to access and liquidity. Emergencies can be health related, large unexpected purchases, kidnapping ransoms (which we learned anecdotally from discussing with head of security at an infrastructure provider, a not-uncommon occurrence as a business negotiation strategy), or even an unexpected wedding in the family.

This concern over access and liquidity impacts how banks are perceived well beyond the fear for their longevity. Banks are known for having very low customer service. ATMs, a modern staple in Western style banking, are only available in the major cities and work only within a particular bank network. These limitations mean that branch banking is the primary experience people have with banks. Our respondents shared experiences and perceptions of limited branch access, long lines, wait times, arcane transaction processes, and limitations in inter-bank transactions. These are reasons enough to keep Afghans away from banks. “The bank where I am paid is too far away,” our respondents told us. “There is often a long line at the bank,” another said. “It takes too many steps to withdraw my money,” said another. Many of the people we spoke with were required to open bank accounts to receive their salaries through direct deposit, and most of them simply withdrew the entire deposit in cash each payday.

IDEAS

A number of ideas for the future of savings in Afghanistan emerged out of the research.

IDEA 1: REWARD/INCENTIVES

We directly explored concepts of rewards and incentives with many of the respondents. Any model has several design variables to consider. Foremost, Shari'ah Law restricts followers on moral grounds from earning interest from savings in an account. In particular, it does not allow one to accept or expect a planned, calculable reward for lending or saving money. Everyone we spoke to adhered to this law, if only at least in the spirit of it. However, this law leaves room for incentives that are designed to be unpredictable in their timing and amount. Despite the deep commitment to their faith, most respondents were very open to taking advantage of the law's technical loopholes for monetary gain.

The examples we explored were:

- *A lottery system:* for savings reward: the customer, in a pool of customers is placed in a lottery for winning prizes or extra cash. Lottery chances or ratio won (among a pool of winners) could be based on amount in savings account.
- *Spot rewards:* varying the timing and amount of interest earned. A simple model

- of converting the typical interest-earned value into a more randomized system.
- *Employer contributions*: having the employer provide incentives as a form of employee compensation that rewards behaviors, such as long-term savings, which are seen to increase the stability of the company.

We also explored models for managing self-control.^{6,7} In Western-bank savings accounts, the penalties for access of the funds are balanced with the rewards inherent in leaving the money in the bank. In Afghanistan, access itself is a primary concern and is further complicated by low confidence in the value of saving and the lack of concrete incentives and rewards for saving. In several discussions we explored the idea of an “anytime” access to funds that was otherwise limited to a preset number of withdrawals within a time period (ie. once a month or three times a year). These ideas were conceptually acceptable but hard to embrace over simple “cash-under-the-mattress”-style techniques. (One interviewee described to us a family’s savings method as keeping cash “in a bag in the storage room.”)

We often found it hard to get honest impressions of various savings models given respondents’ limited practical experience with banking and overall poor impression of bank survivability and customer service.

There are social and political challenges beyond the limits that Shari’ah law places on savings incentives. First, family structures often dictate a common mechanism for saving, meaning that rather than having, say, 10-plus people within a family each managing a means of saving for themselves, the entire family saves in a common pool. While we didn’t find it universal for families to use a single method and pool for saving, we did find considerable pressure and evidence that most money is being pooled into a common family account. This seems to be both social (for the good of the family) and practical (most of the available income of family members is needed to maintain basic living conditions). We did find on a few occasions that while a person contributed towards the family pool, they also attempted to maintain their own means of saving through their own personal accounts.

Politically, the instability of the country is the primary disincentive to save. Few people expressed confidence of the country’s political, and therefore economic, stability. This translates to a sharp belief that the banks are not safe. To complicate this, the basic customer service with banks is terrible (long lines, complex transaction processes). Basically, we found very little trust in banks by most respondents. One respondent described the challenge in the most profound way: “We have not had modern banking in this country for 30 years and therefore do not understand it. Banking is new to us,” a reference to the instability from 1979 (when the Soviets invaded Afghanistan) to today.

6 Ashraf, Nava, Dean Karlan, and Wesley Yin. (2006). “Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines.” *Quarterly Journal of Economics* 121, 673-697.

7 Dupas, Pascaline, Sarah Green, Anthony Keats, and Jonathan Robinson (2012), “Challenges in Banking the Rural Poor: Evidence from Kenya’s Western Province.” Forthcoming, NBER Africa Project Conference Volume.

IDEA 2: INTERTWINED FINANCIAL LIVES

The relationship between money and families in Afghanistan is deeply entwined and complex. First, the basic definition of an Afghan “family” goes well beyond the Western model of a nuclear family. Most of the male respondents we spoke with lived in a home with their spouse, children, brothers, their wives, children, parents, and grandparents. Households were made up of more than 10 people, and often closer to 20. This mix fundamentally affects what it means to earn and save for the family. Spending, for example, is not an individual decision as it impacts the entire family.

Although our research exposed the expected patriarchal control of family spending, the practical controls for finances were much more nuanced, with a common pool controlled by the patriarch, but managed by the matriarch, along with smaller individual nuclear family and individual pools of spending and saving. Income and/or expenses can even come from family members outside of the household. We interviewed a daughter providing income from Kabul back to Helmund, and a man receiving money from a brother in Pakistan. Such a matrix of income and spending creates an inherent elasticity in the monthly books (of which we found quite a few well kept actual “books” for family accounting). This elasticity in monthly costs greatly increases flexibility in if, how, when to save. We learned that saving money is treated as something one does with “leftover” or residual money after monthly costs are accounted for. When contributing income for the extended family budget (which often amounts to “as much as I can afford,”) little if any money is left over. There is also a persistent issue stemming from the lack of transparency around pooled family funds. Several of those we interviewed knew how much they contributed monthly to parents/family, but could not say how much siblings contributed or the total monthly family budget. Therefore when asked to contribute, given the close family ties and not knowing how much the family has or needs, saving money begins to feel associated with putting oneself ahead at the expense of the family making it a morally complicated decision.

Debt, a concept that is formally shunned both by Shari’ah law and general cultural mores, appears extremely common in informal and unstructured ways. Many of our respondents now have, or had at one point, a debt load many times their annual income, unsupported by collateral. Most of these debts were incurred by wedding costs. Others were for more basic items such as homes, cars, or household appliances. Other smaller debts existed with local vendors such as grocers. These debts seemed to exist as a means of managing cash flow rather than one-time debt occurrences. Most of these loans were obtained from family members, sometimes within the same household. But often these smaller loans were given by extended family outside of the household. In all of these cases the repayment was an informal arrangement, supported by the concept of honor and not contracted or formalized.

IDEA 3: A CULTURE OF CONTRIBUTION

A primary concern for each of our participants was the contribution to the welfare of his family. Financially, this manifests as a strong collectivist mentality when it

comes to earning, spending, and saving.

Financing big ticket items of one family member—land, property, car, wedding—becomes a communal effort. We heard of brothers pooling resources to buy a car for a sibling, a daughter using her life savings to help purchase property for her parents, a brother donating his savings to fund the wedding of another brother. Receiving these contributions is in some sense a loan, where the lenders can rely on the borrower to deliver a sum for a future expense, exactly when needed. There can be many foundations on which this cultural norm is built—Shari’ah, the strong family unit—but the outcome is a financial outlook that is governed by the expectation to contribute to familial needs.

Saving plays a key role in enabling this cash flow. Savings accounts were often referred to as “emergency funds” where one can draw from when family members are in need. Emergencies included a relative’s wedding, a brother’s computer, a parent’s house. Individuals save for others, knowing that they will be called on (often on short notice) to financially support a family obligation. One civil servant mentioned he had saved up over \$1,000 USD in his bank account before having to withdraw all of these savings when he learned of the weddings of two relatives that happened within weeks of each other. These needs arise quickly and on short notice, necessitating a reservoir of cash reserved for others.

The cost of marriage is a powerful financial push to save. Traditionally, it is an arranged affair, with the financial burden placed on the groom and the groom’s family. A wedding can cost upwards of \$18,000 USD, with dates often pushed back until a family can shoulder the cost. Participants had several strategies to save for marriage. One young woman from the outskirts of Herat recently opened a bank account for her nine-year-old brother to start saving for his future wedding, likely 10 or more years away. This way, she believed, “even if we die, he will still have something.” A groom donated his savings to his soon-to-be parents-in-law, forcibly delaying his own wedding until he can afford the cost. “I’d be married by now if I’d had more savings,” he said.

Most Afghans we spoke to believe education is one key to a financially sound future and find ways to cover the cost of school fees, often requiring a significant portion of an individual salary. Typical fees are 14,000 Afghani (\$275 USD) per semester for university, 500-3,000 Afghani (\$10-60 USD) for local schools. Older siblings take on the responsibility of paying the fees for the younger siblings. We heard of one sister in Kabul who spends over 50% of her salary to pay university fees for herself and school fees of two of her siblings living with her parents in a Northern province; what was leftover is sent to her family, reserving just enough to cover her living costs. Education has become a new priority after the fall of the Taliban opened opportunities to study for young women and men. Most young earners worked by day and attended night classes, taking advantage of a university class schedule that offers morning, afternoon, and evening shifts.

Consistent with the culture of contribution are mental models of how financial services should behave. We asked participants to give feedback on a proposed





savings plan that included an interest payment, bonus, or other reward if the savings account remained untouched for the duration of the account, perhaps six months or one year. Rather than an interest payment (outlawed by Shari'ah law), participants preferred to receive a contribution for their savings. The physicality of this reward, whether it is a cash payment or other asset (such as those given as prizes by the lottery), was less important than the notion that banks recognize the relationship between the account holder and account provider, a concept that will be explored in the ongoing trial of a Mobile Money account called M-Pasandaaz.

Building on the findings in this research, members of our team are working with researchers from the University of California to help Roshan design and evaluate this new mobile phone-based savings account. This account is called "M-Pasandaaz" as "pasandaaz" is the Dari word for "savings." This Mobile Money account lets subscribers automatically deposit a portion of their salary into savings. Much like a 401(k) or defined-contribution retirement account, employers will also contribute matching funds to employees' accounts. Integrating many of the insights from these pages on commitment and control, the researchers are in the process of staging a 1,000-person field trial of this account, to carefully understand whether such financial innovations can lead to improvements in individual and household welfare.

IDEA 4: INSURANCE AND RISK AVERSION STRATEGIES

In many developed countries, everyday risks are mitigated through insurance products for loss or theft, health, vehicle, and travel. Insurance can also be built into the mode of transaction such as on a credit card, and there formal methods of redress such as money-back guarantees or returns. Hardly anyone reading this will be excited by insurance, but for most of us who are covered by it in some shape or form, it helps underpin our wellbeing.

In Afghanistan, there are limited options for formal insurance: a corporate employer may offer health insurance but many smaller companies won't; and we were told that compulsory vehicle insurance is a relatively new thing.

Of course formal insurance is not the only way to limit exposure to risk, and we learned from our research participants that many of them adopted a number of explicit and implicit risk-aversion strategies, across a range of contexts.

Everyday decisions such as deciding which family member is sent to the bank to deposit or withdraw money, at what time of the day, and using what mode of transport to return home are all designed to reduce risk. In a sense, this sense of risk mitigation applies equally to Afghanistan as to other countries. However, in a country with minimal banking penetration, even going to a bank marks the customer as having sufficient money to be robbed.

Less frequent life events such as the need for an operation, or crossing borders are harder to plan for but can be mitigated. Sometimes the solution is a bribe. As participant Kabul-M02 noted on crossing from Pakistan into Afghanistan, "the Pakistan border patrol are like barking dogs. I have to pay in cash if they find it." Workarounds for minimizing this risk include making M-Paisa transfers to oneself, and asking female

family members to carry the money as women are less likely to be searched.

The maintenance of strong and weak ties through social interaction, inviting hundreds of guests to a wedding, even gifts (or bribes) to officials, are all valid ways to build a maintain a social (and implicitly financial) safety net, with varying degrees of robustness and responsiveness. Different branches of one family living under the same roof supports social interaction and a shared appreciation of family goals, and helps to determine who can afford what. For example, it would be difficult to hide an infusion of money and to be able to pretend that there was nothing to lend, if such a thing was desirable. In the research literature, there is recent evidence in support of what has been called the “Rotten Kin Theorem,” that people choose to conceal income and cash in order to avoid having to give or lend it to needy relatives.⁸

The social rules governing the financial flows within the extended family also provide a means of overcoming emergencies, even if it is not without cost. For example, the need to pool money for a wedding; helping each other out with the rent depending on that month’s income, which for some families can be unpredictable. Even the choice of “financial” assets or deciding where money is stored provides varying levels of liquidity should things turn out bad, whether it’s a plot of land, gold, or goats. After all, at a push, the goat can be eaten.

One anecdote that illustrates how unexpected expenses are handled in Afghanistan: The default way of assigning blame in the event of a car accident, we learned in our interviews and observations, is to step out of the vehicle and argue for as long as necessary for both sides to reach a workable compromise, pulling in members from the crowd to support or detract from arguments. A nice twist in the tale is that the person that is paying out for someone else’s vehicle gets to choose the garage where the repair work will be done, creating a whole new round of discussions on the quality of work.

In one interview, a Herat taxi driver lamented the need to pay monthly premiums on compulsory insurance for his vehicle. He told us that “the premiums are too low to suggest a payout was possible.” In his view the compulsory insurance was no different from an institutionalized bribe to be paid to an official.

Introducing any new service into this environment is problematic because the default level of trust is low, and because new concepts are more likely to be treated with suspicion. As we noted in frog’s prior study on Afghanistan in 2010, even legitimate fees built into a service design can be perceived as attempts at graft or fraud, if the customer is not aware of the fees.

8 (Jakiela & Ozier, 2012) “Does Africa Need a Rotten Kin Theorem? Experimental Evidence from Village Economies,” World Bank Policy Research Working Paper #6085

THOUGHTS ON THE COMPETITIVE LANDSCAPE

Though less than 9% of individuals in Afghanistan use formal banking products, there exists a diversity of savings mechanisms. A mobile savings service will find fierce competition from existing services, which vary from formal bank accounts to informal hawala banking, mobile money accounts to tangible investments, and the baseline of stashing cash at home. Those we spoke with often used multiple mechanisms to match their savings goals and counter their fear of giving their money to an untrusted service.

What could bend the choice towards an employer’s savings scheme over what already exists?

We heard key factors in any product include its liquidity, accessibility, and credibility. The following highlights what is available in Afghanistan today, and what makes it appealing.



Formal Savings Accounts

AIB, Azizi, FMFB, ACB, Arian Bank, Bakhtar, Ghazanfar, Mairwant, Aryan, NBA, Brak Afghanistan, Afghan United, New Kabul Bank

Distrust in banks is industry-wide, heightened by Kabul bank’s shareholder corruption scandal revealed in 2010⁹ and New Kabul Bank’s association with the government. This distrust carries over to other major banks, though to a lesser extent, given the (relative) weaker connection with government agencies and backing by foreign bodies.

Citing lack of infrastructure, many Afghans complain about the inaccessibility of money saved in the bank. We heard complaints of banks imposing impromptu limits on withdrawals, long lines, and inflexible operating hours. Few banks offer mobile banking on feature phones, limiting access to the select few of the population that own smart phones. With a short history (and one marred with corruption), most of whom we spoke to preferred alternate services for saving.

Despite these complaints, the general feeling is that banks have the potential to be seen in a positive light by everyday Afghans, despite their current distrust. There is a general belief that once infrastructure settles, business expands, and investing is less risky, banks could be an appealing solution. With greater transparency and understanding of banking practices, “even villagers will understand that interest is shared among the people and does not go against Muslim practices,” as one respondent told us.

9 <http://www.uspolicyinabigworld.com/2011/12/03/the-kabul-bank-scandal-and-the-crisis-that-followed-2/>



Money Market

Local markets and Hawala agents

Money markets are one of the oldest and more flexible savings options. Services available include no fee currency conversion between Afghan Afghani, US dollar, Pakistan rupee, and Iranian rial; short to medium term savings; domestic and international money transfer to other hawala banking locations; local financial knowledge. The US dollar is the preferred currency for savings due to its stable value, and the ability to convert currencies on demand is a high value proposition. With an 800-year history within Afghanistan, money markets have proven themselves to be a long-standing, viable savings solution. “It is their job to hold money,” asserts one telecom employee who saves up to \$1,000 USD at a time with a friend who works at a money market.

Though not a formally recognized financial institution, money markets are heavily regulated from a community perspective. There is a community code of conduct—all conversion rates are set (no undercutting), piles of cash in varying currencies are safeguarded by neighboring stalls. Theft is a non-issue. This code extends to the community at large. Most participants have a father/brother/uncle/friend who works as a trader, providing any-time access and a heightened level of trust when depositing money. There is limited need for paperwork before sending, receiving, or depositing money, connoting the deep-seated trust between the money-giver and money-taker. (Compare this to banks where institutional checks and paperwork are required for most transactions—where trust must be validated with signature on the dotted line.)

Hawala refers to the informal transfer system for remittances that utilizes hawaladars (money brokers) to facilitate the movement of money from one place to another. For example, a person in Kabul might send money to a friend in Paris by approaching a hawaladar, who takes the money, deducts a relatively small commission, gives the sender a password. The sender tells the receiver the password, and the receiver can retrieve the money from a local hawaladar in Paris.



Mobile Money Services

M-Paisa (via Roshan), M-Hawala (via Etisalat)

Currently, Mobile Money services are used primarily to send and receive money, to top-up mobile accounts, and to pay select utility bills. While Roshan and other operators have plans to launch dedicated savings services, at the time of our study no such services were available. A fast growing segment of Mobile Money users is those who receive their regularly salary payments through Mobile Money. The ANA, ANP, and several large Afghan firms have enrolled in programs to pay salaries via M-Paisa; members of our team have been studying one such deployment, with results from a large-scale impact evaluation forthcoming in mid-2013. (Etisalat may have a similar

pilot program offering to its employees. The team focused on government and Roshan employees given their affiliation with Roshan and its services.)

Most participants remarked on the convenience and safety of Mobile Money for spending. Topping up phone credit is no longer dependent on outside credit providers, and sending money to family at home can be done immediately after payday. These benefits are particularly felt by those who travel in rural areas with limited access to bank infrastructure or mobile agent networks. One ANP employee considered money kept in his M-Paisa account “emergency funds,” saving 200 Afghani in his account for emergency top-ups ensures he will have a constant communication line with his colleagues—a life-saving consideration while on police missions in Taliban territory. Another used his M-Paisa account to combat corruption while traveling across the Pakistan-Afghanistan border: he put converted all cash to Mobile Money before crossing the border so he had nothing to give to “hungry Pakistani police.” All account transactions require a mobile pin to complete, lending confidence that money would be protected if the handset is lost.

Cashing out is the biggest challenge facing Mobile Money in Afghanistan. Currently, this requires a visit to a local bank or mobile money agent, and complaints abound of long lines, cash limitations (which are imposed by Da Afghanistan Bank), and what consumers considered to be prohibitively limited access due to strict bank hours. Some of these problems are even worse in the traditional “brick and mortar” banks, and the mobile money operators are struggling to find creative solutions. Such barriers to withdrawal had ambivalent effects in encouraging saving behavior. A few participants kept “leftover” money in the Mobile Money account to limit their spending; most, however, withdrew their salary in its entirety because they saw no obvious benefit saving large amounts or for times beyond a month timeline on their mobile account.

The biggest barrier to use was one of awareness, not distrust. The majority of those whom we spoke to who did not use Mobile Money services were not aware that these services existed, but were interested in learning more. Trust was rarely raised as an issue as all services are offered (and backed) by major telecom companies (Afghanistan-based Roshan; Dubai-based Etisalat) who, to date, have given no reason to doubt their solvency or credibility. Our interviewees indicated that these are private (non-government-affiliated) institutions provides a tangible, reliable, immediately valuable service.



Transfer Services

Western Union, SWIFT, MoneyGram

Few used formal transfer services, in part due to higher relative costs when compared to hawala or mobile transfer options, and in part due to relative lack of accessible infrastructure. Several participants had used Western Union to receive money; few had chosen to send using transfer services.



Tangible Assets

Gold, grain, goats, land...

Regardless of formal or informal savings mechanisms used, investing in tangible assets is commonplace. Assets are most valued when they come in a form that is highly liquid, and ideally with liquidity that holds its value. Gold, grains, goats, and land are common valuable forms, though others exist.

One of the most institutionalized assets within Afghan culture is gold. As part of the marriage ritual, brides and their families designate a set of gold jewelry that the groom is obliged to purchase. Women continue to purchase gold jewelry after marriage as an investment, knowing its price is stable if the need to sell arises in the future. Gold is sold by the gram, and can be resold at a slight discount, at a price dictated by international markets unperturbed by local politics. Bloomberg TV is often seen on screens in the background in gold shops, relaying the current price per gram. Its value is perhaps increased because of its portability; one gold shopkeeper in Herat felt he had reached the pinnacle of his trade, having graduated from foodstuffs to gold. “Gold is like money. I can pack my store with me and leave if I need to,” he told us.



Savings at home

‘in a bag in the storage room’

Storing cash at home is a common savings mechanism as this is historically how the family has saved. Banks and mobile programs are a recent (post-2001, after the fall of the Taliban) addition to the savings ecosystem. The dangers of saving at home are constant—theft, property destruction due to fire or flood, the ease of spending what is readily available—yet its draw remains high given it is the ultimate in accessibility, and liquidity.



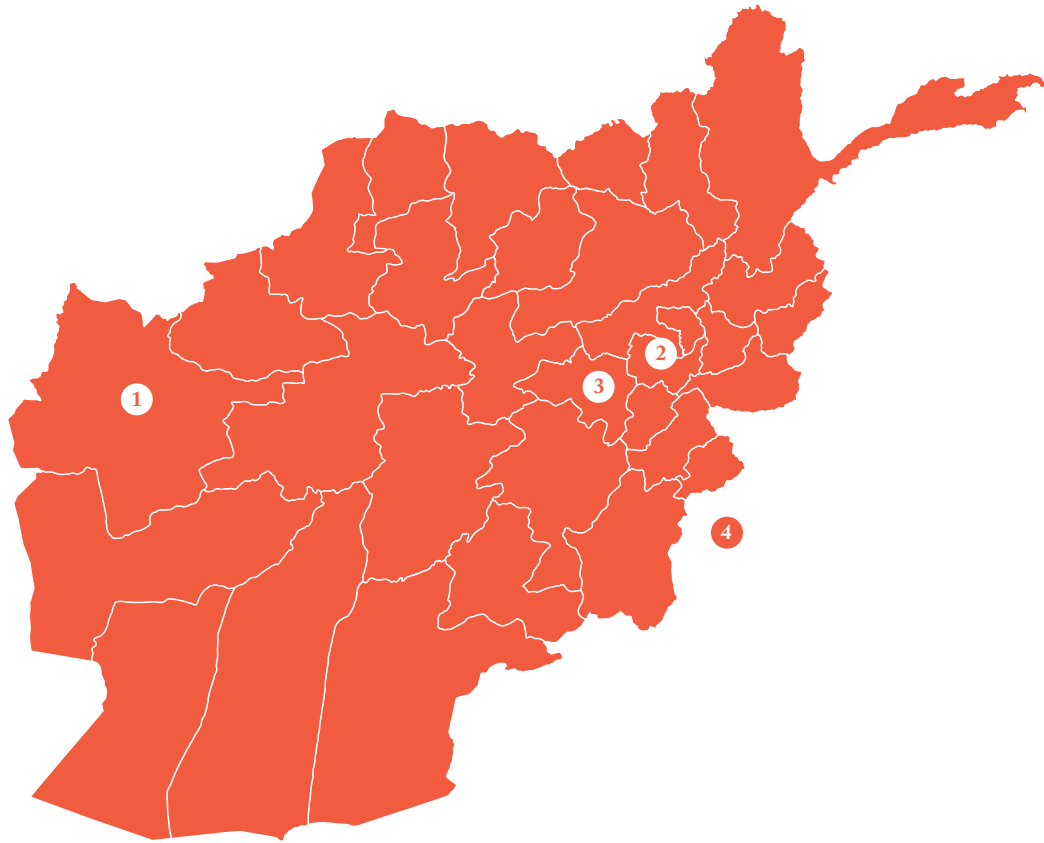


THE DURANI FAMILY

What follows is a sketch of a family in Afghanistan, many of its members candidates for an M-Paisa savings program. The Duranis are a representation, of a typical family unit we saw, talked to, and learned from throughout our research. Its epicenter is a household in Herat, though its geographic reach extends far beyond with a sister in Kabul and brothers based in the provinces and Pakistan. All insights and descriptions are drawn from our research, and all names and other personally identifying information have been changed to ensure the safety of our participants.

A successful mobile savings program in Afghanistan will have to embrace the complexities of such intertwined and geographically spread family units in Afghanistan. Our hope is that in this sketch of the Duranis, many of the themes already discussed will be put into the context of what a single family must grapple with on a daily basis.

THE DURANI FAMILY
IN AFGHANISTAN



1 HERAT



Me, my wife, and our four children



My older brother, wife, and three children

My younger brother

My mother

2 KABUL



My younger sister

3 WARDAK



My oldest brother

4 PAKISTAN



My older brother

A BRIEF HISTORICAL TIMELINE OF AFGHANISTAN

After declaring independence from British colonial influence, Afghanistan is a constitutional monarchy led by Zahir Shah

1953 General Mohammed Daud becomes prime minister. Introduces social reforms that relax Islam law and strengthens political ties with USSR.

1956 Salma Durani born

1950

1970 Hameed Durani born

1972 Aasif Durani born

1970

1973 Mohammed Daud seizes power in a coup and declares a republic. Deepens relations with USSR.



Amam Durani

Self (age 37)

Occupation Construction

Mobile Feature phone

Assets House, land, rental property

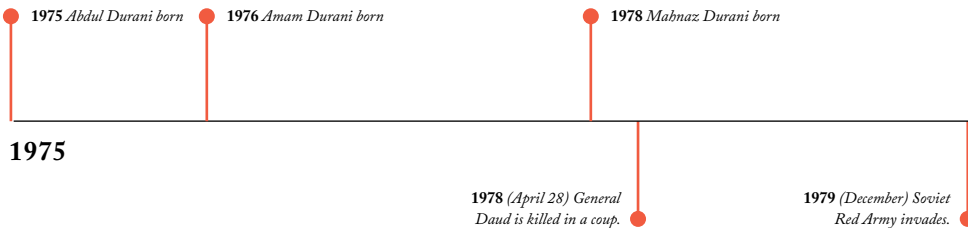
Amam, 37, manages a small construction company. He hires labor as jobs come in, which have become less frequent as construction has slowed in Herat since the announcement the Americans are leaving in 2014. He built his family's home in Herat—it is 2 stories tall, and he is waiting to complete the 3rd when there is enough money. His mother and his wife and children live on the ground floor, his brother's family and younger brother are on the second. He'll rent out the 3rd floor when it's ready.

Amam founded and still owns a small supermarket and receives rent of \$100 USD per month. After the Taliban fell, he followed the reconstruction boom and invested in a tool set and a motorbike—what he needed to start his construction work. He rents a truck to move building materials, but relies most on his motorbike to get to and from projects. His siblings pay for fuel if they borrow the bike. He feels construction is better than retail, with more profitable projects and more varied work. But he's worried that new building projects will dry up in the future, and he'll have to make the tough decisions of taking his kids out of school or borrowing more money from relatives for their school fees.

His brother sends money once a month, which Amam picks up from Azizi bank. It's convenient as he also has an account at Azizi, where he deposits the cash earned from construction jobs. Aside from household expenses, he pays for his brother's school fees and sends money to his sister when he can. He tried Western Union once, before she had a bank account, but has a growing loyalty to Azizi.

Amam purchased feature phones for his family—one each for his wife, younger brother, and younger sister. He uses his phone primarily for work calls, and sometimes to SMS with his brothers. He's heard about SMS banking but has not signed up. He's worried it will be too expensive, and he'll still have to wait in line at the bank every month.

His biggest purchase to date is his proudest: the land he bought for his family. He spent his savings to buy the land and borrowed money from relatives to build the house.



Fatima Durani

Wife (age 33)

Occupation House caretaker, plus unsteady work at local guest house

Mobile Feature phone

Assets Gold jewelry from wedding

Fatima runs the household, taking care of the cooking, cleaning, maintenance, household budget. Her brother-in-law's wife helps when she can. When called, usually about once a week, she cleans rooms for a local guest house. It doesn't pay much; she saves her salary to give to her parents to help pay for expenses related to her father's illness. Whenever she has a friend traveling to Baghlan, her hometown, she sends this savings home with with them.

She is proud of her four children: two boys aged 18 and 10, two girls aged 16 and 5. All but the little one are in school. Her oldest boy is hoping to go to university; she and Amam have decided to use the money from his wedding savings account for university school fees. That way, he'll get a good education, then a good job, and can help support his own wedding and siblings.

Fatima always keeps her mobile phone near her. It is her connection to her children, her sister-in-law, and her husband, and her source of extra income.





Abdul and Mahnaz Durani

Older brother (age 38) **Wife** (age 35) **Mobile** 1 feature phone for family
Occupation Supermarket employee (Abdul) **Assets** Household goods
makes crafts for sale (Mahnaz)

Abdul works 6 days a week in a small neighborhood supermarket. Though he has long days, Abdul enjoys the flexibility of the hours; he closes the shop to attend midday prayers. Recently he has been keeping the shop open longer; business has been slower, and the shop owner (Mahnaz's cousin-in-law from her brother's marriage) was not able to pay last month's salary. He had to use his wife's savings to contribute to household costs for this month (\$40 USD) for last month alone.

Mahnaz cares for her three children, and helps Fatima care for the household. She meets with her local craft group each Monday, weaving rugs that she sells at the women's center. A small rug will bring her 1500–2000 Afghani (\$30–40 USD), though it takes her two months to complete.

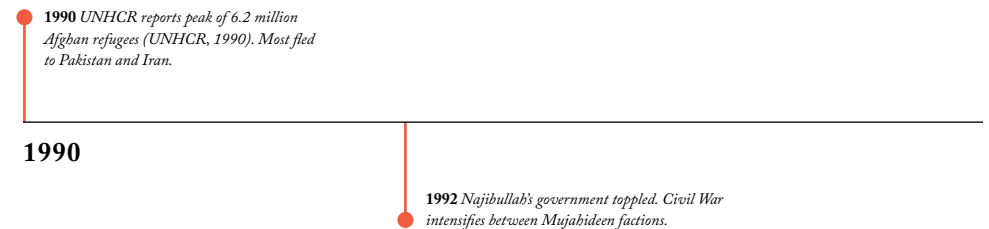
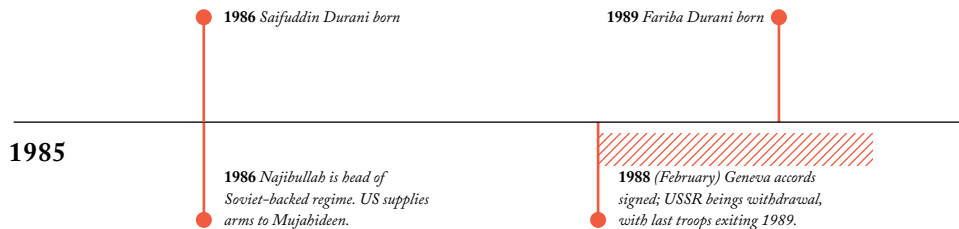
Abdul and Mahnaz share one phone, though Abdul uses it most frequently. Mahnaz often borrows Fatima's or her craft group friends, paying them for the airtime she uses.



Salma Durani

Mother (age 57) **Mobile** None
Occupation Housework at home **Assets** None

Salma is considered the mother of the household, and the center of attention of family gatherings each Friday evening. Her grandchildren will gather around while Abdul plays an instrument called the harmonium with Mahnaz and Fatima singing in chorus, and they all listen to her recount stories of her childhood in Bamiyan, fleeing to Kabul after the Soviet invasion, and the family's exodus to Pakistan after her husband fell to illness under the Taliban. She lingers on the story of her children, 6 of whom survived. The 7th died at childbirth in Pakistan. She remains close to her relatives in Pakistan, and continues to look for a suitable husband in Herat for her youngest daughter so she will return from Kabul.





Saifuddin Durani

Younger brother (age 27)

Occupation University student

Mobile Smart-feature phone

Assets Savings

Saifuddin is in his second year (of three) of a Bachelor's degree in Business program at Herat University. He leaves by 4 AM each morning to take the early class, then travels to his work as a translator for a local NGO. His salary is good (which he attributes to his education in Pakistan, where all classes were in English and he has mastered the language), about 33,000 Afghani/month; he spends 10,000 for his university, gives at least 6,000 (sometimes more) to his brother for household expenses, and saves the rest for his wedding. He is in negotiation for the marriage. "My brother tells me it will cost \$14 thousand dollars—\$4k for the bride, \$2k for the engagement, and \$8k for the wedding. That is a low price. I wish I could spend more and invite more family." He has nearly half of this saved already, which he keeps at Azizi bank in his brother's account. His mother and her parents have met once; the next meeting will be at the engagement party if he and his brothers can raise the money for it.

What money he does not save goes to pay the monthly internet fees. With a steady income, he can afford 128kb dial-up internet, a step above the 3G dongles he relied on in the past. He purchased a laptop for school, though his family also uses it in the evening if he does not have schoolwork. He is the only one in the household with a smart-feature phone.



Fariba Durani

Younger sister (age 24)

Occupation Supermarket employee

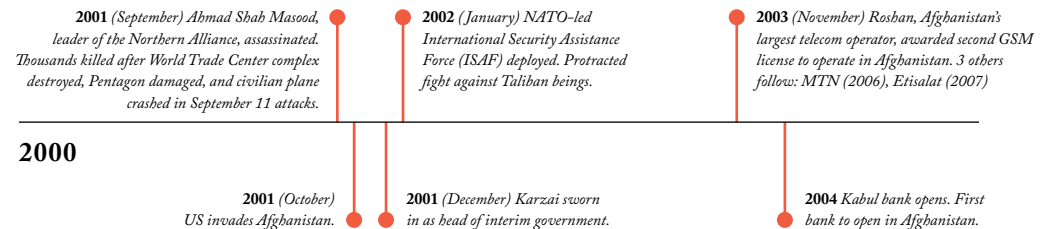
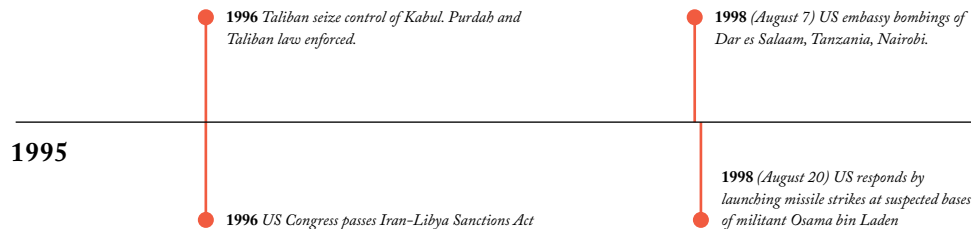
Mobile 1 feature phone for family

Assets Household goods

Fariba moved to Kabul right after graduating from Herat University to work for Azizi bank. She finds it difficult to live far from home, but she feels the opportunity in Kabul, for women in particular, is so much greater than in Herat. She has yet to be married, having said no to several suitors to pursue her career in Kabul. She knows her mother is looking for a suitable husband and that she will have to wed soon.

One of her most prized possessions is her Samsung Galaxy SI. It is her gateway to send text messages to her best friend and to connect with her mother. She calls Fatima many times a day—in the morning, on her lunch break, and again in the evening. After work, she often logs onto Facebook, connecting with friends and potential suitors. "Facebook is where love marriages can begin," she believes—a chance she and her college classmates often dream of.

She sends nearly all of her salary to Amam, keeping just enough to cover living expenses and a little extra for phone credit cards and weekend shopping trips with her closest friend.





Hameed Durani

Oldest brother (age 43)
Occupation Army officer

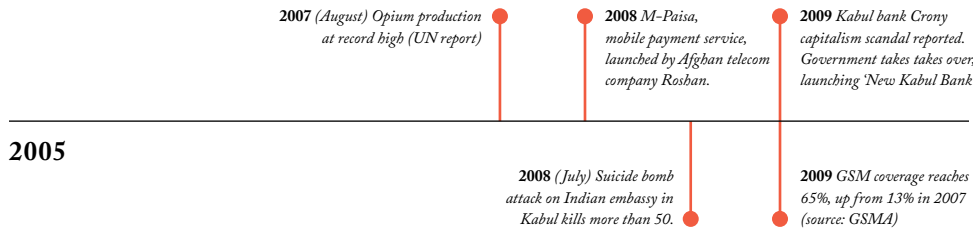
Mobile Feature phone
Assets Small savings

Hameed is an officer in the Afghan National Army, stationed in Wardak province. He joined ANA just after the Taliban fell in 2001, working his way quickly to a senior position. He spends 2 months on base, then travels to Kabul to see his wife and 5 children in Kabul. He moved his family to Kabul 3 years ago after threats from the Taliban.

“The situation is getting worse. We used to be able to leave the base; now we cannot. It is not safe,” he said in an interview.

His salary is strained to cover the cost of renting a house, but he feels better with his family in a safe zone.

He is paid 16,000 Afghani per month (\$320 USD), which he receives with M-Paisa. Receiving his salary through Mobile Money is convenient, allowing him to send money to his family and buy phone credit without leaving the base, although there are often queues to cash-out on pay-day. He sends most of his salary to his wife (via M-Paisa) and Amam (to Azizi bank) each month. He keeps 1000 Afghani in his M-Paisa account as emergency phone credit funds, a life-saving measure to guarantee he will always be connected to colleagues and family when on missions in the mountains.



Aasif Durani

Older brother (age 41)
Occupation Small business owner

Mobile Smart-feature phone
Assets Trucking company

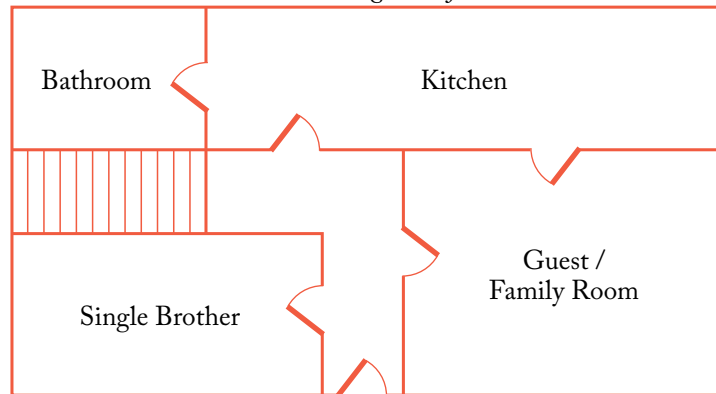
After his mother settled in Pakistan in 2002, Aasif never left. He runs a small trucking company that carries food stuffs and other goods across the border between Pakistan and Afghanistan. He owns his own vehicle and makes enough to think about investing in the future business.

Aasif feels he must make the most of the next year, economically. After 2014, when the Americans leave, he believes “the Taliban will return, and it will be worse than before.” He does not want to move his family back to an Afghanistan under Taliban rule.

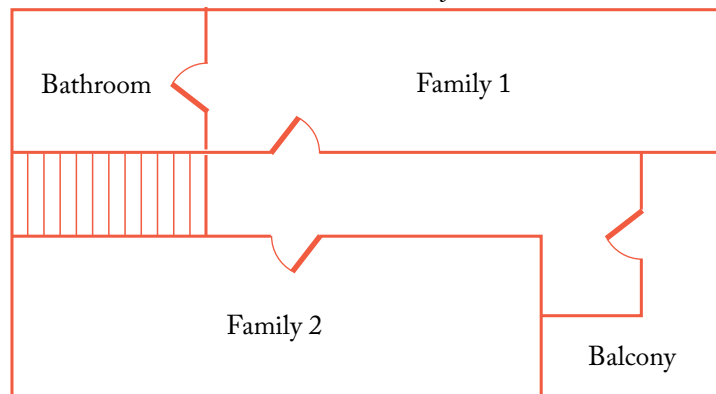


THE DURANI FAMILY
IN THE SAME HOUSE, IN HERAT

Herat house ground floor



Herat house second floor



EXPENSES FOR HOUSEHOLD USING
HER-M02 AS EXAMPLE—PRIMARY AND UNCLE EARNINGS

RICE	\$80
OIL	\$30
CEREAL	\$30
PASTRY	\$30
SPENDING	\$300
VEHICLE FUEL	\$60
PERSONAL CONSUMPTION	\$60
POWER/ENERGY	\$40
WATER	\$20
MOBILE	\$20
CLOTHING	\$100
MEDICAL EXPENSES	\$80
EDUCATION	\$60
HOME APPLIANCES	\$100
RECREATIONAL USE	\$80
<i>(expenses)</i>	<i>(per month)</i>

Total = \$1290/mo (65,790 Afghanis/mo)

Exchange rate \$1 USD = 51 Afghanis

SAMPLE COST OF
A WEDDING IN AFGHANISTAN IN USD

WEDDING DRESS	\$100–300 bride
BEAUTY PARLOR	\$100–200 groom
	\$300–400 for the bride
WEDDING HALL	\$5,000–10,000
	<i>(food included)</i>
	<i>food menu (\$5.60–30.00 per person is typical,</i>
	<i>but costs are potentially unlimited)</i>
CAR	\$200–500
STAGE DECORATION	\$500–800
BAND	\$1,000
FLOWERS, CANDLES, GLASSES	\$100–1000
	<i>(and other decorating items)</i>

The Afghan Dream Wedding

A rite of passage for many young Afghans is a lavish party at a wedding palace, such as one of the four wedding halls in an establishment known as City Star in Kabul.

The International Hall can accommodate up to 1,500 people under sculpted gold ceilings and crystal chandeliers. There is an artificial waterfall that gushes beneath a mural of Afghan mountains. It features a bridge that the bride and groom cross to take their places on silver thrones at one end of the hall. These luxuries are costly, but Mawla Mohammad Payman, the director of City Star, says his facilities are booked up for months in advance.

At a typical Afghan wedding, the groom's family hosts anywhere from hundreds to thousands of relatives and friends, offering food and entertainment in surroundings that have all the glitz of a Las Vegas casino. Men and women party separately, on either side of a tall partition, and by all accounts, the women have more fun, dressing up and dancing out of the sight of men.

For young men, even a more modest wedding is far out of reach. Most young people in Afghanistan used to get married in their late teens or early 20s. Now, unless they come from wealthy families, most men put off marriage until they're 30 or 35, when they can save enough for a wedding party.





CONCLUSION

Out of the Hands of God

For our participants, actively mitigating financial risk was a very real part of everyday life, and as such they deeply understand the trade-offs from saving money through formal and informal mechanisms. In a country with major disruptions on the horizon, such as the withdrawal of the ISAF forces and the potential re-emergence of the Taliban, the form and liquidity of assets is a major factor in deciding where to save and whether to invest. The future is more uncertain than ever.

The lack of trust in the future, institutions, and their own ability to set aside what income they can spare greatly limits their willingness to save. There is some hope for a well-designed savings product in tune with local norms, but delivering this is not without major challenges: it requires trust in the employer (such as the ANA) and the banking partner; a sufficiently compelling offering that provides the flexibility that the consumer requires; and a carefully executed product that complies with religious and household norms of handling money and finances.

Re-framing Old Stories Through Mobile

The mobile phone helps reframe many behaviors outside of its apparent purpose. Romantic courtships and bank transactions are two good examples of traditional ideas impacted by the phone's influence. The trust in the mobile ecosystem (which

by most metrics works well in a country where many things do not), lends itself to introducing familiar services through a new lens.

Tomorrow is Hard to Believe in

Everyone has fresh memories of how things were, and it is not difficult for them to imagine a return to the bad old days. The silver lining, if there is one, is the notion that the world's attention (and resources to act) may be devoted to their well-being, as Herat F02 articulated, "The world would never allow things to get that bad again. It will get bad, but not as bad as it was." The overwhelming feeling was that things will go rapidly downhill in 2014.

Pressure on Arranged Marriage

In the previous Afghanistan Mobile Money project we noted the role of mobile phones in the facilitation of love marriages, a significant disruption to the status quo. This continues to be the case, although we did encounter an interesting nuance to this—where participant Herat F02 talked to being outwardly ashamed to be seen owning a mobile phone due to the suggestion of having a "male friend."

With the continued spread of mobile phones and the growing emergence of Facebook, love marriages are increasingly becoming a viable option. When the bride is not chosen by the family, the financial burden shifts from the extended family to the bride and groom, and with it a new set of financial behaviors and pressures emerge, spurring young couples to save for their own wedding. This evolution of financial responsibilities will be interesting to watch in all societies where arranged marriages are the norm.

Designing a solution

So what should a savings program look like? We know it must appear to be independent from the organizations that are today not trusted. It must give the user sufficient control yet at the same time have mechanisms (or frictions) that encourage people to leave their money in the account. A good design will involve the entire family and may have aspects tied to familiar milestones in Afghan life such as marriage and family. It may reward them with incentives, but these rewards cannot be as clearly defined as they are in Western banking products. We found that savings rewards were not as motivating as the direct role savings had in addressing life events.

Out of God's Hands

With so much of life beyond the control of the average Afghan, providing control and confidence is the primary requirement for a successful savings program. Such a design will not be measurable by its own merits, but by how it overcomes the deep challenges of this environment. This isn't simply an admission of how difficult the challenge is, but an acknowledgement that so much of the design challenge is about looking beyond the practical to the deeply sociological. To deliver on this promise is to take the future out of the hands of God.



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More on the M-Pasandaaz (401k Saving) trial

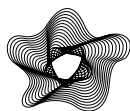
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