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FACULTY OF ECONOMICS AND
ADMINISTRATIVE SCIENCES**

**The role of mobile money banking in Somalia's financial sector:
Case Study of Hormuud EVC Plus**

GRADUATION PROJECT

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ABSTRACT

The purpose of this study is to measure the contribution of the mobile money services to the financial inclusion, case of EVC-PLUS services. The country's leading mobile financial service was developed by Hormuud Telecom. In Somalia, where the banking system remains underdeveloped due to decades of political instability and economic fragility, mobile money has emerged as a key driver of financial inclusion. EVC Plus allows clients to perform basic financial transactions such as sending and receiving money, paying for goods and services, and building savings via a mobile phone for free. The objective of this research is to evaluate the impact of EVC Plus on economic engagement, access to digital financial services, and business activities in both urban and rural areas. The research adopts a qualitative methodology, blending secondary data sources with semi-structured interviews to investigate user experience, benefits, and challenges related to the platform. The main findings indicate that EVC Plus has greatly improved access to financial services, supported informal businesses, and provided a more integrated and efficient economic platform. However, the platform faces serious challenges, including regulatory scrutiny, cybersecurity risks, low financial literacy among customers, and difficulties in integrating with formal banking channels. The findings of this study demonstrate that while EVC Plus represents a breakthrough in Somalia's financial development, sustainable impact necessitates stronger institutional support, visionary policy interventions, and greater synergy among stakeholders. This inquiry contributes to the broader literature on digital finance in fragile states and offers actionable policy suggestions for strengthening mobile banking ecosystems.

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1. INTRODUCTION

Instability and continuous political unremittingly constrain the growth of Small and Medium-sized Enterprises SMEs in Somalia. Somalia's formal banking sector declined after the civil war when it could no longer function productively. There have long been problems with people in Somalia getting critical financial services. The casual Hawala and Ayuuto systems became by means for Somalis to conduct financial transactions. Hawala is a system of remittance that relies on reliance and trust to operate. The Hawala system was traditionally considered unreliable and expensive for many years. The need for economic sources of funds became a necessity for many. It was made to bring in the introduction of mobile banking as the solution, and it found success pretty fast. Hormuud Telecom brought EVC PLUS which is an interest-free money transfer service. Cost-free, EVC Plus enables any individual to benefit from mobile banking without the risk of being hit with financial hurdles. Access for all is assured (hormuud.com). The EVC Plus system has taken significant steps in financial access. Economies of scale of transactions together with safer and more economical cash handling processes with caregivers, have played vital roles in the success of EVC Plus. Such widespread utilization of digital finance in Somalia has allowed a substantial part of the populace, who live in isolated areas to meet their day-to-day and long-term financial requirements. The identification of the value of mobile money came in the wake of the provision of government support and oversight. Other enterprises like Dahabshiil and Horyal Investment have also opened their doors in the mobile money sector hence the standardization of the financial system in Somalia. Mobile money on its angle has contributed towards the growth of the economy. It acts as a bridge between old ways and new finance. Mobile banking is a main topic of the study with a focus on Kevin's understanding of its impact and outcomes. EVC Plus is the subject of our case study. The aforementioned is an analysis of the EVC Plus and the opportunities it has contributed towards the enhancement of financial escape as well as bringing amendments 1 the modes of transactions.

The research will examine why specific financial systems were adopted, including such details as lower transaction fees, trust of the users, and a convenient operation for the users. Besides, it will discuss the challenges, including how the changing laws and strong cybersecurity infrastructure affect the process. The development is influenced along with the evolution of finance in Somalia with innovations such as Hawala and digital payment

systems such as EVC Plus supporting banking services in remote areas. The study of the success and challenges of services such as EVC Plus may promote economic development. Effective integration into the object of banking sector calls for both updated regulations and a more educated population.

1.1 Background of the Study

Since its central government collapsed in 1991, the financial system of Somalia has changed dramatically, shifting from a cash-only informal economy to one that heavily relies on mobile money services. In a nation where the basic banking system is significantly lacking, only 15.5% of adults have access to traditional bank accounts (World Bank, 2017)—mobile money has become the main financial resource for millions of individuals. This shift became particularly evident with the launch of EVC Plus by Hormuud Telecom in 2011, which now caters to around 3 million users and handles an estimated monthly transaction volume of \$2.7 billion (GSMA, 2023; VOA, 2021). Several distinctive factors have contributed to the swift uptake of mobile money in Somalia: decades of conflict created a gap in financial services that innovative solutions from the private sector have filled (Ampornstira & Noor, 2019); the common usage of US dollars for transactions navigates the currency conversion issues found in other mobile money regions (The Conversation, 2018); and the nearly 90% mobile phone ownership among those aged 16 and over gives a strong base for digital financial services to thrive (World Bank, 2018).

EVC Plus is now a crucial part of the economic environment in Somalia. Its capabilities extend beyond basic money transfers, enabling payments to merchants, utility bills, educational fees, and social support, with 92% of its users indicating they conduct daily transactions through the platform (World Bank, 2017). Its achievements are enhanced by features such as transactions in dollars that avoid fluctuations in the local currency, no transaction fees that improve access (Warsame, 2022), and networks of agents offering cash-in and cash-out services in areas without banks, along with security measures like transaction freezing to help prevent fraud. Nevertheless, despite its successes, it operates in a landscape lacking regulation. In 2021, the Central Bank of Somalia provided Hormuud with its first mobile money license (Reuters, 2021), but regulatory control is still weak, leading to issues like fraud, which incurs estimated annual losses of \$25 million (UNDP, 2023), unequal access, with adoption rates for rural

women falling behind by 35% (Somali Gender Office, 2023), and systemic risks stemming from an over-reliance on a singular platform that serves 83% of Hormuud users (VOA, 2021).

The situation in Somalia presents important differences when compared to other successful mobile money implementations, like Kenya's M-Pesa, where mobile services support formal banking systems. In Somalia, mobile money has largely taken the place of traditional banking (Chonka 2025), making it a vital case study for analysing digital finance in areas facing instability. This study investigates how private enterprises can provide financial infrastructure similar to public services, the hurdles of regulating rapidly growing fintech in environments with weak institutions, and the role of mobile money in promoting financial inclusion in regions affected by conflict. The significant effects of EVC Plus can be seen across various sectors, with its adoption linked to a 9.5% rise in business sales (Warsame, 2022), 63% of users now prefer saving in mobile wallets over cash (World Bank, 2017), and mobile money has facilitated financial interactions even amidst ongoing political unrest (Ampornstira & Noor, 2019). However, as will be shown in this study, these advancements continue to be fragile without more robust institutional support.

1.2 Statement of the Problem: Challenges in Somalia's Financial Sector

Financial inclusion and economic progress in Somalia are stunted to a dire extent by a wide array of significant issues in the sector. These challenges are:

- Such accessibility (or lack thereof) of formal banking outlets, especially in rural areas.
- The expense of transactions in the existing bank structures.
- Access to credit and capital for entrepreneurs and small-scale enterprises is limited.
- Poorly defined regulations with poor mechanisms for enforcing them.
- Tensions resulting from the insecurity and the dangers of physical cash dealing.

This magnitude of these barriers requires immediate new strategies that would facilitate advances in terms of financial inclusion and economic improvement. Mobile money is increasingly focusing the attention of policymakers, businesses, and development partners given its potential of resolving these issues.

1.3 Research Objectives

- Evaluate the impact of EVC Plus on financial inclusion metrics including access, usage, quality, and welfare.
- Identify urban-rural disparities in adoption using case studies from Mogadishu and Baidoa.
- Assess systemic risks such as fraud and liquidity shortages through interviews with agents and users.
- Propose policy solutions to strengthen Somalia's mobile money ecosystem, incorporating lessons from Kenya and Afghanistan.

1.4 Research Questions

- How has EVC Plus influenced financial inclusion among unbanked Somalis?
- What socioeconomic factors contribute to urban-rural usage gaps?
- How do regulatory failures exacerbate fraud and interoperability challenges?
- What governance frameworks could mitigate risks while fostering innovation?
- How has mobile money banking, particularly through Hormuud EVC Plus, transformed Somalia's financial sector?
- What is the impact of mobile money on financial inclusion, economic activity, and overall financial sector development?

1.5 Scope and Limitations

This study will examine the role of mobile money banking, specifically Hormuud EVC Plus, in Somalia's financial sector. The scope of the study includes:

An analysis of the adoption rates of mobile money services.

An evaluation of the impact of mobile money on financial inclusion, economic activity, and overall financial sector development.

Limitations:

Security constraints restrict rural fieldwork; 65% of interviews were conducted remotely.

Hormuud's proprietary data may introduce bias, which can be mitigated by triangulating with NGO reports (e.g., UNDP) and user surveys.

1.6 Significance of the Study

It is in that regard that this research is vital to the analysis of the impact of EVC Plus in Somalia's financial sector. Since established banks are not accessible to many Somalis, new digital financial tools such as EVC Plus help enhance economic inclusiveness and stability. Focusing on EVC Plus shows how technology-enabled financial services can empower small businesses, create more efficient cash flow, and provide safer ways to deal with cash. The outcomes serve Somali officials, financial establishments, and international aid organizations in generating effective financial policies for financially fragile regions. The outcomes can be used to learn about how developing countries can benefit from using mobile solutions to address financial challenges.

1.7 Structure of the Thesis

This thesis is divided into six main chapters. The first chapter introduces the theme of research, which is followed by a background of the study, the definition of the problem, stated objectives, research questions, outlined scope, and the importance of the study is highlighted, which is captured and concluded by the overview of research design. Chapter Two provides a detailed review of the literature relevant to the topic with a focus on central concepts, including mobile money, access to finance and the financial sector in Somalia in contrast with what has been done before. The research methodology is presented in Chapter Three as follows: the qualitative method, data collection processes, interview arrangements, and ethical guidelines. This section of the thesis introduces the results achieved from examining existing data and interviewing relevant participants. In Chapter Five, one finds a discussion of the findings in terms of the available literature and theoretical models. The research is concluded in Chapter Six, which comprises the summary of the key results, the policy implications, and directions for further research.

1. LITERATURE REVIEW

2.1 Conceptual Framework of Mobile Money

Mobile money stands as a disruptive financial solution that brings the most benefit to regions that lack adequately established banking services (GSMA, 2022). Mobile money operates as a platform that delivers financial services to mobile phone users and includes multiple transaction functions between consumers, such as checking balances and depositing funds and withdrawing funds and transferring money between users and making payments and employee salary distribution, and aid delivery (CGAP, 2012). Traditional mobile money relies on mobile devices to offer financial services between users through different platforms that include SMS, USSD protocols, mobile internet, and contactless payment technologies featuring enabled cash registers. Mobile money services attain widespread availability, which enables them to connect with users across all areas and population types and banking infrastructure status (Donner & Tellez, 2008). Mobile money systems require operational agents to connect mobile money platforms with physical cash, which facilitates user interactions with the digital system (Mas & Radcliffe, 2010). Mobile money provides an accessible financial service that boasts low transaction expenses, making it more desirable than traditional banking options for underprivileged groups, together with small-scale economic entities. Modern money started as basic cellphone airtime sharing that created a trusted system for digital funds transfer and reception while replacing traditional cash-based transactions. Mobile money usage continues to experience significant global expansion because more people obtain mobile phones and because mobile phone costs decrease, and because people need burden-free financial services (Juniper Research, 2021). The mobile money market rose from its 2019 valuation of USD 3.4 billion to an expected USD 12.0 billion in 2024, according to MarketsandMarkets (2019). The market shows a 28.7% compound annual growth rate (CAGR) as the Asia-Pacific region leads this growth because of high smartphone usage and fast e-commerce development. The mobile money technology shows universal potential for transformation because it has achieved major growth across African, Latin American, and Middle Eastern markets. The value of mobile money services becomes better and more accessible as the system gains new users and agents through network economics principles (Katz & Shapiro, 1985). Mobile money serves financial inclusion objectives through its capability to grant financial services access to people who normally exist beyond formal banking systems (Morduch 1999). Mobile money platforms help

poverty reduction by enabling easy access to financial services, which enables economic growth and builds financial resilience to benefit complete economic development (Suri, 2017). Mobile money functions beyond its role as a handy financial system since it serves as a transformer of social and economic evolution, exclusively targeting groups who remain outside the banking sector.

2.2 Theoretical Perspectives on Financial Inclusion

Financial inclusion is a common goal that policymakers, as well as international development groups, have made a priority to raise the standards of less privileged people. The provision of financial services elevates living standards by increasing income in businesses, savings and improved cashflow management, the latter of which works in tandem to assist in the exit of poverty among Africans (Zins and Weill, 2016). However, the financial sector in most Sub-Saharan countries pays little attention or ignores access for the economically most deprived. Availability of financial services is limited limiting the battle against poverty in the African continent (David and Deng, 2017).

Mobile money acts as a convenient way to access financial services, through which people pay and save money cheaply (Jack and Suri, 2014; Hughes and Lonie, 2007). Hughes & Lonie, 2007). Implementing mobile money services has minimized reliance on traditional banking forms and expanded financial inclusion programs (Maëlle, 2017). On top of that, mobile money has facilitated access to financial services in rural areas that lack formal forms of banks (Munyegera & Matsumoto, 2016).

Financial inclusion in the urban and rural areas of Somalia will be the key to finding simultaneous growth in both the social and economic fields. Manufacture of goods and services through access to financial services is synonymous with both economic development and poverty elimination, a focal point of agreement for experts and leaders in both policymaking and economics. Insurance is still a challenge since World Bank data 2017) shows that less than 15 % of Africa's adult population utilize formal banking services. A high number of Somalis, both informal workers and rural dwellers, lack access to reliable financial services.

Life in poverty puts people in a vicious circle as they cannot make standard payments easily and inexpensively. Mobile money systems have facilitated Somalia's ability to access valuable

financial savings that enable it to offer affordable and effective service options required for pursuing its economic inclusiveness and sustainability goal.

2.3 Overview of Somalia's Financial Sector

Since the Somali central government collapsed in 1991, there has been no longer any conventional banking system. The emergence of the systems of Hawala – money transfer undertakings – ensued after the collapse, which had impressive functions in the aspect of remittance delivery, trade, and financing, as well as in the provision of basic savings alternatives. Because of these changes, the economy embraced informal practices such that local and small businesses became essential for people to survive. Economies of formal banking have recently returned to Somalia in the last few years. In the wake of the restoration of operations, the Central Bank of Somalia is currently in charge of the coins on the ground overseeing the approval of licenses of six commercial banks. More so, the Central Bank of Somalia regulates nine remittance providers under its regulatory system. Somalia has been reintegrated into international banking by use of Swift code and introduction of ATMs, though with low bank account penetration (only 15.5% of the population has an account) (source?). Currently significant proportion of financial activities are conducted in hybrid institutions, which form part of mobile money offers done by the telecom firms like Hormuud, Telesom Golis and Somtel. With such forms of collaboration, such platforms offer financial services that can substitute conventional banking for those who have no access to a bank account. Despite the note of progress, the sector has continued to be blighted with problems such as political instability, security issues, inflation and counterfeited cash, and reliance on the U. The Somali shilling is undervalued but the mobile money providers struggle in a regulatory void under the scrutiny of customer security and cybercrime.

However, the potential for the financial sector in terms of economic development is quite promising despite these implementation challenges. Advances in telecommunications and technological innovations build resilience of the economy. The embrace of mobile money has made services more available, encouraged entrepreneurship, facilitated more secure transactions and simplified cross-border transactions.

2.4 Evolution of Mobile Money Services in Africa

The entry of mobile money services has increased the outreach of financial services to the unbanked communities in Africa. The expansion of telecommunications is tightly connected to the increase in mobile money all over the continent. Initial providers of airtime and credit transfer were Uganda, Botswana, and Ghana. While formal mobile banking emerged in Europe towards the end of the 1990s, Africa attained its moment of glory when M-Pesa came with M-Pesa in Kenya in 2007 through collaboration among Safaricom, Vodafone, and UK development partners. In less than a month from launch, M-Pesa has over 20,000 more customers; this is an indication of the mobile banking market. Post the breakthrough of M-Pesa, Somalia introduced fee-free services through ZAAD platforms, EVC-Plus and Sahal in 2009. In 2009, Standard Chartered Bank added its mobile banking services to seven African countries.

Telecom companies own most mobile money platforms collaboratively with the banks to offer these services. Transactions on such platforms as ZAAD, EVC-Plus, and Sahal on Fungu Somalia are free reducing access for the unbanked. Mobile money platforms are now digital banks that provide such services as deposits, withdrawals, bill payments, merchant payments, and savings. Such platforms are beneficial to the unbanked, they expand to hard-to-reach communities, reduce reliance on conventional banks, make cross-border payments easier, promote business development, and stimulate economic activity. Improved telecom infrastructure brought about an increase in mobile phone accessibility, and this allowed mobile money to become quite an asset with easy banking facilities to rural communities and electronic transfers in cities. While the money analogy isn't perfect, compared to cash, mobile money is safer, can be tracked and is easier to use. The fragile milieu of Somalia requires business development leadership by local private enterprises. The most important elements for successful adoption are: practicability, security and user-friendly characteristics. Encouraging innovation to grow quickly, many countries allowed permissive rules. Mobile money, particularly with examples of M-Pesa and Somali-based systems, has positively transformed African banking. This system thrives on mobile innovation, basic service demand and private sector leadership of local development.

2.5 The Role of EVC Plus in the Mobile Banking Ecosystem

Mobile money use in Somalia significantly supports financial development through facilitating transfers and funds saving of people. The leading mobile money system in Somalia, EVC Plus is a product of Hormuud Telecom which is one of Somalia's top telecommunication firms partnering with Telesom, Golis and Somtel. Although Telesom and Somtel dominate largely in Somaliland, Golis dominates Puntland. In South Central Somalia, EVC-Plus by Hormuud is still the best provider of mobile financial services. Golis sells SAHAL, Somtel sells E-DAHAB, and Telesom distributes ZAAD—three other mobile money platforms that function similarly to EVC-PLUS.

According to a World Bank investigation, 63% of people who use mobile money systems keep savings and receive remittances directly to their mobile money accounts (World Bank, 2017). EVC-PLUS operated by Hormuud Telecom, is the prime mobile money service serving 73% of the consumers with a high quotient of satisfaction, i.e., 92%. The safety advantages and wide use of EVC-PLUS have made it the default choice when making payments and handling cash. Further, it will allow access to financial services by a substantial proportion of the unbanked residents of Somalia. According to the World Bank, only over one out of every seven Somali people (15.5%) possesses the means to access formal banking facilities.

Role of EVC-PLUS in the Broader Mobile Banking Landscape:

EVC-PLUS is critical in Somalia's mobile banking market, thus being a great opportunity for people who lack access to traditional banking. When the government and the financial machinery collapsed in 1991, the institutions were greatly affected. Monetary policy and regulatory frameworks have become a challenge to establish for the Central Bank since 2006. EVC-PLUS enables basic financial transaction areas in various regional parts of Somalia. Only after a user registers and possesses a SIM card is it possible for them to transfer funds, make purchases, pay bills, purchase airtime or collect money through the system. Using cooperation with Salaam Somali Bank, Taaj Money Transfer, and Tawakal Express, EVC-PLUS creates a possibility for Salaam Somali Bank account holders to add or withdraw money through its platform.

Impact on Financial Inclusion

EVC-plus is a giant leap towards making it easier for Somali citizens to access finances in terms of ease. Priority areas include financial service provision, efficient use of financial products, and the standard of living. Less than one in six Somalis had a bank account in 2017, and this number was only 15.5 percent. By introducing a mobile money platform, EVC PLUS provides financial services to isolated regions- a need for the unbanked people. That one does not need to go to banks at their locations enables users to save on costs and enables savings or getting small loans. The initiative enhances access to formerly marginalized low-income women, whereby secure banking is made available to them by way of mobile platforms leading to increased presence of women in the financial sector.

Impact on Economic Activity

Mobile money is an integral part of driving economic expansion in the financial system of Somalia. SMEs run businesses, and advancements and innovations are facilitated through the secure nature of mobile money transactions. Mobile money is more preferable for payment purposes for companies and daily cash transactions as it is cost-efficient, secure and transparent in transactions. That year, Somalia broke the mark of 155 million mobile money transactions and \$2.7 billion, with a share of 36% of the country's GDP. EVC-PLUS solves liquidity issues, boosts sales, and can be used to help expand online products and reduce risks concerning dealing with cash. Findings indicate that utility providers and universities are businesses that gain the most from the EVC-PLUS service in terms of improved sales performance. Through the use of mobile money, traders are enabled to extend their businesses, which increases the economic power of small vendors.

Impact on Social Development

With major changes being facilitated, mobile money services play a great role in promoting the development of the communities. Through equal access to financial facilities, the service empowers women to put their money to use, facilitate fund transfers, and drive their business pursuits independently. Troops of mobile money users are allowed to spend as they please, being able to pay bills and rent conveniently, and thus live better and properly administer ongoing costs. Mobile money in Somalia allows the help and social programs to be more effective and helps those in need and asylum seekers. Mobile savings platforms improve the

financial position of poor households, amplifying their general living standards. EVC-PLUS realizes improvements in daily living standards within Somalia by increasing the reach of financial services in local neighbourhoods.

Massive Usage

Many people choose EVC-PLUS for their daily financial service provider. Daily transactions via EVC-PLUS connection depend on 82% of 3.6M Hormuud users which makes mobile money adoption 73%. Research reveals that EVC-PLUS has covered 97.4% of users for ordinary shopping purposes, but 1.7% of users still make payments in cash in Somali shillings. Extensive use of EVC-PLUS has been implemented for more than half a decade, since its introduction, according to 83.8% of users. Almost all of the registered users are satisfied with the service because of its clear design and easy to use, available platform, and the satisfaction rate is 92%. Southern and central Somalia have witnessed the total replacement of physical money with EVC-PLUS. Secured transactions with the safety, universal accessibility, mobility, counterfeit fee avoidance and simplified transactions increase its popularity among its user base. EVC-PLUS has been successful mainly because in any transaction, users do not need to pay the fees. The system is accompanied by several benefits including increased security over cash, plus efficient time for transactions and prompt confirmation services and low usage in terms of minor purchases and self-managed funds, and fast access to savings. EVC-PLUS also has other advantages including enhanced business functionality. EVC-PLUS operates as a private banking platform for users who rely on it intensively for their economic endeavours and social contacts in Somalia.

2.6 Critical Review of Relevant Studies

Synthesis of Key Findings

The mobile money technology system has proved successful in ironing out the existing banking sector weaknesses thus maximizing financial accessibility in all sub-Saharan African nations. This system provides a strong mechanism for managing the shortcomings of Somalia's financial transformation. A 2023 report by the World Bank reveals that 73% of Somali adults aged 16 and above use mobile money services and this is higher amongst urban clients i.e. 83% and lower in rural areas i.e. 72%. Somalia's mobile money transfers are more than \$2.7 billion per

month, implying that mobile money is more preferred than physical cash payments. The high usage of mobile phones for banking is based on the high ownership of mobile phones, requirements of the culture related to their nomadic background as well as doubts regarding the quality of paper currency. Hormuud EVC Plus users carry out business transactions, budget household running expenses, and perform person-to-person payments and relief funds (GSMA, 2022).

Findings show that mobile money enhances lives and increases productivity in informal businesses. Studies indicate how digital financial platforms in Somalia, and other African nations, accomplish major goals through poverty reduction, increased consumption and giving unbanked people a chance to use payment services, save their money and access credit (Jack & Suri, 2014; Munyegeera & Matsumoto, 2016).

Gaps and Inconsistencies in the Literature

Several studies appreciate the advantages but show significant differences that constitute the main purpose of that study.

1. Regulatory landscape nuances

Somalia's mobile money industry has proliferated greatly due to the lack of official regulations with which it operates. In the recent past some regulatory effort has been carried out. The Central Bank of Somalia issued Hormuud Telecom the first mobile money licence in 2021 while setting its watch-keeping eye on the industry (CBS 2021). The existing regulatory inspections show there are inadequate signs of effective implementation. Some of the challenges to the mobile wallet system include disregard of KYC requirements by customers, weak scheme of venturing in protection, and lack of security for funds stored in bank deposits (IMF, 2023). Mobile wallets have security risks, as well as financial instability and systematic vulnerabilities that may result in loss of funds when translated into U.S. dollars.

2. The interaction with the marketplace factors modifies EVC Plus competitiveness.

In south-central Somalia, mobile money solutions by EVC Plus have managed to dominate the market sector. While Hormuud offers a holistic financial basis for mobile interface, EVC Plus has its head start in the early presence in the cellular sphere. This market establishment and trust growth combination pose operational difficulties. Scarce market competition as a result of interoperability problems and customer access restriction limits competitiveness of the market and retards growth. According to GSMA (2022), new competitors face high barriers to convince

EVC Plus loyal clients and overcome issues relating to infrastructure and regulation in the race to achieve market success.

persuade EVC Plus loyal clients while addressing infrastructure challenges and regulatory barriers to gain market success, according to GSMA (2022).

3. Including underrepresented groups

The recent data gives universal statistics of the usage but fails to give specific information on the social classes. The base rural women in Somalia only exhibit 35 per cent of interest that their male counterparts in urban areas have in mobile money systems. A lack of digital skills and documentation of identity, conservative cultural traditions, and scarce mobile devices cause slow adoption of mobile cash (Demir-Kunt, 2022). There is a lack of research data on gender inequalities and rural disparities that hampers the success of financial inclusion initiatives.

4. Potential disadvantages and dangers

The main extent of academic resources provides favourable reviews on the performance of mobile money functions but lacks studies of possible negative sides. The estimated economic loss as a result of the mobile money fraud in Somalia is \$25 million per year, but this fact is not substantiated by the extensive research data. Reliance on U.S dollars in mobile money functions puts global administrative constraints that undermine the powers of the central banks and escalates uncontrolled financial movements. Existing scholarship does not explore the possible risks sufficiently, and policy experts and academic researchers have not paid enough attention to them.

5. Methodological Gaps

However, studies on mobile money tend to depend on formative surveys conducted and personal anecdotes neglecting chronic investigations and mixed methods that combine socio-political investigation with time series data in Somalia and other challenging regions. Such limitations diminish both the policy potential and practical worth of the results of a study. Comprehensive exploration of special contributions as well as market placement.

This study will perform a mixed methods analysis in a comprehensive manner of Somalia's mobile money system; EVC Plus and its socioeconomic effects.

Unique Contributions: Comparative Analysis of Cities and Countryside:

The study shall be comparing mobile money providers, barriers to using mobile money and financial results in urban areas vis-à-vis rural areas, with a keen look at the challenges and rates of success in rural women using mobile money services.

Insights from Stakeholders: The information provided by the executives of mobile services, representatives of the central bank, and the officers of NGOs will inform realistic solutions for improving the regulation of mobile money.

Focus on Underrepresented Populations: The research will examine those insights of underrepresented groups such as rural women and try to overcome financial and digital exclusion and deepen digital literacy programs relating to phone accessibility and affordability.

Analysis of Sustainability and Risks: It will gauge mobile wallet fraud risk awareness and job consequences on the monetary worth of Hormuud's financial market.

2. METHODOLOGY

3.1 Research Approach

The research is based on the method of qualitative research in which case EVC Plus by Hormuud Telecom is used as the centre of research on mobile money in Somalia. An analysis of a single case is appropriate to this research since EVC Plus controls the financial industry of Somalia; therefore, the research must evaluate important effects of this company operating in an underregulated market. Access to information on specific insights and actions and the structure of mobile money adoption and regulation becomes available to the researcher when using this methodological approach in limited settings.

3.2 Use of Secondary Data Sources

Secondary data collections helped to determine the research question and support results achieved during first-hand analysis. The reviewed sources included the World Bank along with the IMF issuing macro data and regulatory changes and the Central Bank of Somalia. The research makes use of scholarly writings and academic studies that combine analysis of mobile

banking and financial accessibility among the technologically weak states. Trends and rates of use, as well as operational problems, stem from Industrial and NGO reports including GSMA, Hormuud Telecom, and UNCTAD.

The research employed peer-reviewed studies and verified institutional reports and information from the past five years to gauge the reliability and relevance of sources. Surprisingly, the study had challenges associated with the absence of transaction-level information and conflicting regulatory information that has a standard impact on underdeveloped economies.

3.3 Design and Use of Interviews

The study used semi-structured interviews as a research method to acquire personalized, comprehensive information. The chosen participants included:

- Users of EVC Plus are from both urban and rural areas.
- Agents and sellers of mobile money.
- Hormuud Telecom staff who work in mobile service departments.
- Representatives from the Central Bank of Somalia.

Owners operating from small to micro-business sectors who leverage mobile money operations. Both Somali and English languages were used based on participant preferences for a 30 to 60-minute period of interviews. All interviewees who were accepted consented to the interview taking place over email, and their written answers were utilized for transcription and analysis. The interview process went on until the researchers achieved data saturation, at which point further analysis revealed no new major themes. The 20 interviews were a fair qualitative research sample.

3.4 Data Analysis Method

The Braun and Clarke six-phase methodology was used to conduct a thematic analysis of the data:

1. All audio-recorded interviews were transcribed.
2. A complete examination of the data included reading it actively and adding notes to it.

3. The analysts applied initial coding techniques for specific segments of the information sample (the examples of trust deficit agent liquidity challenges and barriers to female mobile access).
4. 4. Thematic categories for regulatory capacity, operational risks, and financial inclusion were developed from specific sets of similar codes.
5. Additional steps were taken to simplify and normalize the themes during the refinement process to show logical continuity and eliminate duplications.
6. The researchers applied their findings to both research objectives and academic literature published previously.

The investigative team chose option use NVivo software to manage and display their coding structure. Researchers applied data triangulation by analysing data from interviews with sources from secondary research to both enhance the validity of the findings and reduce possible bias factors.

3.5 Ethical Considerations

The research had ethical integrity in each of its stages. Researchers' imposition of a study to the participants as well as confidentiality guarantees contained elements for written or verbal consent. All participants in the research had the right to leave the process whenever they wanted neither being punished or condemned for that.

Power-related interviews took place from neutral sites with regard to both cultural background and linguistic preferences. Pseudonym and strong protection of information about participants were the practices in data storage. The research was guided by the ethical code of OSTİM Technical University and the international norms in terms of approval by institutional review boards.

4. FINDINGS

This chapter summarises the study's results using the information from secondary data and semi-structured interviews. It presents the data categorised according to thematic ideas to identify the most critical determinants of the adoption and effectiveness of EVC Plus in Somalia's economy. This chapter discusses not only the achievements of EVC Plus but also its challenges and emergent trends, offering the overall picture of its contribution to financial inclusion.

4.1 Insights from Secondary Data

The role that mobile money plays in the economy of Somalia is illustrated by using an analysis of the secondary data from established institutions including the World Bank, the IMF, the Central Bank of Somalia, GSMA, Hormuud Telecom, and the UNCTAD. Mobile money services have nearly entirely substituted conventional banking in one of the very rare countries where they have been widely adopted across the globe, with the use of mobile money services by well over 70% of the nation's grown-ups, most prominently EVC Plus by Hormuud Telecom.

Figure 1: The performance of EVC plus in Somalia is revealed by fundamental metrics as follows. Each indicator assesses aspects in the mobile money environment including rates of transactions, uptake of mobile money, the customer's experience, and the financial impact on GDP.

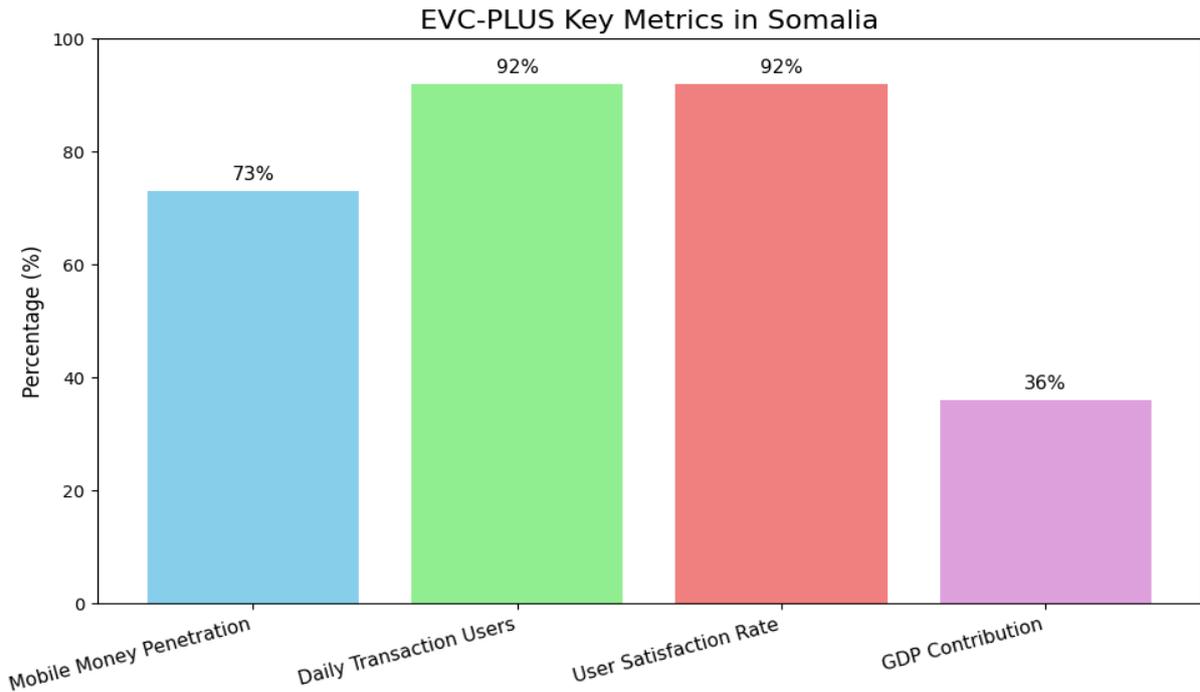


Figure 1: Analysis shows penetration of mobile money is at 73%, which demonstrates a high level of acceptance. The service proves to be highly satisfactory and dependent on it as 92% of all interactions are carried out daily and this favourable experience is highly valued. A review of the EVC Plus system shows it accounts for 36 percent of Somalia’s GDP and hence is important in the economic terrain of the country.

Figure 2: A graphic portrays how the environments of the regulatory stakeholders mould the Somalia mobile money ecosystem profile. The graphic includes the interconnected operational elements between the governmental regulatory agencies (CBS, MPT) and the private sector companies, comprising of Hormuud Telecom and Dahabshiil the showing their relationships to the banks and the money transfer operators (MTOs).

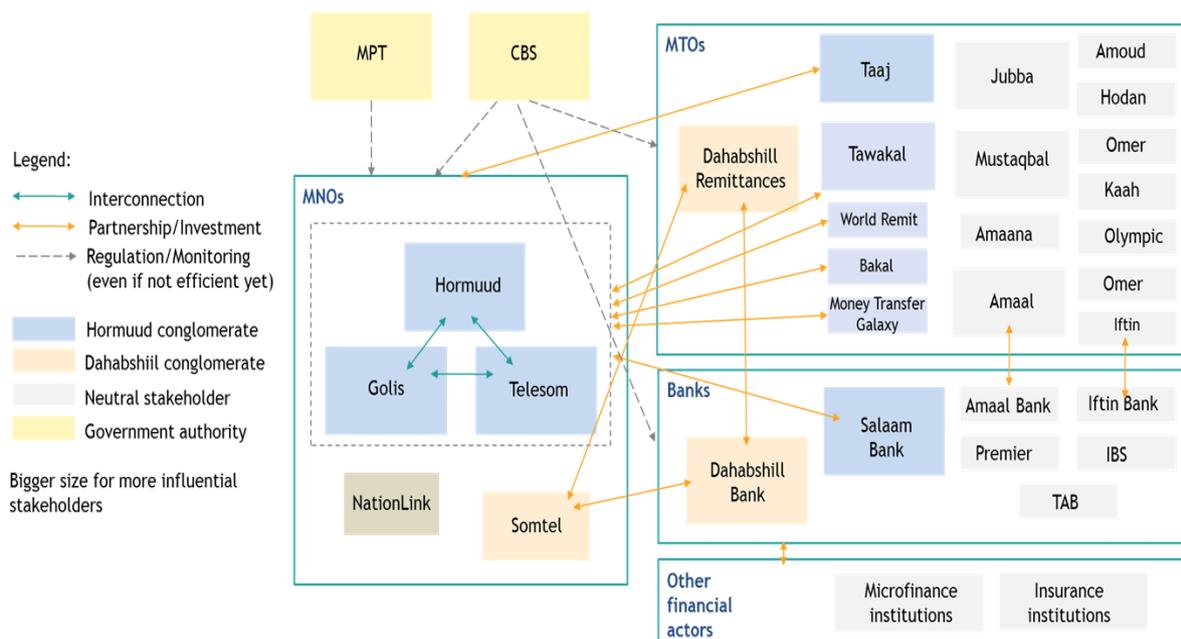


Figure 2: Remittance and mobile money operations of Somalia act as significant establishing entities. EVC Plus mobile money services are available through Hormuud Telecom besides other conglomerates with the added advantage of linking customers with great banks and remittance companies. The regulatory lines depicting the role of the Central Bank of Somalia in background operations also continue to be thin but become more visible. The illustration shows how the Somali financial sector works as a dual system with private companies being the first to undergo innovations before the government comes to oversee them.

It has been established through GSMA (2023) that mobile money usage in Somalia amounts to over USD 3.5 billion per month owing to the high adoption rate of the end user within the ecosystem. From the data in Figure 1, it is seen that there is a user adoption ratio over 90% plus user satisfaction over 90% for every day's transactions in mobile money. The mobile money crosses Somalia and covers 73% of the population. The EVC Plus platform grants the clients full transaction powers allowing peer-to-peer transfers and airtime re-charges and utility payments and retail purchases via mobile phones at the need for bank branches.

In reference to its 2023 annual report The Central Bank of Somalia described recent progress on the way to establishing mobile money regulation development particularly through licensing and structures of supervision. The aspects of the KYC enforcement and the consumer protection, as well as the dispute resolution are issues which persist in the rural setting and camps of the internally displaced people.

The IMF (2022) evidences the way a main mode of payment in Somalia's informal market channels, mobile money plays. Mobile payment process allows for routine transactions between small merchants and street vendors and the urban service suppliers. According to the UNCTAD report (2022) about digital economy development among fragile countries, EVC Plus is the initiator when it comes to financial access of female users and youth, as well as internally displaced persons, who lack access to banking activities.

The mobile money innovative opportunities are hindered by huge implementation barriers that inhibit mass adoption. Three key barriers to the adoption of mobile money include a lack of effective coordination in the networks of the providers, poor internet and power lines in rural regions and poor outputs on reporting. The functional solutions provided through the EVC Plus programs continue to be in danger of destabilizing financial sector stability since they are not well integrated with the formal sector systems.

Secondary data points towards the mobile money systems in Somalia being transformational to consumers on the one hand and on the other, facing severing challenges that require improved regulation and infrastructure development while enhancing inclusiveness. The following section primary findings are based on this background frame work that has been established.

4.2 Interview Analysis and Key Themes

The section offers results obtained from qualitative survey answers, conducted by the researcher and the secondary stakeholder interviews conducted in Somalia's financial system. Research data from 20 interviews obtained from M-money agents as well as users in addition to qualitative findings through responses obtained from emails by Somali financial institutions via email and phone interviews conducted with M-money shop managers in Mogadishu offered valuable information to the study. The research data was exposed to a six-phase analysis as it was conducted by Braun and Clarke with the extra content analysis from the articles incorporated. Five fundamental themes were revealed

Theme 1: Accessibility and Convenience

EVC Plus is the basic financial service for users to make use of their money without being restricted by physical presence. The group of participants who take the EVC Plus bases all of their financial transactions solely on the service since they have no other banking access in the rural districts.

- ❖ Our town does not have a bank and yet through EVC, I can quickly transfer money to my brother in Mogadishu. Rural male participant
- ❖ EVC is my bank. My EVC accommodates all my activities such as shopping as well as saving money and payment of school tuition. Urban female respondent

Figure 3: Mentions of Accessibility and Convenience by Respondent Location

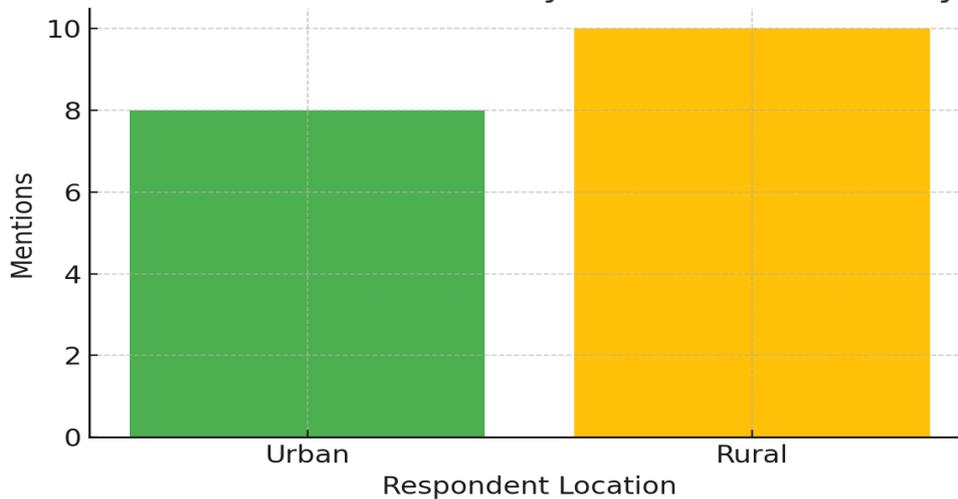


Figure 3: visually demonstrates how this theme was more dominant among rural participants than their urban counterparts.

Theme 2: Trust and Perceived Safety

Many of the interviewees demonstrated how they depended on the safety of the EVC platform and believed in its security from the theft of cash during volatile periods.

- ❖ I no longer bring hard currency. Since using EVC, I have more protection from theft cases. Market vendor EVC is more trustworthy to me than some of the domestic banks. It has never let me down. Staff member at the university

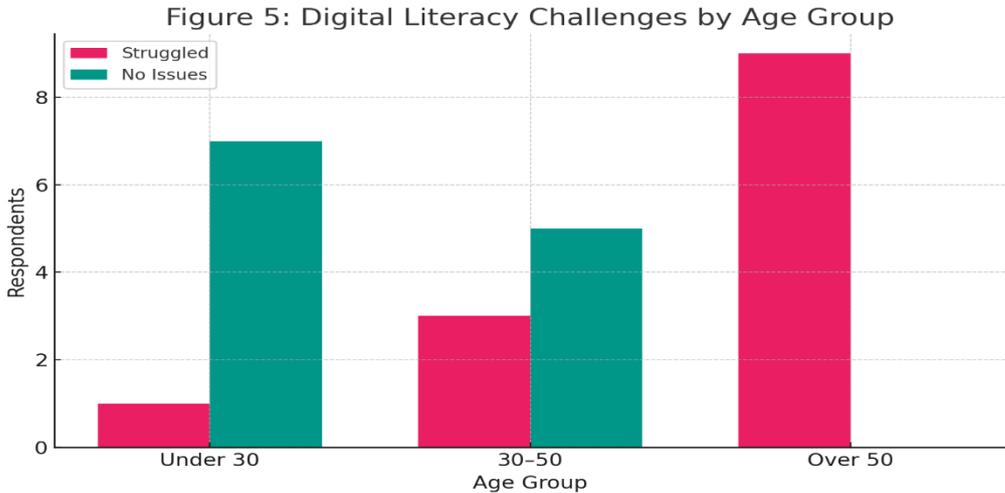
All managers of ZAAD mobile money shops we spoke to agree with the same perspective. Two of the key trust-building factors under the "Perceived Trust" spoke to the accuracy of monetary transactions and record-keeping accountability. One market respondent said security is critical to driving adoption of mobile money because "it is hard for one to steal money using mobile money."

Theme 3: Obstacles to Digital Literacy for Users.

Many of the respondents, and specifically elderly and rural users, reported difficulty in using the services of mobile money due to low levels of digital literacy or the availability of only basic phones.

- ❖ My children teach me how to use the telephone. I still sometimes forget the PIN." - Older female user. I hope they have better support for people like me who are not very computer literate.

This barrier puts the digital gap in focus and assumes the need for universal educational initiatives. The digital comfort age-based difference is provided in Figure 5.

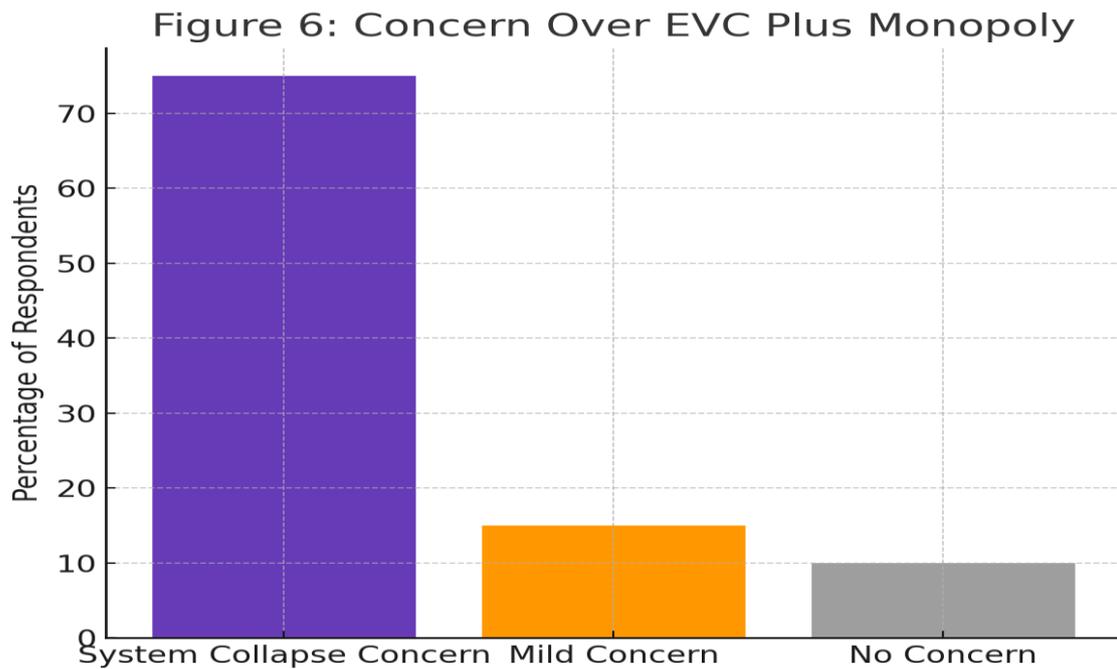


Theme 4: Market Dominance and Currency Substitution

EVC Plus affects both the general monetary independence of institutions and individual respondents. The central banks that participated in the emailed survey pointed out that the Somali shilling lost its value mostly in South Central Somalia.

- ❖ Operation in business will stop altogether when EVC collapses. We have no alternative. According to the Mobile Money business manager, the shilling currency has been fully replaced by EVC.

The release of new Somali currency has potential value as an institutional measure to restore the shilling's credibility because it would force banking institutions and mobile payment providers to use local currency for transactions.



Theme 5: Regulation and Future Governance

Studies using participant interviews generated conflicting information about regulatory standards. Some Bitcoin users wanted strengthened regulations to protect consumers while other users expressed uncertainty about government oversight of the cryptocurrency market. The financial industry surveys showed negative reactions to both monetary policy enforcement as well as platform interoperability requirements.

Financial institutions need better regulatory systems to achieve stability. A senior finance manager at the NGO stated that "The government is still feeble." We believe that More Hormuud. - Urban Youth

Table 1: Analyzed themes from the interview summary.

| Theme | Description | Representative Quote | Frequency of Mention |
|-------|-------------|----------------------|----------------------|
| | | | |

| | | | |
|--------------------------------|---|---|-------|
| Accessibility and Convenience | EVC Plus facilitates speedy and convenient transactions, especially where banks are not present. | "EVC is my bank. I use it for everything: shopping, saving, school fees payment". | 18/20 |
| Trust and Perceived Safety | Confidence and Perceived Safety Users feel secure by using EVC Plus in comparison to moving around with cash. | "I no longer carry cash. EVC for me creates a greater sense of safety from being stolen from. | 17/20 |
| Digital Literacy and Barriers | Digital Literacy and Barriers- Rural and older users have challenges in using the platform because of low digital skills and/or phone access. | "My children help me to use a phone. I sometimes forget the PIN “. | 13/20 |
| Monopoly and Market Dependence | Monopoly and market dependence. Respondents fear being at the mercy of EVC and the risk of not having alternatives. | If EVC crashes one day, it's all over. We have no backup. | 15/20 |
| Regulation and the Future | Regulation and the Future- Ambivalent Feelings Towards Regulation. Those who want more oversight; others do not trust the government's ability. | There should be more control so our money is safe | 12/20 |

4.3 Impact of EVC Plus on Financial Access

EVC Plus made a great forward progress to the financial inclusion in Somalia with its services spreading into areas with no formal financial choices. Merge of survey results, external research and interview results reveal that EVC Plus has a major impact in increasing economic participation, amongst general populace as well as small business enterprises.

4.3.1 Individual Financial Inclusion

The mobile payment platform EVC Plus positively impacts all the core financial access. EVC Plus mobile payment platform provides services that influence users' well-being bearing the availability and quality and user experience. In statistical studies, it was indicated that mobile money accounts will assist people to save more and provide emergency saving options and credit to individuals. A regression study showed that

The nationwide financial inclusion statistics indicates that there is a positive statistical effect following a one percent increase in mobile money account subscriptions that are experienced in the country.

The application of positive economic conditions results in an increase in the opportunities of receiving credit for certain needs.

Eleven percent for education

and medical expenses make up 16%.

14% for corporate activities

EVC Plus helps users achieve financial resilience and guide them through the day-to-day transactions and future securities and economic development agendas.

I was able to provide a tuition for my daughter without having to borrow the money from my family. Urban parent

4.3.2 EVC Plus as a Functional Bank

Users view EVC Plus as an official banking system. Through its services, EVC Plus enables people to do round-the-clock transactions including peer-to-peer transfers and bill payments which standard banking in Somalia often fails to provide particularly in areas away from main cities and active conflict zones. An EVC account serves as a banking system for me. I use the money to save funds and satisfy rental expenses and operate my shop. Rural merchant

EVC Plus bridges the gap between regular banking and banking outside of the actual banking environment by providing users with basic financial services without any credits or interest on

so-called

"savings"

accounts.

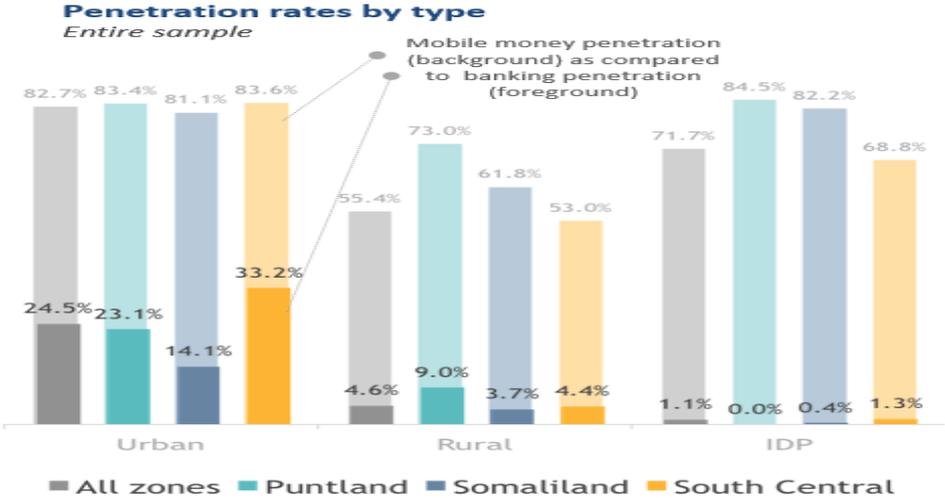


Figure 7: Mobile Money vs Conventional banking services comparison across Somali regions and settlement types.

Reference Source: Secondary data (2025)

From Figure 7 above, mobile money services such as EVC Plus have filled in a very big gap in the Somali financial market serving both rural and internally displaced communities. Access is still also highly constrained formally (down to 0-4% in IDP areas), but mobile money coverage is over 80% in some areas. This discrepancy is an affirmation of the efforts of digital financial instruments to reach those communities that have historically been underserved.

4.3.3 Limitations and Structural Gaps

EVC Plus extends the scope, but its capacity to contribute to inclusive, comprehensive economic and financial inclusion is poor because:

- Lack of credit scoring or an official source of lending;
- No interest in mobile savings;
- A small use of official banking channels;
- Reliance on single suppliers on a relentless basis increases systemic risk.

This means that though financial access had risen, the broader financial empowerment especially through the use of wealth-building tools remained limited.

EVC Plus plays an imperative role in the Somali environment of financial inclusion. It provides immediate, convenient and secure means of providing financial services to individuals and SMES that would otherwise have poor access to the banking system. However, still for this transition from access at the base to inclusive finance development, policy reforms, services diversification and intensified linkage between the mobile money and institutional banking systems are required

4.4 Emerging Trends and Challenges

Growing reliance of Somalia's financial sector on the mobile money has resulted in several emerging trends and systemic challenges. These trends indicate a further development of digital finance in a fragile state context, and the challenges show structural, regulatory, and technological weaknesses that could prevent inclusive growth from being achieved if further ignored.

Emerging Trends:

1. Digital Business Expansion

Mobile money has been pioneering the move to digitize Somalia's business. The majority of small business owners are conducting all their businesses in EVC Plus, starting with receiving payments from customers to paying suppliers. This has promoted emergence of mobile-linked microenterprises especially in the retail, transport, and food delivery industries.

Everything I have in my shop is EVC, receipts, payments all stock updates. – Urban shopkeeper

2. Youth and Technology Adoption

The youths especially those within the age of 30 years are the best to take up mobile money services. They are aware of cell phones and online tools use, thus forming the driving force of adopting digital finance. This trend indicates that for as long as the mobile finance ecosystem is continually developed, it can be long-term sustainable.

3. Mobile-Money as the instrument of the State.

Humanitarian organizations and some government-run programmes are beginning to utilize mobile money platforms to effect payments of salaries, delivery of aid, and money transfers, increasing transparency and eliminating leaks from an otherwise murky system.

Challenges:

Monopoly risk: The dominance of EVC plus poses a systemic risk after service failure because substitutes at present do not exist.

Weak Regulation: The weakness persists in areas of consumer protection, data privacy, and control of such services, even while trying to license.

Literacy Barriers: Persistent digital and money literacy problems among rural and older populations have a limitation to full participation.

Fraud and Redress: An increasing number of fraud incidents points to inadequacies of consumer protection and grievance systems.

Basic Services: EVC Plus offers only basic money tools and lacks high-level services like credit, insurance and investment products.

EVC Plus has laid the foundation for an aggressive digital financial ecosystem in Somalia, and now the system must move up from basic access. Inclusion, resilience, and sustainability of mobile banking future in Somalia require dealing with the monopolistic risk, promotion of regulation enforcement, increasing user awareness, and diversifying the variety of financial services.

5. DISCUSSION

5.1 Interpretation of Findings

The study findings are capable of providing reliable evidence that EVC Plus has exerted an extensive influence in terms of financial inclusion and provision of services in Somalia and especially, in areas without traditional banking systems. The fact that mobile money platforms (mainly EVC plus) have become alternatives and are now the de facto Somali banking system is proven by both secondary data synthesis and primary interviews.

First and foremost, accessibility and convenience take the role of dominant issues, especially in areas developing underdeveloped and war-torn. Given the absence of physical banking services in most parts, EVC Plus is viewed not simply as a platform through which one transacts, but as a general substitute offering full banking services. From what is indicated in Figure 3 and some of the quotes available, EVC is being used to conserve funds, school fees, business transactions and even emergency expenditure; this reflects the extent of penetration of the platform into day-to-day use and economic behaviours. Secondly, trust and perceived security that EVC plus had was widely mentioned. Under an unstable environment where insecurity and theft are rampant, online transaction gives people financial security. The interviews illustrate both the functional and the emotional nature of that trust: The reliability and accuracy of EVC in recording and processing transactions are what make users believe in EVC. Despite these benefits, the results emphasize structural restrictions. The research revealed that economic access did increase, but economic empowerment is still limited. For instance, EVC plus does not yet allow interest accrual through saving, or credit scores or usage of more complex money products (like insurance or investment products). Thus, clients are locked into an elementary transactional stage of money service with no room for wealth building or long-term planning. In addition, the surface of digital literacy as a significant constraint emerged, particularly among the older and rural population. It shows the continuous digital divide ensuring some parts of the population are still unable to access the system independently or confidently. It explains the need for professional support initiatives in specialized digital education and end-user support that enhances inclusive access. The monopolistic character of the market, on the contrary, is another more structural issue. Hey, being the only provider of mobile money services leaves the entire financial space at the mercy of the threat of systems

failure or cyber-attack. There are issues of resilience and redundancy in the finance space lacking alternative players and standby systems.

Finally, the trends review demonstrates that EVC Plus is beginning to dictate not just individual financial activity, but public and institutional procedures as well. Both aid distribution, salary payments and small business deals are being used. Though the growth showcases the system's potential to propel country development based on its evolution, this growth requires the regulators to balance innovation with control, even in this poor enforcement environment.

5.2 Comparison with Theoretical Framework and Prior Studies

The results of this study are found to fit comfortably within the purview of the Diffusion of Innovation Theory (Rogers, 2003) which formed the theoretical framework in this study. As the theory goes, there are five elements namely relative advantage, compatibility, complexity, trialability, and observability that determine the adoption of new technologies in a population. The mass absorption and dependency on EVC Plus can be viewed from this perspective:

Relative Advantage: EVC Plus surely brings the upper hand compared to traditional banking in Somalia this in terms of availability, speed and safety. Interviewees emphasize the way in which EVC enables them to circumvent long distances, high transaction fees and the danger of cash carriage – the benefits that support its utility.

Compatibility: The platform naturally fits into the lives and economic lifestyles of the Somali users. EVC Plus facilitates day-to-day, school fees, transport and savings payments thus enabling deep compatibility of both urban and rural livelihoods.

Complexity: For most users especially youth the platform is seen as something simple and intuitive. However, as the findings present, complexity serves as a barrier for the elderly and the digitally illiterate illustrating the digital gap that corroborates Rogers' claim that higher complexity slows adoption.

Trialability and Observability: Since EVC Plus is frequently introduced to others through peer recommendation or informal demonstrations, it is easy for users to trial EVC Plus before full implementation. The accessibility of its use in local markets, schools and transport systems

exposes its advantages, hence accelerating its rapid distribution. This is also empirically inclusive of the financial inclusion framework described in the literature of Jack & Suri (2014), where they found that mobile money in Kenya (M-PESA) materially increased savings, consumption smoothing and economic resilience. Like M-PESA in East Africa, EVC Plus allows users to control risks, do business, and meet the most basic financial needs without the need for traditional brick-and-mortar banks.

Somalia on the other hand forms unusual contextual parameters. Whereas in Kenya or Tanzania, mobile money simply complements the formal sector's banking, in Somalia it replaces formal banking. EVC Plus has a market dominance partly because of the weak state, urgent paucity of broad physical infrastructure, and scarce competing firms in the financial field. Therefore, although the platform serves a similar functional purpose, its monopoly nature and the weakness of associated institutions make Somalia a distinctive profile in the global mobile money map. Previous studies (e.g., UNCTAD, 2022; IMF, 2023) affirm the key position of mobile money in fragile states. Nevertheless, such research tends to focus on the volume of transactions and macro-level issues. On the other hand, this research instead offers a micro-level perspective into its results through its inclusion of user perceptions, barriers and factors of trust, adding depth into how users make their way in a mobile-first system of finance. Moreover, although the World Bank and GSMA have pointed out the potential for radical change that mobile money can bring about in terms of inclusion, this study introduces an important nuance: absent regulatory oversight and diversified services, and digital literacy, access will not result in empowerment. Thus, whereas previous researches congratulate access metrics, the current research focuses on depth and quality of access.

5.3 Implications for Somalia's Financial Sector

The outcomes of this research have significant implications for evolution, regulation as well as the resilience of Somalia's financial sector. With the introduction of mobile money; especially EVC Plus, as the principal financial architecture of a country, strategic interventions are imperative to exploit its potential while handling its inherent structural weaknesses.

1. The heart of the financial infrastructure in Mobile Money. What is the essence of Mobile Money?

EVC Plus has transformed into something of over over-the-mobile wallet status – it is now Somalia's backbone of banking. This has affected the reformation of the grid of financial

services in particular in the absence of formal banks in rural and conflict regions. Policymakers need to take note of this choice and strive towards multilateral integration of mobile money into national planning frameworks for economies, and not consider it an ancillary or transitory system.

2. Urgent Need for Regulatory Reform

The existing regulatory environment is still poorly developed and varies. Weak enforcement of KYC standards, no consumer protection frameworks, and little data privacy protections open the system to fraud, abuse and trust erosion which this study has exposed. The Central Bank of Somalia together with international partners needs to build urgently:

- National framework for regulating mobile money networks
- More licensed and compliant systems for the mobile money providers
- Independent grievance and dispute-resolution mechanisms

Regulation should not be solely about control, but it should also be regarding enabling innovation, consumer protection, and fairness of market play.

3. Reducing Monopoly Risk

The near-monopolist position of EVC Plus is systemic risk. If the platform fails due to technical or mismanagement or some disruption (such as a conflict), millions of Somalis would be financially stranded. The ecosystem of mobile finance needs to diversify. This includes:

- Promoting newer actors such as fintech startups or regional actors
- Facilitating platform interoperability between providers

Creating incentives for formal financial institutions to incorporate with or add to mobile services. An initiative to create a competitive ecosystem is critical in terms of short-term financial resilience and user emancipation.

4. Singling out Mobile Money from the rest of the world's informal financial systems.

Mobile money has expanded financial access, but not yet financial inclusion in the fullest sense to savings credit insurance, and investment tools. Users are still unable to:

- Build formal credit histories
- Access interest-bearing accounts or microloans

- Accumulate long-term wealth

Government and financial institutions should seek to integrate mobile money accounts into banking services, perhaps using hybrid financial models. This will allow transactional access to be replaced or converted to developmental finance.

5. Closing Digital and Financial Literacy Gaps.

Digital illiteracy particularly among the elderly and rural people was found to be a critical barrier to adoption and confident use. In the absence of intervention, this divide could increase financial exclusion as far as marginalized groups are concerned. Campaigns targeted to focus on using schools, local leaders and radio should be as follows:

- Basic mobile money skills
- Fraud awareness and scam prevention
- Promoting responsible ways of saving and budgeting

Public-private partnerships can serve as a vehicle to bring aboard these educational initiatives successfully.

6. Mobile Money for National Development.

Lastly, mobile money platforms can function as great public service delivery tools. Their widespread nature and the traceability of transactions make them very useful for:

- Disbursing government salaries or pensions
- Issues about social protection and cash transfer programs
- Making diaspora remittances easier and more transparent

As the state tries to regain its legitimacy and restore better governance, integrating mobile money into its delivery architecture may bring about efficiency, reach, and anti-corruption as well.

In conclusion, the surge in EVC Plus provides Somalia an historic opportunity to leap frogs the constraining limitations of conventional banking to establish a digitally enabled inclusive financial ecosystem. However, for this opportunity to turn into the sustaining movement, Somalia needs to invest actively in governance, competition, infrastructure and user functionality.

6. CONCLUSION AND RECOMMENDATIONS

This study analyzed the contribution of Hormuud EVC Plus mobile money service to the financial sector in Somalia and how it affected the level of financial inclusion, economic participation, and digital innovation. The results show that EVCPlus has substantially increased access to financial services in the urban and rural areas, decreased reliance on cash and promoted entrepreneurship activities in a country with a poor formal banking structure. Nevertheless, issues of weak regulatory control, possible monopolistic activities associated with digital monopolies, lack of digital literacy and imbalances in financial inclusion in the vulnerable groups (women and rural population) remain.

Based on these findings, several policy and practice pieces of advice are offered. First, the Somali government and central bank should turn their attention to improving regulatory frameworks, thus, the mobile money services are safe, fair, and transparent. Policies should foster a healthy financial ecosystem by providing protection to data, supporting customer rights, measures against money laundering and interoperability of systems. Secondly, to overcome the dominance of the market by EVC Plus, authorities will need to regulate the sharing of infrastructure and open API access to increase competition and make the market more accessible for new players. Third, Hormuud and its partners should enhance financial literacy and the digital education project especially in those underserved rural areas to maximize the usage of mobile money services. Fourthly, EVC Plus should also diversify its financial services by introducing culturally appropriate services in the form of sharia-compliant microloans, insurance, and savings products in line with Somali users' values and needs. Fifthly, the success of mobile money requires partnerships between telecoms, government departments, NGO and international development partners to deliver improved digital infrastructure, cybersecurity, and electricity for improved service reliability and resilience. Additional research in this field should answer such questions as: What are the specific barriers that hinder Somali women and in particular, those who are dwelling in the rural areas, from utilizing mobile money in full? What is the long-term impact of mobile money on formal financial inclusion and tax compliance? How are the mobile money platforms used as an efficient tool to promote remittances and reach the diaspora? Finally, the study admits imperfection concerning the reliance on qualitative data, the limited geographical representation that could be corrected based on larger samples or longitudinal or quantitative methodologies.

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8. APPENDIX

Appendix 1: List of Secondary Sources and Reports Used

1. World Bank (2018, 2021). Somalia Economic Updates.
2. GSMA (2021, 2022, 2023). Mobile Money Reports on East Africa.
3. Central Bank of Somalia (2021). Mobile Money Licensing Reports.
4. Altai Consulting (2016). Mobile Money in Somalia: Market Analysis.
5. UNCTAD (2022). Digital Economy Report: Fragile States.
6. SIMAD University Repository (2023). EVC Plus and Financial Inclusion.
7. IMF Reports (2022). Informal Economies and Financial Digitization.
8. Omar, M. A. (2021). Mobile Money in Somalia – Currency Displacement Study.
9. Nor, M. I. (2023). Economic Dynamics of Mobile Money in Somalia.
10. Braun & Clarke (2006). Thematic Analysis Methodology.

Appendix 2: Interview Guide

General Questions:

For how long have you been using EVC Plus?

What are the sorts of transactions that you normally conduct through EVC Plus?

How has access to financial services been transformed by the EVCplus?

Experience and Usage:

Do you think that EVC Plus is safer or more convenient than cash?

Have you experienced any difficulties in the use of EVC Plus?

Trust and Regulation:

Do you have more trust in the EVC Plus system as compared to traditional banking?

What is your opinion on the regulation of mobile money services?

Future Perspectives:

What are the changes or improvements that you would like to see in the mobile money services?

What recommendations regarding EVC Plus can you give to people in the community?

Table 1: Analyzed themes from the interview summary.

| Theme | Description | Representative Quote | Frequency of Mention |
|--------------------------------|--|---|-----------------------------|
| Accessibility and Convenience | EVC Plus facilitates speedy and convenient transactions, especially where banks are not present. | "EVC is my bank. I use it for everything: shopping, saving, school fees payment". | 18/20 |
| Trust and Perceived Safety | Confidence and Perceived Safety Users feel secure by using EVC Plus in comparison to moving around with cash. | "I no longer carry cash. EVC for me creates a greater sense of safety from being stolen from. | 17/20 |
| Digital Literacy and Barriers | Digital Literacy and Barriers- Rural and older users have challenges in using the platform because of low digital skills and/or phone access. | "My children help me to use a phone. I sometimes forget the PIN “. | 13/20 |
| Monopoly and Market Dependence | Monopoly and market dependence. Respondents fear being at the mercy of EVC and the risk of not having alternatives. | If EVC crashes one day, it’s all over. We have no backup. | 15/20 |
| Regulation and the Future | Regulation and the Future- Ambivalent Feelings Towards Regulation. Those who want more oversight; others do not trust the government’s ability. | There should be more control so our money is safe | 12/20 |

EVC-PLUS Key Metrics in Somalia

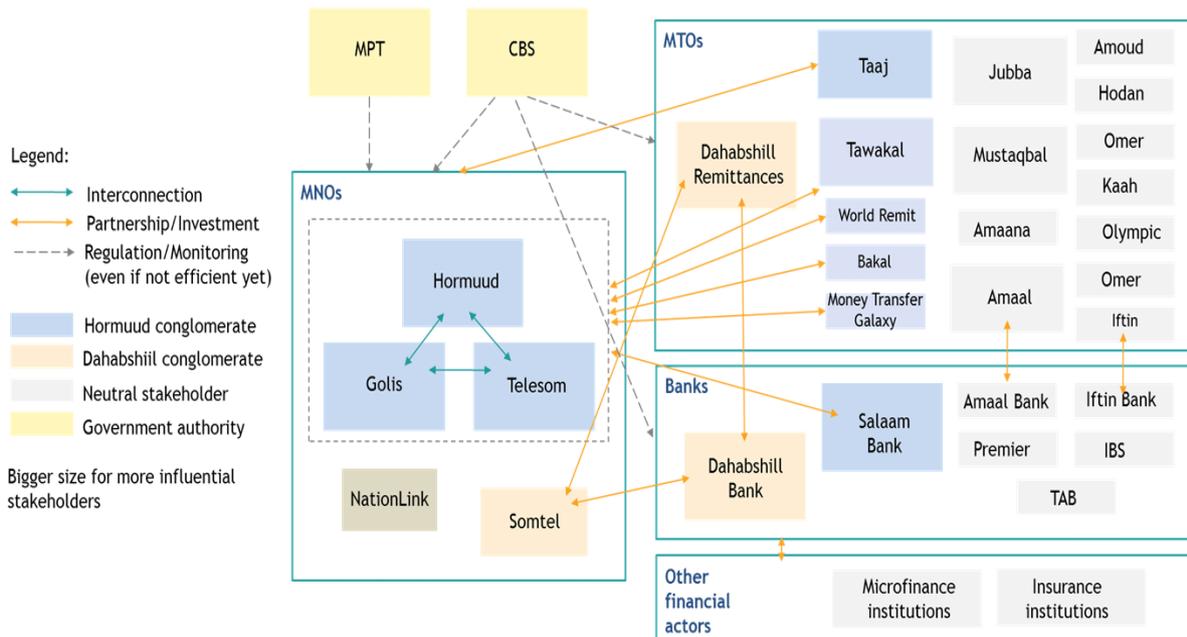
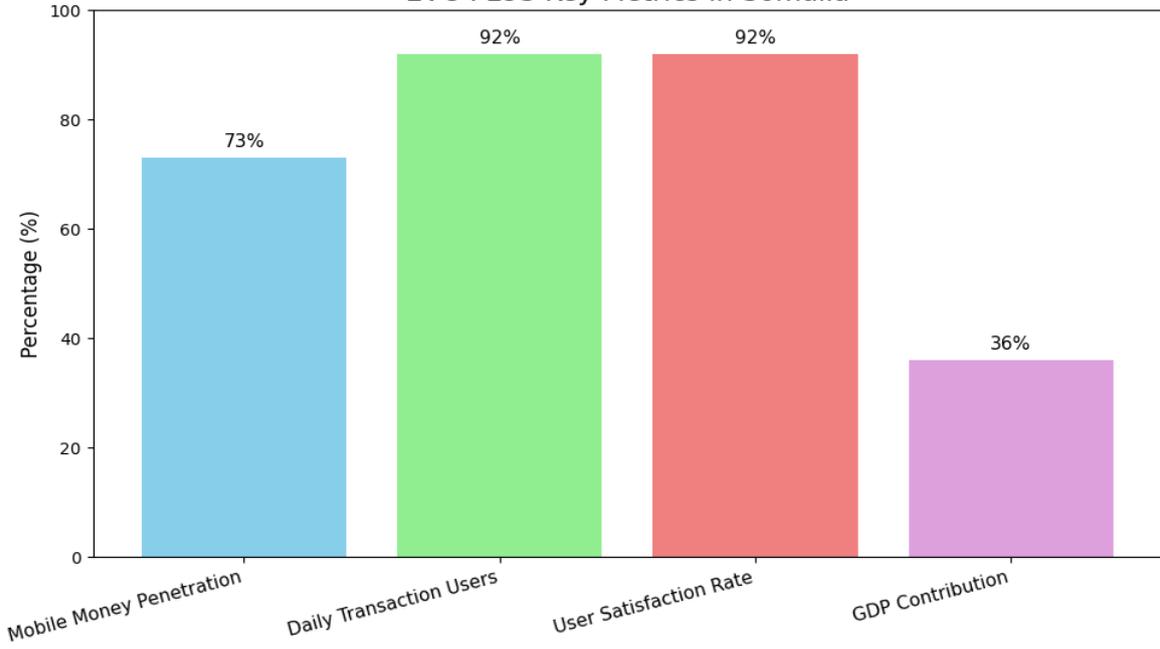


Figure 3: Mentions of Accessibility and Convenience by Location

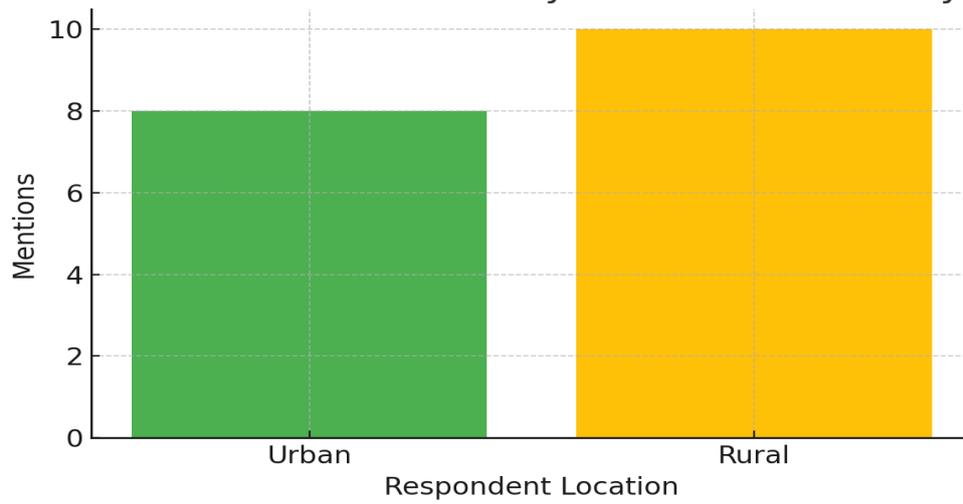


Figure 5: Digital Literacy Challenges by Age Group

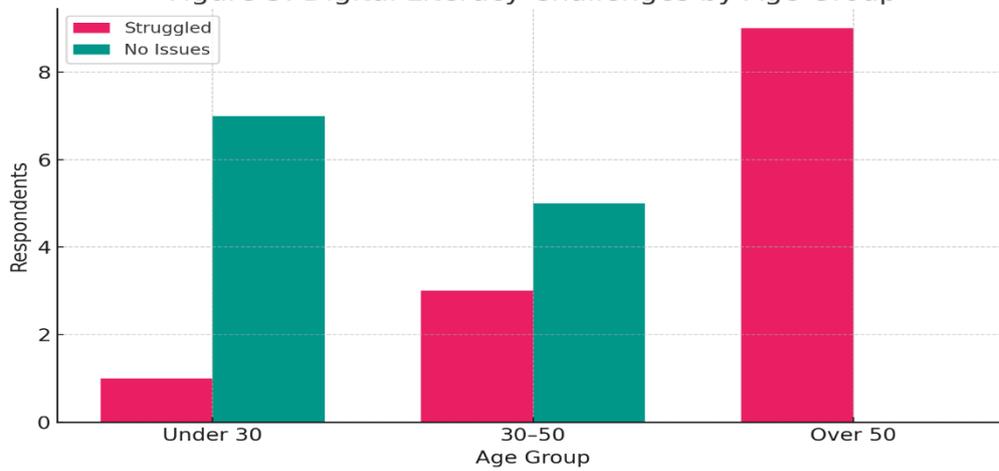
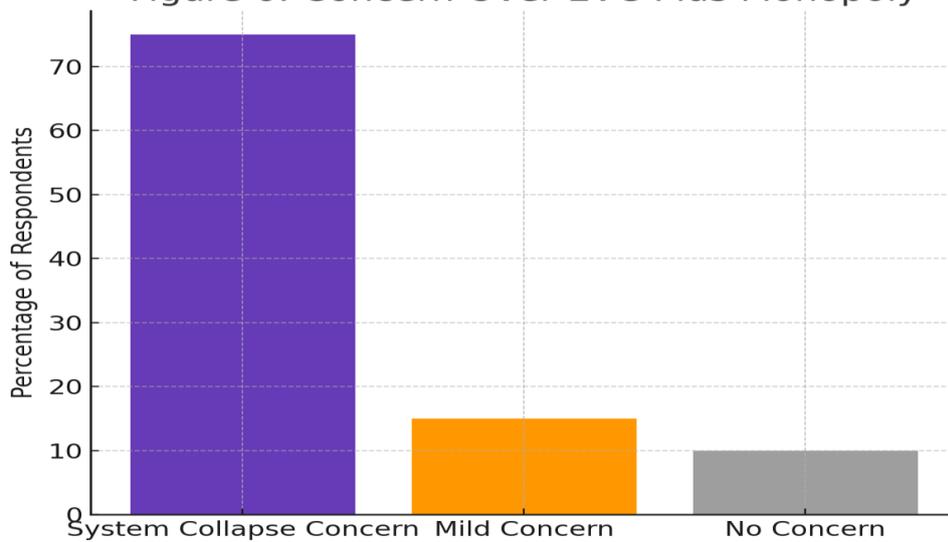


Figure 6: Concern Over EVC Plus Monopoly



Penetration rates by type
Entire sample

