

m-Money

Mobile phone for sending remittance

MOHAMMAD KAWSAR UDDIN

Contrary to the popular notion that only the big businesses get benefit from mobile phone, the true potential for mobile money in Bangladesh lies among the poor, reveals a research by LIRNEasia, an Asia Pacific think tank on telecom policy and regulation. According to Dr. Erwin Alampay of LIRNEasia which led the research, this potential can be largely attributed to the innovations by telecom operators like Grameen Phone. While Grameen is better known for introducing banking through microfinancing to the poor, they have also redefined the mobile usage among poor through the 'phone ladies'. Now by merging the banking and mobile technologies they are ready to offer mobile payment schemes, by which Bangladesh poor are certain to get benefit.

Bangladeshi poor people, like many developing countries, have embraced mobile phones in mass scale within the last decade. According to LIRNEasia's 'Teleuse at the Bottom of the Pyramid' survey, teleusage patterns of the poor 43 per cent participants mentioned they own prepaid mobile phones in their household.

Bangladeshi mobile users at the Bottom of the Pyramid (BoP) mostly credit their prepaid accounts by electronic reloads. Ninety-six per cent of BoP users do so, followed by Top-ups (41 per cent). This is familiar among e-reload and top-up and e-load indicates their high-trust rating for this method (4.6 in a scale of 1-5, where 5 means high confidence/trust) can be exploited when the second wave of mobile applications such as mobile money is introduced in Bangladesh, says Dr. Alampay, who studied mobile money system in Philippines comprehensively. According to him the country can learn extensively from over five years old experience of Philippines. The Philippines is a leader in many

mobile applications, beginning with SMS-use. It is considered the texting capital of the world and its extensive use has been credited by some for overthrowing a president.

M-money is an area that is lesser known to people. Real money is



converted into e-money, and put into mobile wallets. This mobile currency can then be transferred from one mobile subscriber to another, thereby making funds transfer among individuals, even at a distance, is easier. In some cases fund transfers require cross border transactions.

In the Philippines, there are two forms of m-money used, SMART Money and G-Cash. These can be used for retail, pay utilities and can be exchanged or transferred from subscriber-to-subscriber. In particular, there is a great interest in tapping the service for international remittances, which can emerge as one of the most popular and exciting uses of mobile money. The Philippines experience has shown that for a USD 20 remittance, as much as 6 per cent transactions costs can be

saved.

Like Philippines, the country has a large migrant population. In fact, as much as 10 per cent of the BOP in Bangladesh has relatives who are international (external) migrant while another 10 per cent has internal migrant relatives. Eighty-six per cent of external migrants and 52 per cent of internal migrants are Bangladeshi migrants remit back money. On average USD 185 is sent at a time, with 59 per cent reportedly migrant relatives sending money at least every month or even less. According to LIRNEasia's teleuse at the BoP survey, of these, only 2 per cent said they were satisfied with their current mode of sending money and as such will not try an alternative service that can be done through mobile phones. At present, bank drafts and wire transfers are still the most preferred means of remittance transactions, since they are the two of the least expensive means.

Given the size of the BOP in Bangladesh, and the large number of migrants and the amount and frequency of transactions every month, one can see the great potential of m-money as a value added service for the BOP. The primary thing that prevents people from BOP is lack of awareness and knowledge.

This study was a component of Mobile 2.0 study of LIRNEasia, which explored the 'more than voice' applications of the mobile handsets. LIRNEasia is a regional ICT policy and regulation think-tank, active across the Asia Pacific. Its mission is to 'improve the lives of the people of the emerging Asia-Pacific by facilitating their use of ICTs and related infrastructures—by catalysing the reform of laws, policies and regulations to enable those uses through the conduct of policy-relevant research, training and advocacy with emphasis on building expertise.' □