

NOT RECOGNISING LOW INCOME MICRO-ENTREPRENEURS: A MISSED OPPORTUNITY

Currently micro-entrepreneurs (MEs) are not identified and treated as a different group. This is a missed opportunity for mobile network operators (MNOs). There is value in identifying micro enterprises and low income groups that have the potential to develop and in assisting them to expand. As communication is an integral part of the supply chain, mobile network operators (MNOs) have a significant role to play.

A survey of urban low income micro-entrepreneurs in selected cities in Bangladesh, India and Sri Lanka¹ shows that those who use postpaid connections spend more on a monthly basis in comparison to the prepaid users (Figure 1). Out of those surveyed only 11% use postpaid connections; out of which only 44% had signed up for a special small and medium enterprise (SME) package (Figure 2). For micro-entrepreneurs to reveal themselves, they need a benefit. Based on the supply-side study only one MNO in LK offers a SME specific plan with benefits such as low monthly rental, free minutes / free calls within the group. If MNOs can provide other benefits, there will be incentive for micro-entrepreneurs to sign up. Financial services are one of the key needs for micro-entrepreneurs. MNOs can partner with financial institutions to deliver related services to their customers.

	Monthly Expenditure
BOP pre-paid mobile owners (2011)	LKR 401
Low incomes MEs who use pre-paid for business (2013)	LKR 1345
Low incomes MEs who use post-paid for business (2013)	LKR 1551

Figure 1: Average recharge per month

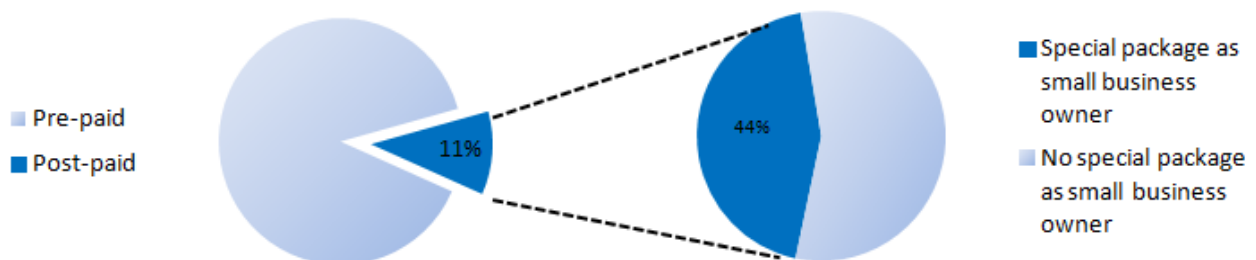


Figure 2: Survey respondents on SME post-paid plans

¹ <http://lirneasia.net/projects/2012-2014-research-program/improving-service-delivery-for-e-inclusion/>

Low income groups often have financial constraints and have limited access to formal financial services. However, they own and use mobile phones. Due to the lack of assets and information on past transactions, assessing credit worthiness is a challenge. MNOs however have access to transaction generated data (TGD) such as call detail records (CDR), the use of value added services (VAS), the use of financial data (if financial services are offered) and the use of the Internet. This data can be converted to valuable information that can be used to analyze and create patterns of use.

For example the Consultative Group for Assisting the Poor (CGAP) hypothesized that those who top up frequently and consistently demonstrated predictability in income and better planning of financial resources and would therefore have the ability to pay back a loan². A company called Cigfini created a credit scoring model with CDR data in Tanzania and Brazil and tested this hypothesis. The test showed the model was an accurate predictor of default—its scores were positively correlated with default across the lending portfolio. Although financial services are the most apparent type of VAS for the low-income micro-entrepreneurs, there are others such as matching people to different type of insurance schemes and helping to tailor premiums and pay back methods.

POSTPAID LITE

Postpaid Lite; A postpaid solution tailored for needs of low income users.

- Lower credit limit with ways to avoid bill shock
- Customers have option of topping up (as in prepaid) once credit limit is reached to increase the available credit
- Push notifications regarding call charges. E.g. –“Your last call cost was Rs. 2 and your current total charge is Rs. 20”
- Postpaid package linked to other relevant services (e.g. such as provision of loans)

For further information please see <http://irneasia.net/projects/2012-2014-research-program/improving-service-delivery-for-e-inclusion/>

² Kumar K., Muhota K. (2012) Can Digital Footprints Lead to Greater Financial Inclusion? Consultative Group for Assisting the Poor (CGAP)