



# The Financial Express

## Money transfer through mobile phones

Abdul Bayes | Saturday, 1 February 2020

Various surveys in Bangladesh show that over four-fifths of rural households have at least one mobile set. Both agricultural and non-agricultural activities are heavily dependent on this gadget. As was shown by the adoption of modern technology in rice production, it also reveals that Bangladeshis can quickly accept new technologies.

A few years ago, some young and talented researchers -- Fakir Md Yunus, Safayet Khan, Tanjilut Tasnuba, Paroma Afsara Husain, and Amanda Misiti -- undertook a research on mobile money and came out with new insights. The following observations are worth noting:

Mobile phones are increasingly being used for the empowerment of poor people around the world. This digital technology has become successful in making the market more efficient in some underdeveloped regions where there are inadequate infrastructure facilities (e.g., bad roads and slow postal services). It also helps facilitate entrepreneurship by allowing information to flow more freely. Research suggests that the usage of extra ten phones per 100 people in a typical developing country boosts GDP growth by 0.8 percentage points. Worldwide more than 4.0 billion handsets are now in use, three quarters of which are in the developing world.

As mobile phones are becoming more accessible, they are increasingly being used in many countries to transact money. Almost 10 per cent of adults in 20 different countries used mobile money at some point in 2011. In some countries, more people have registered for mobile money accounts than traditional bank accounts. Mobile money can be much faster, less expensive and a safer way to transfer than, bank or post office transfer. It creates opportunities for unbanked poor people who may be illiterate and do not have access or are intimidated by the rules, and schedules of formal banks. Mobile banking is also safer than storing wealth in various forms particularly during the time of natural disasters. In some cases, mobile money has helped increase the household income. It has been found from a recent study that the incomes of Kenyan households using mobile money service have increased by 5.0-30 per cent since they started mobile bank. Mobile money also gives its users a way to save small amounts of money and thus develop their savings habit. A research report published by the World Bank found that mobile money users in Kenya are more likely to maintain savings than their peers.

Mobile money provides a stepping stone to formal financial services for the billions of people who lack access to savings accounts, credits and insurance. This also helps offset the bias of the banking system towards the well-educated.

People across the developing world go to small retailers nearby their house to buy vouchers to top up their phone credit. Mobile-money services enable these small retailers a safe, fast and relatively inexpensive way to send, receive and store money. Small retail shops thus act like informal bank branches where people do transaction and help those retailers develop as small entrepreneurs. In Bangladesh, approximately half of the adult population is unbanked. Over the past three years, a mobile banking industry has emerged to help meet these individuals' needs, and has already reached 13 million



users. In addition, as Bangladesh is urbanising rapidly, young adults working in the city send money home to their families through mobile phone. In 2013, over BDT 500 billion was transacted via mobile money.

Previous studies on the use of mobile money by the rural poor reported the positive perception towards the adoption of this new banking system. This study also refers to negative effects. Researchers tried to understand the perception of introducing mobile money in the non-profit development sector. They explored different staff and clients' perceptions of using mobile money in terms of reliability and efficiency in five different BRAC programmes.

Most of the respondents were aware of mobile money, understood how it works and had a mobile account. Safe transactions were the main benefit that they were interested in. Some of them also mentioned benefits such as trouble-free transaction and the ease of access. Some of them think it is a better system because they can save time during their daily work. Introducing mobile money would reduce the respondent's workload as there will eventually be no paper work. Some people expressed concern that staff might become redundant and lose their jobs because of this new system.

Mobile money can be beneficial where there is little or no formal banking. In 'char' and disaster-prone areas, mobile money can be useful to save or transact money as well as to buy necessities quickly. One of the accounts officers said that banks remain closed for two days every week and queuing for

withdrawing money can be time consuming. This system would further reduce the organisation's expenses as it does not need to reimburse its field-based employees for their transportation.

bKash charges a fee for its services and this is considered by some as a problem. Some of the respondents were confused about mobile money charge rates and stated that this varies geographically. bKash agents sometimes ask for double money and the service charges could be the main barrier to use of mobile money. Some respondents pointed out that they would support the traditional cash system, if they find that mobile money costs them extra money. Several East African countries including Kenya levies tax on all kinds of mobile money transfer systems and have experienced a downward trend in the value of mobile payment.

Many clients may not understand how mobile money works and experience challenges, like remembering their passwords. Moreover, not having a National ID card and access to mobile networks could be big challenges for opening up a bKash account and using the services. Thus, the level of education of the clients is also important because clients need to understand the short message, which is in English, received from bKash. It is also equally important for the client to know the benefits and challenges of the bKash system. Regular follow-up in person is necessary for those who have not used a mobile phone before or who have recently opened a mobile banking account. A majority of respondents suggested that if a Programme Organizer goes door-to-door, then it would be easier to collect the money.

In general, people were receptive to using mobile money in the non-profit sector. Mobile money transactions could make people's lives easier compared to the current cash transfer system. It could save their time and money.

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