



# CLP'S EXPERIENCE IN MOBILE MONEY TRANSFERS

## SUMMARY

After operating from 2004 – 2016, the Chars Livelihoods Programme (CLP) has accumulated vast experience working with the extreme-poor and in remote areas.

During its final year CLP developed a series of Lessons Learnt briefs with donors and development practitioners in mind.

This brief is one in a series and shares many lessons and suggestions for those who plan to use mobile banking services to dispense stipends or transfer cash to beneficiaries.

## LESSONS INCLUDE:



Mobile financial services can be used to include people with no access to formal financial services.



Mobile transfers can be used despite the absence of national identity cards; core participants also do not need a mobile phone.



Problems can arise that cannot be resolved locally.



Use of mobile transfers has value-for-money benefits.



Scaling up to reach all participants can be hampered by a shortage of agents in remote areas.



Programme participants need assistance in opening and managing mobile banking accounts.



Transfers through mobile phones have positive knock-on effects, such as: providing a secure way to save; an alternative means to transfer remittances; and enhancing women's empowerment.

## BACKGROUND

The Chars Livelihoods Programme (CLP) was a poverty reduction programme implemented in Bangladesh and co-financed by the UK Department for International Development (DFID) and the Australian Department of Foreign Affairs and Trade (DFAT). It was managed by Maxwell Stamp PLC and sponsored by the Ministry of Local Government, Rural Development and Cooperatives (MLGRD&C) and executed by the Rural Development and Cooperatives Division (RD CD) of the Government of the People's Republic of Bangladesh.

People on the riverine islands ("chars") of north-west Bangladesh had precarious livelihoods. They were often heavily reliant on low-paid and unpredictable agricultural day labour, and there were few other stable livelihoods options open to them. They were vulnerable to environmental shocks that could have devastating effects on their livelihoods, with flooding a particular risk. Most chars-dwellers moved home several times in the last few years due to floods or char erosion. Many reported that they had lost all their possessions and assets at least once in the past.

The precariousness of their livelihoods meant that many chars households faced food insecurity and suffered from the effects of under-nutrition. Limited access to improved water sources and sanitation and low levels of services such as health, education and livelihoods support were further challenges, resulting in chars-dwellers being amongst the poorest people in Bangladesh. CLP aimed to work with these people to help them lift themselves out of poverty.

CLP operated in two phases – CLP1, from 2004 to 2010, and CLP2, from April 2010 to March 2016. Over that time, CLP accumulated substantial experience from working with the extreme-poor in remote areas.

CLP is widely recognised as having been a very successful programme. By the end of its tenure, CLP directly (and in many cases dramatically) transformed the lives of over 78,000 core participant households, and it improved the livelihoods of one million poor and vulnerable people. Moreover, it achieved this while operating in one of the most challenging environments in the world: the riverine island chars in the Jamuna, Teesta, and Padma rivers of north-western Bangladesh.

During the course of its implementation, CLP needed to undergo a number of major changes, to respond to a range of new challenges, and to test out a variety of approaches. It involved itself in many different activities, spanning everything from livelihood improvement to market development, from social protection to land reform, from education to nutrition, and from health to veterinary services. Over the years it operated, CLP learnt a number of very important lessons. These lessons are now documented in a series of Lessons Learnt briefs which are intended to share CLP's experience with donors and practitioners, both in Bangladesh and further afield.

This particular brief focuses on lessons learnt from using mobile technology to transfer monthly stipends (non-conditional cash grants) to CLP's core participants.

## MOBILE MONEY TRANSFERS

CLP provided 78,000 extreme poor core participant households (CPHHs) with an integrated package of support lasting 18 months.

Central to CLP's approach was the Asset Transfer Project. CLP's core participants received a grant of Tk 17,500 (around £153) to purchase an income-generating asset of their choice, normally cattle. Alongside this, a monthly stipend was provided to each participant for 18 months from the month the asset was purchased. In July 2012, CLP began using mobile phones as a way of transferring these stipends through bKash (the service provider). This gave char-dwellers formal access to financial services.

Over the 18-month period, each participant received a total stipend of Tk 8,100 (around £68), which was broken down into Tk 650 for each of the first six months, and Tk 350 for the following 12 months. The stipend was transferred straight to participants' mobile phone SIM cards, which could then be converted into cash through a bKash agent.

CLP's role was primarily to support the participants in opening their mobile money accounts, work with the provider to overcome operational challenges, and monitor the stipend transfers. In addition to the Tk 8,100 stipend transferred, CLP covered the costs of opening each mobile money account (which included the cost of photographs, photocopying of a National Identity Card (NID) or birth certificate, and purchase of a SIM card, but excluded the purchase of a mobile phone), and the monthly stipend transfer and commission costs over 18 months. These additional costs totalled approximately Tk 312 (about £2.60), or 3.85% of the total stipend value of Tk 8,100 per participant. CLP considers this method of stipend transfer to be cost effective.

CLP began implementing stipend transfers through bKash with a pilot project in July 2012. A number of considerations were taken into account when making the transition from cash to mobile transfers. These included: security risks; limited mobility of char-dwellers; limited network connectivity; costs of using mobile phones; and proximity of bKash agents to the chars. Cumulatively, throughout the three phases, CLP provided stipends via mobile money transfers to 22,278 households out of 64,410 households enrolled.

## TIMELINE FOR ESTABLISHING MOBILE CASH TRANSFER PROGRAMME

July 2012

Decision taken to start a pilot programme on cash transfer through mobile. Search begins for a suitable company who can serve with a minimum cost.

August 2012

Started with three villages in Kurigram and Pabna. bKash, a BRAC Bank company licensed by Bangladesh Bank (the central bank of Bangladesh) to operate mobile phone banking was chosen as the service provider for CLP stipend transfer.

October 2012

Arranged meeting with bKash and agreed to continue in other CLP working areas where agents and mobile network were available. Stipends were transferred to CPHHs directly from bKash headquarters.

November 2012

bKash staff provided orientation to CLP and IMO staff on operational activities of mobile cash transfer

December 2012

Met with bKash again and shared experiences and technical problems. Upon agreement with bKash that they would solve all technical problems, the project was scaled up in 66 villages where bKash agents and mobile networks were available.

January 2013

Developed a monitoring system and collected field data through IMO reports, which were completed on a monthly basis and compiled regularly to see the outputs and problems.

July 2013

Included second set of 78 new villages where bKash agents and mobile networks were available.

July 2014

Included third set of 34 new villages where bKash agents and mobile networks were available.

## LESSONS LEARNT

Char-dwellers do not have access to formal financial services offered by banks, primarily due to the geographic isolation of the chars. Microfinance institutions have very limited operations in the chars due to transportation difficulties and economic viability.

Consequently, people on the chars don't have a safe place to save money and no formal channel for receiving money from the migrated char labour force working on the mainland. In 2010 Bangladesh Bank (the central Bank of Bangladesh) gave licences to several banks to operate banking services through mobile phones. One of the objectives of opening banking through mobile phones was to facilitate access to financial services by hitherto unreachable people. This facility opened a door for char-dwellers to get remittances from the mainland and to save money for times of need. It also enabled organisations/projects like CLP to use these mobile money services to move cash.

CLP used this remittance facility to transfer monthly stipends to its core participants. With assistance from CLP, char households became included in formal financial services and received CLP stipends and other inward remittances through their mobile SIM. This allowed illiterate women to become familiar with modern technology and ultimately, contributed to women's empowerment. CLP's experience shows that this method could also be used by government and non-governmental organisations (NGOs) for safety net payments and other disaster or financial relief transfers.

### PROVIDING ACCESS TO THIS NEW TECHNOLOGY REQUIRED INNOVATION AND COLLABORATION

Few core participants had a mobile phone, but widespread access to such services was achieved through innovative initiatives arrived at through close collaboration between programmes and service providers.

The logistics of getting a phone and opening an account posed a challenge to those who are poor or illiterate. Ordinarily, an applicant must present the National Identity Card (NID) and provide two passport photos in order to open a mobile phone account. However, many people living on the chars do not possess a NID. Moreover, completing the application form often poses significant challenges for char-dwellers, who are often either non-literate or semi-literate. All of these processes also involve spending time and money travelling to the mainland. The net effect is that the application processes are likely to deter many char-dwellers from signing up to use mobile banking for receiving or paying back micro-credit loans.

### TRANSFERS THROUGH MOBILE PHONES CAN HAVE POSITIVE KNOCK-ON EFFECTS

Access to formal banking services was essentially non-existent for the majority of char-dwellers. CLP's experience working with bKash showed that the mobile cash transfer service could not only provide participants with an alternative means to receive remittances from family members or friends working on the mainland but also give them a safe and secure way to save money.

Through close collaboration with bKash, CLP found solutions to overcome these types of difficulties experienced by char-dwellers in accessing this service. With encouragement, bKash, for example, agreed to use other methods of identification, such as birth certificates and visual authorisation from the Project Managers of CLP's implementing partners. Staff of CLP implementing partners also assisted participants by helping to fill out the requisite forms, getting photocopies of NIDs/birth certificates, contracting photographers to take photographs and then taking the paperwork to the bKash agent who then opened the account/wallet.

Because the platform and menu used by the service provider is in English, in-depth orientation was required for participants in order for them to be able to use the service. As part of the orientation, participants were encouraged to choose an easy PIN code and emphasis was placed on the importance of memorising PIN codes, maintaining secrecy of PIN codes, and the safe-keeping of SIM cards (especially when the users do not have their own mobile phone set). For those who could not afford to purchase a cellphone, they could still access the mobile cash transfer service via a mobile handset which selected bKash agents were given for this purpose.

Close monitoring of transfers and cash-outs/withdrawals was also required for the smooth running of the whole operation, specifically for identifying and helping to resolve problems related to the replacement of lost/damaged SIM cards, account unblocking (blocked due to wrong PIN code punch), cashing out on demand, and checking on the degree of cooperation of the service provider's agents, etc.

Furthermore, having access to banking via a mobile phone meant that char-dwellers could withdraw money at a time convenient to them rather than using time that could be spent elsewhere, e.g. working.

Finally, women on the chars became more empowered through the mobile cash transfer programme. They gained access to financial services, as well as greater control over their money and time – all of which are important aspects of empowerment – and they became engaged with a new technology.

### **USE OF MOBILE TRANSFERS HAS VALUE-FOR-MONEY BENEFITS**

A value-for-money benefit analysis looks at the degree to which the money being spent on poverty alleviation is maximised. In this case, the introduction of the mobile cash transfer programme significantly decreased the time involved and the risks associated with transporting and storing cash to be distributed on the chars.

Previously, when distributing stipends to participants, CLP staff would have had to transport large amounts of cash, which carried a high risk of theft, as well as an increased risk of "leakage". This was also time consuming and required mobilising large numbers of staff. After the mobile cash transfer system was put in place, stipends could be easily sent through mobile phones and withdrawn from bKash agents already located on, or near, the chars. Participants also gained the opportunity to withdraw only the amount of money they needed and at a time convenient to them, thus reducing the chances of their full stipend being stolen.



## **IN A REMOTE AREA, SCALING UP TO REACH ALL PARTICIPANTS CAN BE HAMPERED BY A SHORTAGE OF AGENTS**

The scale of the mobile transfer service that could be offered was largely determined by the agent network of the service provider carrying out the transfers and disbursements. When CLP implemented the programme, the bKash agent networks were fairly weak on the chars. CLP intended to use the service to cover as many CPHHs as possible. However, CLP could only reach 35% of the programme participants through mobile transfers simply because there were no available suitable bKash agents in close proximity to these other CLP working villages.

bKash tried their best to recruit agents in the chars but it did not go well because of eligibility criteria set by the regulator, predicted business volume in the chars, and issues around the security of keeping cash etc. Furthermore, incentivising agents to work on the chars was found to be difficult, as carrying out business on the mainland is often more remunerative.

## **SMALL OPERATOR ERRORS, DUE TO POOR LITERACY, CAN BECOME LARGE OBSTACLES IN SERVICE EFFECTIVENESS**

Problems sometimes arose due to participants entering their PIN incorrectly or losing their SIM card. As a result, their account/wallet would become locked and the problem could not be resolved locally, which could mean a delay in participants receiving their money.

Illiteracy is common on the chars, and users often needed assistance operating their phones, sometimes having to disclose their PIN to helpers, which is also a security risk.

CLP found that creating a formal partnership with bKash made it much easier to troubleshoot logistical issues associated with using the service on the chars. For example, CLP was able to create an agreement where an alternative arrangement was set up for unblocking SIM cards in those cases where punching an incorrect PIN had caused the account to be blocked. The standard process for clients was to call a hotline and answer a series of questions in order to unblock the SIM. However, this proved challenging and costly for many char-dwellers. Instead of calling the hotline, CLP designed an arrangement where the details of these individuals were sent to bKash each month, so they could then unblock these SIMs.

It is difficult to generalise about how easy it would be for different NGOs to form a partnership with a mobile banking service provider. However, it is possible to say with reasonable certainty that this would be dependent on factors such as the:

- Size of the NGO client base and likely volume of transactions
- Nature of the special agreements required by the NGO
- Time commitments required by the mobile banking service provider to service the population





### **ON-GOING SUPPORT IS NEEDED**

Including illiterate poor people in mobile banking services can be transformative and empowering, but it is not an easy process. In order for participants to use this service, on-going support is needed, from the initial stage of registering to on-going advice about using mobile banking services, help with troubleshooting, and general problem-solving in response to user errors.

If you wish to learn more about CLP or the lessons learnt series of briefs please visit the CLP website [www.clp-bangladesh.org](http://www.clp-bangladesh.org)

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# Chars Livelihoods Programme

Reducing Extreme Poverty on the Riverine Islands of North West Bangladesh

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