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Mobile Money Integration Assessment for SPRING Project



**Prepared By
mSTAR Bangladesh
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Overview of Mobile Financial Services in Bangladesh

Bangladesh has a rapidly growing mobile financial services (MFS) industry, with at least 10 providers already offering services on the market, and more than 8% of the total registered MFS globally¹. All this has happened in less than four years since the launch of the first mobile financial service products in 2011.

In the few years since the launch of the MFS guidelines, the sector has shown significant growth. As Bangladesh is a bank-led model, all of the MFS products on the market are run by banks or their subsidiaries. Bangladesh Bank has allowed 28 banks to offer MFS, of which 19 banks have already started to

work on their MFS products in some capacity. bKash currently dominates the MFS space accounting for more than half of the market followed by DBBL with about one-sixth of subscribers. The growth of the market has largely benefited from domestic remittances. The most popular transaction types are cash-in (42% of total transactions), cash-out (37%) and person to person (P2P) transactions (19%). As of February 2015, cash-in transactions totaled US\$ 595 million, cash-out transactions totaled US\$ 523 million and P2P transaction accounted for US\$ 265 million.

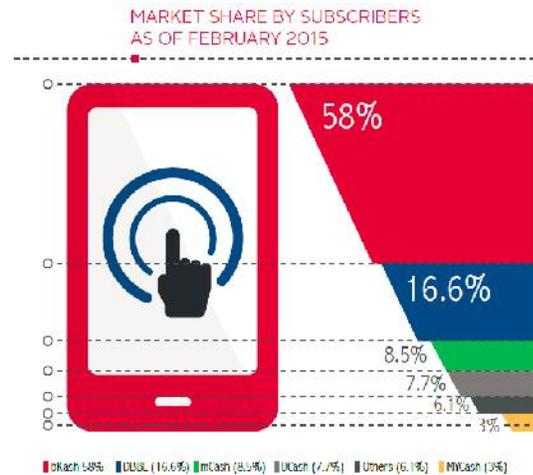
MFS snapshot



\$47.44 Million
Value of Average Daily Transactions
(as of Feb 2015)



2.57 Million
of Average Daily Transactions
(as of Feb 2015)



Provider	Number of agents	Bank branches	ATMs
bKash	135,000	155	300
DBBL Mobile Banking	116,000*	136	3,005***
mCash	86,238*	294	450
MyCash	95,274**	100	720
UCash	105,000*	156	103
IFIC Mobile Banking	88,891*	120	49
Trust Bank Mobile Money	20,000	152	152

Note: * Includes 65,000 MobiCash agents ** Includes 61,241 MobiCash agents *** Includes 300 FastTracks

Learn more about the state of MFS in Bangladesh, including an overview of the services available, relevant regulations, and the extent to which staff and beneficiaries from select USAID agriculture and health projects are using those services, read the mSTAR

report [Mobile Financial Services in Bangladesh](#).

¹ Based on estimates from Bangladesh Bank and GSMA's [State of the Industry 2014: Mobile Financial Services for the Unbanked](#)

SPRING Project Overview

The Strengthening Partnerships, Results, and Innovations in Nutrition Globally (SPRING) project is a five-year (2011 – 2016) United States Agency for International Development (USAID) funded project implemented by Hellen Keller International (HKI) and Save the Children.² The project is helping to drive down rates of stunting through strategic partnerships, targeted technical assistance, and innovative approaches that address underlying aspects of malnutrition in Bangladesh. The key interventions of the project are:

- 1.** Scale up the promotion and the support of Essential Nutrition Action (ENA) / Essential Hygiene Actions (EHA) within government partners and other health and agriculture projects in Barisal and Khulna divisions
- 2.** Enhance the capacity of frontline health and agriculture workers within the MOHFW, MOA, and community workers and groups through training, supportive supervision and community mobilization to deliver quality services and counseling on ENA/EHA for pregnant and lactating women and children under two years in Khulna and Barisal
- 3.** Increase household access to and utilization of diversified foods through homestead food production (HFP) using the farmer nutrition school (FNS approach)

Purpose of this assessment

The mSTAR team received a request from the SPRING on May 31, 2015 to investigate the scope of integrating mobile money in their project.³ The mSTAR team conducted a scoping study covering SPRING's Khulna field office to:

- i) Map the transaction flow between SPRING's Khulna divisional office and Upazilla Coordinators (UCs); and
- ii) Conduct a cost benefit analysis of integrating mobile money into government training programs organized by UCs

² The project partners include the Directorate General of Health Services, Directorate General of Family Planning, National Nutrition Services, Revitalization of Community Health Care Initiatives in Bangladesh, Department of Agriculture Extension, Agricultural Information Services, and the USAID-funded Aquaculture for Income and Nutrition Project, the USAID Horticulture Project, NGO Health Service Delivery Project (NHSDP)/Surjer Hashi, and the SHIKHA project.

³ mSTAR uses the phrase 'mobile financial services' or MFS when referring to the use of mobile phones for any type of financial service (i.e. money transfer). The term 'mobile money' (MM) is used when referring to the funds being used via MFS. In other words, 'mobile money' is to cash, as 'mobile financial services' are to banking services.

Assessment Design

The mSTAR team held meetings with five UCs through a focus group discussion at the SPRING Khulna divisional office. Additional meetings with the HKI SPRING team in Dhaka and the divisional team in Khulna were also undertaken as part of the assessment

Findings from Interviews with UCs and SPRING Divisional Team

Mobile Phone Usage

All UCs have either a feature phone or smartphone.⁴ Mobile phone literacy levels are high for all UCs. UCs can read and send SMS, as well as use the internet regularly for work and personal purpose. All UCs use a GrameenPhone connection as it is mandated by HKI office and because of GP's network strength. All UCs have their SIM cards registered in their own names. While we did not meet with any of the front line staff as part of this assessment, our understanding is that most, if not all, of them also own mobile phones.

Mobile Financial Service Awareness

All of the UCs we met with are aware of mobile financial services (MFS). bKash is the most commonly used service amongst the UCs. They use the service at least once a month to remit money to their family members back home. The UCs transact through their own MFS account as well as through over-the-counter transactions (OTC).⁵ All UCs have National ID cards, registered SIM cards, and access to passport photographs, which are required to open an MFS account.

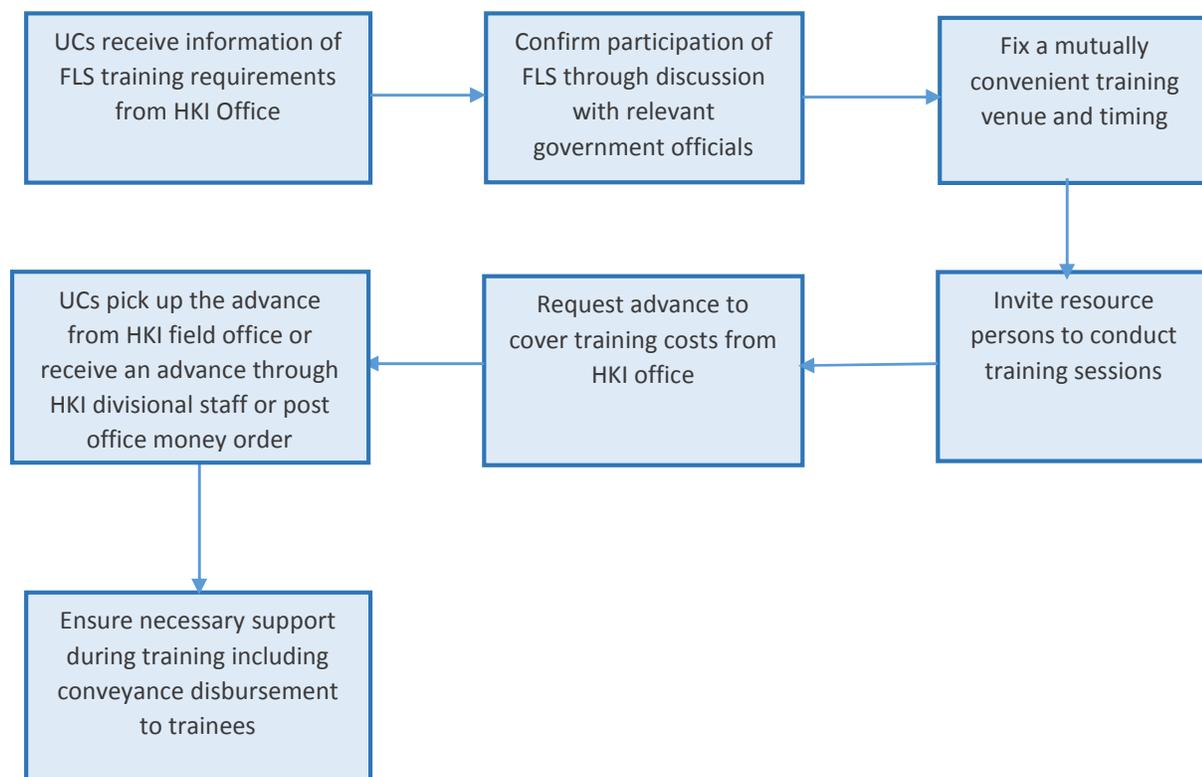
⁴ According to USAID's *Integrating Mobiles into Development Projects Handbook*, feature phones are phones with additional features beyond voice and text. They are internet-enabled, allowing users to connect to the internet through a simple mobile browser. Smartphones are currently the most sophisticated mobile phones on the market. They generally have touch-screen capability, larger screens and more graphical interfaces, and integrated WiFi and GPS.

⁵ OTC is not legally permitted as per Bangladesh Bank's guidelines on mobile financial services. UCs provide their personal identification number (PIN) to the agents to conduct the transaction because they do not know how to use their MFS accounts properly. Agents charge BDT 20-25 for every BDT 1,000 OTC transaction. Transaction charges on registered accounts are lower. Five of the nine are providing cash-in for free, while the other four charge anywhere from 0.5 – 1%. Cash-out fees at agent points range from 0.8% to 1.85% of the total amount. Among those providers that offer cash-out at their ATMs, two of them offer the service free of charge, while two charge a fee, whereas pricing strategies for cashing out at bank branches range from free, to a flat fee, to a percentage charge.

Front Line Staff (FLS) Training

Conducting FLS trainings for the Government of Bangladesh's (GOB) health and family planning department is one of the major responsibilities for all UCs. Generally each UC is responsible for one upazilla. Four to six FLS trainings are scheduled to take place in each upazilla over the project period with each training attended by 25-30 unique trainees. By the time of this assessment, 50 trainings had already been conducted.

FLS Training Cycle



UCs are responsible for all aspects of the training. Once a training is scheduled, as per their work plan, they start communicating with the relevant heads of the GOB agencies to ensure participant attendance. After the participant list is confirmed a mutually convenient training date and venue is fixed. The venue is fixed keeping participant proximity in mind so that no one has to stay overnight to attend the trainings. The participant list is generally confirmed 15 days prior to the planned training date.

Once the dates are confirmed, UCs reach out to resource persons to conduct the training sessions. Eight training facilitators are generally required to conduct the four day training session. After the trainers are confirmed, an advance request⁶ is issued to HKI divisional office.

The advance is disbursed through either one of the following methods:

- i) HKI divisional staff bring it with them in cash during one of their regular visits to project sites
- ii) It is sent to UCs via Bangladesh Post Office's Money Transfer Service. Post offices are generally located within 1 km from UC's working locations. Post offices are informed in advance regarding such transfers to ensure liquidity.
- iii) UCs whose working locations are relatively close to the SPRING Khulna divisional office (17-34km each way) collect the cash themselves from the office which costs them between BDT 80-120 in travel expenses.

Trainees have to sign an attendance sheet for the four day training. They receive a conveyance based on the number of days they attend. The conveyance allowance is disbursed at the end of the four day training. Trainers receive their conveyance allowance after they complete their training sessions.

Cost Benefit Analysis

No of FLS batches trained so far	50
Total cost for conducting trainings for 50 batches (BDT)	3,607,704
Average training cost per batch (BDT)	72,154
Daily conveyance allowance for each participant (BDT)	300
Total conveyance allowance for 4 day training for all participants* (BDT)	30,000

* Assuming 25 participants on average

⁶ Includes costs for venue , food, stationery, and conveyance for FLS trainees and trainers.

Transaction Costs per Training Batch			
	Post Office Money Transfer	Mobile Money**	
		Conveyance allowance directly to participants	Other vendor payments sent via UCs
Transfer cost incurred by SPRING office (BDT)	675*	0	0
Cash out fee at agent point (BDT)	0	270	379
Total Charge	675	649	

* The charge for first BDT 1,000 is BDT 27, and for each additional BDT 1,000 it is BDT 9.

** Business-to-Person transfer fees range from 0 - .8% depending on the provider and cash out fees range from 0 – 1.85%. We have provided an estimate based on the best available cost scenario (free B2P transfer and 0.9% cash out fee).

The scenario above involves transfer of conveyance allowance directly to participants and the remainder to the UCs. Under corporate agreements, transactions are executed by the MFS provider. An organization simply needs to email a disbursement list (specifying the MM account numbers and amounts) to the MFS provider who then executes the transaction and sends back a confirmation statement. SPRING can use this facility and authorize training cost transfer to trainees and the UCs using a single request. When it comes to cost savings, the comparison between post office money transfer and mobile payments shows a possible saving of BDT 26 per transaction. The savings will be higher if MM cash out is done through ATMs or bank branches, which in some cases offer lower cash out fees than at an agent point. Among those providers that offer cash-out at their ATMs, two of them offer the service free of charge whereas cashing out at bank branches ranges from free to either a flat fee or percentage charge.

Non-financial Benefits - The conveyance amounts are currently disbursed in cash through envelopes. UCs have to ensure that each trainee counts the conveyance allowance in front of them to eliminate chances of dispute later on. Additionally UCs have to ensure that all the notes provided to them from the Post Office are not torn, damaged or fake. UCs also mentioned a sense of insecurity with regards to carrying such large amounts with them. The use of mobile payments to transfer conveyance allowance directly to trainees' MFS accounts will eliminate such risks.

Recommended Next Steps

The assessment aimed to understand whether integrating mobile payments into the SPRING's FLS training activities will bring benefits in terms of cost saving as well as greater transparency with regards to disbursement of conveyance allowance. In both cases the results would be positive. Although the benefit from cost savings is not significant, the benefit from eliminating other inherent risks of using cash is eliminated completely through the use of MM.

From the assessment it was gathered that most of the FLS training activities are complete, therefore, at this stage of the project a full shift will likely not be possible. A pilot can be designed to identify and understand the challenges of this shift. The mSTAR team can support in designing the pilot and capture its impacts, which can be used by HKI for other existing and future projects.

In order to effectively make this transition, SPRING will have to prepare for the following:

- i) **Understand the digital literacy and mobile access of trainees** – It is important to ensure that all trainees own a mobile phone and are willing to open MFS accounts in order to be able to send transfers to them. SPRING will need to determine what access its trainees already have. In addition, SPRING will need to determine what understanding trainees have of using MFS and how capable they are with using their mobile phones. If their experience and understanding is limited, the project will likely need to provide additional training and support to trainees so that they are able to effectively use their mobile wallets. If significant gaps exist in terms of mobile phone ownership, transferring funds directly to trainees may be challenging or impossible. While transferring funds via mobile money to UCs, who can then cash out at an agent point near the training venue, is a possible, this is not an advisable option to pursue as it would likely increase the workload of UCs and decrease efficiency without bringing any real gains.
- ii) **Ensure that trainees have MFS accounts** – All trainees must open their accounts prior to the training or on the very first day of the training, as it takes three days for the account to become active. Trainees will need a photocopy of their national ID, two passport size photographs along with a registered SIM card to open an MFS account. Buy-in from trainees will be greater if the heads of their relevant departments ask them to open individual MFS accounts in order to receive their conveyance allowance. Doing so may require that SPRING provide department heads with talking points covering the benefits of MFS for trainees. The mSTAR tipsheet [Common Myths about Mobile Money](#) includes a number of talking points that might be helpful.



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- iii) **Identify business requirements and issue a request for quotations (RFQ)** - Business requirements vary from project to project. Some projects may need support for account registration. Others may require different reporting processes from providers (e.g., whether transactions statements should be in hard copy or soft copy, whether transactions statements need to be provided monthly, weekly, or after executing every transaction). All of your requirements should be included in an RFQ that you can issue to MFS providers. The RFQ should also require respondents to include a price quotation, as well as their agent coverage. The latter is important because the number and locations of providers' agent networks vary, and not all providers may have agents in the areas you are targeting. mSTAR can provide support in drafting the RFQ and provide necessary guidance in the selection process. The mSTAR tipsheet [Five Key Factors to Consider When Choosing a Mobile Financial Service Provider](#) is also a helpful resource for this process.

- iv) **Sign agreement and open corporate account** - To conduct transactions through MFS, the most convenient way is to open a corporate account with the provider's bank. Otherwise, you will need to transfer funds from your bank account to the provider bank account before transaction are conducted, which can cause delays.

- v) **Identify and train a coordinator and champions** - Identifying the focal point to manage the pilot is the first step in the design process. It is also important to identify champions both from the program team as well as the finance team as both departments will be involved in the disbursement processes. Providing them with training and capacity building on how MFS works, its potential benefits, and how to communicate these messages to others are important for proper roll out. Along with the coordinator and champions, training should also be provided to additional staff members who can act as a backup if needed. mSTAR can facilitate these trainings and share relevant learning materials

Customers usually receive training from the agents or providers when the account registration takes place, during which time they set their PIN and learn about available functions. The quality of agent provided trainings varies, and may need to be supplemented. Through mSTAR, Dnet and WorldFish have both developed training materials for these purposes, which may serve as a useful reference. If you will be sending mobile payments to FLS, it is helpful to ensure that your staff are trained on how to use MFS in advance so that they can provide support to FLS. This is because FLS are more likely to be comfortable discussing their queries with staff that they interact with on a regular basis instead of an agent.

These are just a few of the main factors to consider to get started. For a detailed list of all of the things to consider, read the mSTAR tipsheet [Checklist for Rolling out Mobile Money](#).