

Mobile Money Consultative Group Meeting Minutes

The second meeting of Mobile Money Consultative Group (MMCG) co-organized by USAID's Mobile Solutions Technical Assistance and Research (mSTAR) project implemented by FHI 360 and UKaid's Business Finance for the Poor in Bangladesh (BFP-B) was held on the 19 February, 2015. A total of 21 development professionals from 11 development and donor organizations attended the event, which focused on the *Need for Innovation in Mobile Financial Services Products*.

The MMCG serves as a platform through which stakeholders can share their experiences using mobile money, as well as to identify opportunities for new product innovations and barriers that may exist in effectively using existing products to reach remote and underserved populations. If you are interested in participating in the MMCG, email Jaheed Parvez at jparvez@fhi360.org.

Welcoming Remarks

In his opening remarks, Jeff de Graffenried, program development officer at USAID, pointed out that despite this quarter's meeting taking place amidst the strikes and political unrest the high turnout reflects the fact that the MMCG is making progress.

David Munro, team lead, Business Finance for the Poor in Bangladesh (BFP-B) project, noted that mobile money and the discussion around innovation was of particular interest to them because they are very interested in catalyzing innovations around financial inclusion in poor communities. On that note, he took the opportunity to introduce their Business Finance Challenge Fund, which will be providing grants to promote innovation in micro and small enterprise financing in Bangladesh. Anwar Uddin Chowdhury, deputy technical lead, BFP-B, elaborated providing all of the details of the fund, which can be found on their [website](#).

Recap of first MMCG meeting

M. Ataur Rahman, team lead of USAID' mSTAR project in Bangladesh, reflected upon the first meeting that was held last year in August. He shared the objective of the MMCG and highlighted the key discussions from the first meeting. He mentioned that based on participant's interest in MFS products specific to the development sector shared during the first meeting, this meeting would be focused on *Need for Innovation in Mobile Financial Services Products*. He further mentioned that mSTAR is developing many [learning documents](#) to help USAID implementing partners and other development actors to make informed decisions regarding incorporating mobile money in their projects.



Presentation of Supply Side Study & Focused Group Discussion

To kick off the main discussion, Jaheed Parvez, mSTAR mobile money specialist, provided a sneak peek into a supply side study that mSTAR recently conducted.

In his presentation, he shared a snapshot of the MFS industry of Bangladesh mentioning that the industry is growing rapidly. He focused on some indicators including mobile money subscribers, agent numbers, mobile money transaction volumes and the number of transactions made using mobile money. He also mentioned that though 28 banks received clearances from Bangladesh Bank to offer mobile financial services, only 10 banks are actively operating in the market.

He shared that over the counter (OTC) transactions are a highly debatable topic in Bangladesh. He noted that recently Bangladesh Bank has banned pure OTC transactions although the existing regulation does not specify whether partial OTC transactions are legal or not. Lowell Campbell, global product specialist for digital financial service and alternate delivery from IFC, noted that initially OTCs helped people become familiar with MFS. Even though they have since been made illegal, people have become accustomed to transacting that way and it is difficult to change their mindsets. Jeff from USAID added that agents are usually people from the community and people are familiar with them and trust them, which makes it harder for people to change their OTC transaction habits. Since agent to agent transactions are untraceable, there is potential risk.

Jaheed pointed out some of the major barriers to adoption of MFS in Bangladesh, such as low general and



financial literacy, particularly given that the transaction instructions and confirmations are in English. He noted that G2P payments, which could be a strong driving force for MM adoption, have yet to be put into practice. Md. Tohurul Hasan, lead development associate, from the Bangladesh government's Access to Information (a2i) programme said they are conducting research in partnership with CGAP to assess the benefits of MFS from the beneficiary and

business perspective. They intend to share their findings with the ministries of Social Welfare, Women & Children Affairs and Education.

The cost of MFS was another lively discussion that the supply side study brought to light. Tanjilut Tasnuba, deputy manager of BRAC's Social Innovation Lab, asked why other MFS providers have not been able to scale up their services the way bKash has done and why out of the 28 banks only 10 have started providing MFS. To which Jaheed pointed out that a robust mobile money ecosystem is required in order for MFS to flourish, but that building that mobile money ecosystem requires investments from all stakeholders. Lowell said banks still have difficulty seeing the value proposition for MFS. Businessmen find MFS to be complicated on the backend and find it easier to resort to cash as the majority of the population are rural people who still find it difficult to use MFS. Saif Ansari, senior business consultant at Katalyst shared their experience piloting MFS with maize farmers and said the transaction costs are an issue of concern,

particularly with low income groups in rural areas. Urban populations see the value of time and the benefits of MFS, but for rural people the transaction charges feel greater. Jaheed stated that the cost is not likely to go down anytime soon as most of the banks providing MFS have yet to break even. Lowell said that innovation around the pricing of MFS transactions is required.

Lowell further stated that by increasing the use of the existing mobile financial services and understanding the patterns of customer usage, we will be able to identify innovation points. He felt it was important to first identify when and where to innovate. This set the tone for the focus group discussion that followed on the need for innovation in the MFS products.

Josh Woodard, mSTAR technical manager, facilitated the discussion and listed out the main ideas and insights from the MMCG members, which are clustered by common grouping below as follows:



User Awareness/Understanding

- Need for cost-effective and targeted advertisements (i.e. with farmers, more focus on rural user base).
- Need for customer education on difficulty of canceling transactions, and availability of other services. Agents often not interested in providing this information. Need improved quality of service from agents.

Regulatory

- Regulatory permissiveness for other financial service providers to work in MFS space.

Services

- Easier, cost-effective merchant payment mechanisms.
- Need for credit products for MFS users, credit analysis based on usage.
- Use of voice based solutions for service access (i.e. confirmation messages).

Collaboration

- Need for partnerships with Microfinance Institutions (MFIs); banks need to convince MFIs with value propositions that mobile money can bring.
- Development of a mechanism through which providers can share and access customers KYC if already completed.

Technical support to providers

- Need for provider contingency planning in the case of natural disaster.
- Need for a bank value proposition for bankers.
- Need for increased knowledge and mindset shift by local banks on investment potential and business model development.

DISCLAIMER

The views expressed in this publication do not necessarily reflect the views of the U.S. Agency for International Development or the U.S. Government.

Annex – 01 Participant List

SI	Name	Designation	Institution
1	Jeff deGraffenried	Project Development Officer	USAID
2	Lowell Campbell	Global Product Specialist	IFC
3	Afsana Islam	Private Sector Adviser	DFID, Bangladesh
4	Md. Tohurul Hasan	Local Development Associate	Access to Information (a2i) programme
5	Tanjilut Tasnuba	Deputy Manager, Social Innovation Lab	BRAC
6	Zubairul Hoque	Head, Infrastructure	Chars Livelihoods Programme (CLP)
7	Eun Jung Yi	Technical Coordinator	OXFAM/Cash Working Group
8	Sharmin Ahmed	Senior Business Consultant	Katalyst
9	Abu Saif Ansari	Senior Business Consultant	
10	Nirjharinee Hasan	Country Director	HelpAge International, Bangladesh
11	Chris August	Credit Guarantee Fund Manager	Business Finance for the Poor in Bangladesh (BFP-B)
12	Fakhrul Islam	Deputy Challenge Fund Manager	
13	Rashed Al Hasan	Policy Manager	
14	David Munro	Team Leader	
15	Anwar Uddin Chowdhury	Challenge Fund Manager	
16	Josh Woodard	Regional ICT & Digital Finance Specialist, Asia-Pacific & Technical Manager, mSTAR	FHI 360
17	M Ataur Rahman	Team Leader, mSTAR	
18	Jaheed Parvez	Mobile Money Specialist, mSTAR	
19	Shamsin Ahmed	Mobile Money Associate, mSTAR	
20	Ariful Islam	M&E Specialist, mSTAR	
21	Kazi Amit Imran	Communication Specialist, mSTAR	



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Annex -2 PROGRAM SCHEDULE

TIME	DESCRIPTION/DETAIL	RESOURCE PERSON
10:00 - 10:30	Registration	
10:30 - 10:45	Welcome note from USAID	Jeff de Graffenried Project Development Officer, USAID Bangladesh
10:45 - 11:20	BFP-B Challenge Fund Presentation, BFP-B and Introductions	David Munro and Anwar Uddin Chowdhury, BFP-B
11:20 - 11:35	A brief recap of the first MMCG meeting	M. Ataur Rahman, Project Lead, mSTAR/Bangladesh
11:35 - 12:00	Presentation on Mobile Money Supply Side Scoping	Jaheed Parvez, Mobile Money Specialist, mSTAR/Bangladesh
12:00 - 12:50	Focus group discussion on 'Need for Innovation in Mobile Financial Services Products'	Josh Woodard, Technical Manager, mSTAR
12:50 - 1:00	Planning for next MMCG meeting	Jaheed Parvez, Mobile Money Specialist, mSTAR/Bangladesh
1:00 - 2:00	Closing remarks and Lunch	Josh Woodard, Technical Manager, mSTAR