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Mobile Money Snapshot:

Department of Youth Development

USAID promotes increased access to and usage of mobile financial services in order to deepen financial inclusion, accelerate broad-based economic growth, and instill transparency into funding flows. These snapshots describe the experiences of USAID- and non-USAID-funded organizations that have begun to replace cash with digital payments so that others can apply their lessons learned to their own transition to digital payments.

Overview

The Department of Youth Development (DYD) is a Department under the Ministry of Youth and Sports, Bangladesh. It is mandated with improving the living standard of youth by enabling them to become self-employed, entrepreneurs and/or by providing them with job opportunities. DYD provides technical trainings and a two to three year loan through its designated bank branches and upazilla offices to individuals who have completed the trainings as start-up capital and collects loan repayments from them on a monthly basis. DYD also has a family based group credit program, which is designed for marginalized young people. As part of the program, five members from a family form a group, and seven to ten groups are constituted in a center. After forming a center, the members are provided ten hours of training on credit management and awareness of social and development issues. Once they complete the training, members are provided with loans.

Types of Transactions Being Made

The Department of Youth Development (DYD) typically provides loans to trained youth ranging from BDT 30,000 to BDT 100,000 (approximately USD\$390 to USD\$1,300). DYD collects the loan repayments in 24 to 36 equated monthly installments (EMI). Installment amounts for individuals range between BDT 1,250 to BDT 2,800. Group members of the family based credit program receive loans ranging from BDT 10,000 to 20,000 approximately (USD\$128 to USD\$256). DYD collects the loans repayments from this program in 50 equated weekly installments (EMI), with installment sizes ranging between BDT 200 to 400 per person.

DYD's Journey to Mobile Money

In early 2015, DYD held discussions within the Ministry to digitize the collection process to make it simpler. After a few rounds of discussions with DBBL Mobile Banking, DYD decided to pilot the use of mobile money to collect loan installments from rural youth in four upazillas. The decision was also guided in part by its alignment with the government's broader mandate to digitize government services. DYD issued a call for proposals and eventually selected DBBL Mobile Banking as their provider.

Previously, either the borrower had to pay the loan installment amount at the designated DYD office or DYD's collection officers had to collect the money from the borrower directly from their house. The cash payments were then later deposited into a designated bank account by DYD staff. This process was inconvenient for the individual, frontline collection offices, and collection staff. Additionally there were cases when the collected amount could not be deposited in DYD's bank account on time.

Although DYD anticipated partial resistance from local offices and beneficiaries as a result of this change, to date this has not yet materialized from any of its stakeholders. Seeing the benefits of mobile and its clear advantages



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in terms of transparency and ability to make instant money transfers, DYD has decided in principle to scale up the project across all of Bangladesh.

Major Challenges Faced by DYD with Mobile Money

DYD found that not all of their borrowers in the pilot area had a mobile financial service (MFS) account. With the help of DBBL Mobile Banking, most of their borrowers in the pilot area have successfully opened MFS accounts. The greatest hesitance came from some of the young people's elderly family members who are also borrowers, although with support and training they are now also using mobile money.

Key Benefits of Mobile Money for DYD

After transitioning from cash to mobile money for making payments and collections, DYD has been able to save time and human resources by almost entirely eliminating the need to make collections from households in person. In addition, DYD is now able to collect and transfer money to accounts in real-time, which reduces the potential risk of theft or misuse as compared to when transporting cash. Additionally, DYD is also able to quickly track individuals who are defaulting on their loan repayments and initiate instant action.

Moreover, DYD's borrowers are also benefiting from their use of mobile money. They now receive SMS confirmation that their money has been deposited into the DYD account. In addition, they are now also able to take advantage of other banking facilities more easily and quickly through their phone, and can also receive foreign remittances directly into their account.

Key Takeaways from DYD's Experience

The Department of Youth Development's adoption of mobile money to collect loan installments and to disburse loans reflects the fact that government organizations are quite capable of moving away from cash and realizing the benefits of mobile financial services. DYD's experience also reflects that using mobile money is in compliance with the government's existing financial rules and regulations on disbursing and collecting money from end beneficiaries.

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