



Mobile Money Snapshot:

Chars Livelihoods Program

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 Chars Livelihoods Program (CLP) works with extremely poor households living on the *chars* (riverine islands) in Northwest Bangladesh. It aims to improve the livelihoods, income, and food security of over one million people living in extreme poverty. CLP is jointly funded by DFID and DFAT, is sponsored by the Rural Development and Cooperatives Division of the Government of Bangladesh's Ministry of Local Government, Rural Development and Cooperatives, and is implemented by Maxwell Stamp PLC. An 18 month support package is provided to participants focusing on the following key areas: markets and livelihoods; flood proofing; water, sanitation, and hygiene; food security; health and nutrition; and women's empowerment. Central to the CLP is its Asset Transfer Project (ATP). Female beneficiaries receive investment capital of BDT 16,500 (approximately \$220) to purchase an income-generating asset (IGA) of their choice. In addition, each woman receives a monthly stipend for 18 months from the date the asset is purchased. In July 2012, CLP began using mobile money as a way of transferring these stipends to their beneficiaries.

Types of Transactions Being Made

Each woman receives a total stipend of BDT 8,100 (approximately \$108), consisting of BDT 650 for each of the first six months, and BDT 350 for each of the following twelve months. The stipends are transferred directly to participants' mobile money accounts, which can then be converted into cash through a bKash agent. CLP played a primary role in opening beneficiary mobile money accounts by working with bKash (the mobile financial service provider) to overcome operational challenges and monitoring stipend transfers. In addition to the monthly stipend amount, CLP covers costs associated with opening a mobile money account (including registration and the SIM card, but excluding the mobile phone), and transfer and commission costs. These additional costs total about BDT 312 (approximately \$4.16), or 3.85% of the total stipend per participant.

CLP's Journey to Mobile Money

A number of considerations were taken into account when making the transition from cash to mobile payments, including security risks, limited mobility of *char*-dwellers, limited mobile network connectivity, costs of using mobile phones, and mobility and liquidity of network agents. CLP began implementing stipend transfers through bKash during a pilot project in July 2012, which involved 434 beneficiaries. This ran for three months in two districts: Kurigram and Pabna. The success of the pilot led to it being scaled up to all eight of CLP's working districts over three phases. The project has just entered its third phase. In total, CLP will provide stipends through mobile money transfers to 22,278 beneficiaries. In the last year alone, they transferred a total of BDT 33.7m (approximately \$449,333).



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Major Challenges Faced by CLP with Mobile Money

CLP has faced some challenges implementing the new technology. One of the biggest challenges in *char* areas is people’s lack of a personal identification card or other documentation required to open mobile money accounts. CLP overcame this through their partnership with bKash, who received approval from Bangladesh Bank to instead use beneficiaries’ citizen certificates and visual verification from CLP’s implementing partners’ (IMO) Project Managers. Another challenge resulted from beneficiaries forgetting and/or entering the wrong PIN. When this happens, the account becomes blocked and it needs to be reactivated. Illiteracy is also common on the *chars*, which means users need assistance operating their phones, and sometimes share their PIN—a security risk. A final challenge relates to agent availability. At present, it is only possible for CLP to transfer stipends through bKash in areas where there are trained and registered agents available. This prevents CLP from scaling up the service, beyond the current 50%, to all its beneficiaries.

Major Benefits of Mobile Money for CLP

CLP has benefitted from the use of mobile money, despite the challenges noted above. CLP has found that making stipend transfers via mobile is more convenient, more secure, and less resource intensive than cash payments, both for beneficiaries and staff. Previously, CLP staff would carry large amounts of cash when distributing stipends to participants, which carried a high risk of theft and an increased chance of leakage. This process was also time consuming and required mobilizing large numbers of staff. Now stipends are easily sent through mobiles and withdrawn from bKash agents already located on the *chars*. Further, beneficiaries now have the ability to withdraw only the amount of money they need, reducing the chances of their entire stipend being stolen. Mobile money also enables beneficiaries to save money in a safe and secure way, and to withdraw money at a time convenient for them. Some beneficiaries use the service to receive remittances from family members working in other areas of Bangladesh. Finally, women are empowered through their access to financial services, greater control over money and time, and engagement with new technology.

Key Takeaways from CLP’s Experience

CLP’s experience with mobile money has yielded three key lessons for other development organisations. First, mobile financial services can be used in lieu of cash, even in programs where beneficiaries cannot access formal banking services directly. Second, although the absence of national identity cards and mobile phones are usually a constraint to accessing such services, collaboration between programs and service providers can lead to innovative initiatives to overcome this barrier. Finally, stipend transfers through mobile phones can have positive externalities, including enabling safe and secure ways to save, providing an easier channel to transfer remittances, and enhancing women’s financial empowerment.

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This snapshot is supported by USAID’s Mobile Solutions Technical Assistance and Research (mSTAR) project (Award #: AID-OAA-A-12-00073) under the Financial Integration, Economic Leveraging, Broad-Based Dissemination and Support Leaders with Associates award (FIELD-Support LWA). It was jointly written by CLP and Kazi Amit Imran of mSTAR. mSTAR offers on-demand technical assistance to support USAID implementing partners in Bangladesh with the transition from cash to mobile and electronic payments. To learn more about technical assistance options, contact M. Ataur Rahman, Project Team Lead at arahman@fhi360.org.