



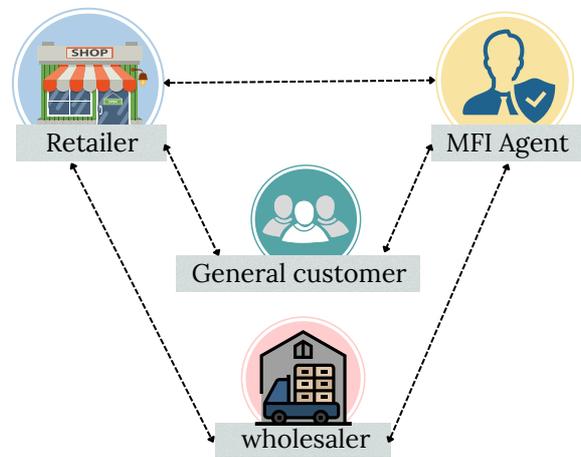
# A DECADE OF MFS : POST-CORONA FIELD REALITY

12 MARCH, 2022

After 10 years of launching Mobile Financial Services (MFS) in Bangladesh, people from all walks of life acknowledged and experienced the benefits and usefulness of this service for the first time during the Covid-19 pandemic. In the nationwide standoff, people of all classes and professions benefited from this service. Since the inception of MFS, its main goal was to bring affordable and easy financial services to the marginalized people. Therefore, during the Corona period, how much benefit the marginal people of the Char region have received from this digital service requires special attention. In the context of ten years of MFS in Bangladesh, a small-scale qualitative survey was conducted by Unnayan Shamannay and Knowledge Alliance to provide an overview of MFS use during and after covid.

For the survey, the Monyar Char area of Islampur sub-district of Jamalpur district was selected as a marginal area. Also, the survey was done in the Dharmakura and Jarultala market areas of the Islampur sub-district. To get an idea of the differences in the experience of MFS with the marginal areas and other parts of the country, surveys were also performed in some areas along the route from metropolitan Dhaka to the Char region of Jamalpur.

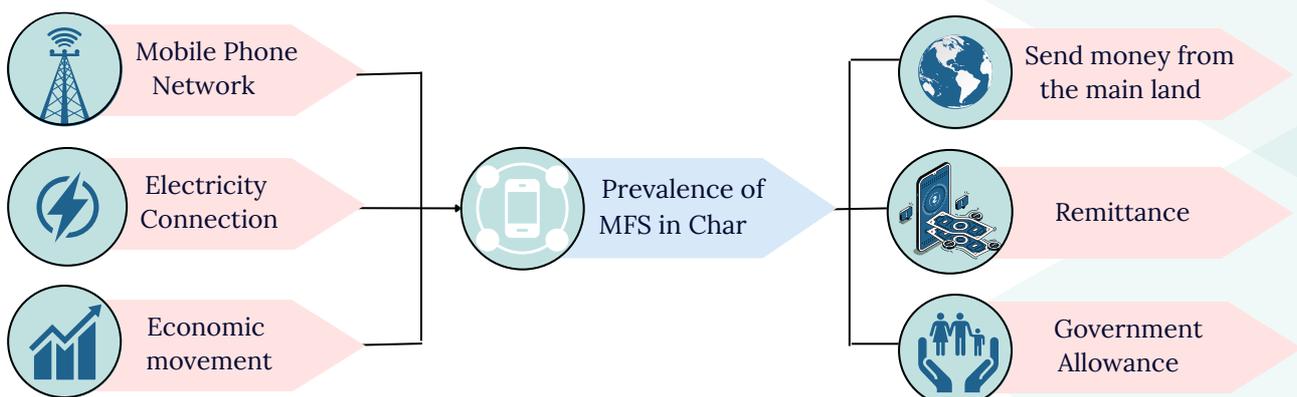
These areas are Mymensingh's Trishal sub-district (Nazrul College gate and Mucha Market area) and Muktagacha sub-district (Napitkhola Mor and Barahisya Bazar area). In Dhaka, the slum areas of Beribadh under the Hazaribagh thana and the Kawran Bazar area have been surveyed. A total of 4 focus group discussions and 36 key-informant interviews were conducted to collect the data.



As the focus was on the underprivileged people of the marginal areas, they were interviewed as well as the grocers from whom they shopped retail, and the wholesalers from whom those retailers shopped as well as the MFS agents have also been interviewed in all those areas.

As seen from the survey, the special role played in benefiting the rural people from the MFS services are: first, electricity connection to Char regions; Second, the availability of mobile phone network; And above all, the whole Char societies have seen improved quality of life and as a result, the demand for quality financial services and other services has increased.

It should therefore be borne in mind that apart from dedicated financial service providers, government and non-government stakeholders continue to play an important role in the expansion of MFS in Chars. As a result, it can also be understood that in the marginal areas, where the availability of electricity, mobile phone networks, etc. services are yet to develop, there remains great potential for the spread of MFS.



## OBSERVATION

During the Corona period, the number of MFS account openings in the Char areas has increased significantly. The increase appears to be mainly due to the payment of government assistance and social security program allowances to the MFS accounts. However, in the Char areas where electric connection has reached, many residents are paying the electricity bill through MFS.

Marginalized people of Char are completely dependent on agents to understand the basics of MFS services. During the Corona period, these agents provided services even during the lockdowns. However, customer care centers are far away from Chars which puts them at a disadvantage.

The tendency to open new accounts to receive government assistance is comparatively low in the areas between Char and the metropolis. Moreover, banks and agent banking services are used more frequently for the payment of electricity bills (because paper receipts are provided in that case).

As app usage increases in these regions, consumers are opening accounts themselves, thus reducing reliance on agents. Both awareness and interest are low for retailers in using special MFS accounts.

Many poor people in the Dhaka metropolitan area have opened new accounts to easily send money during the lockdown which increased their confidence in MFS.

When retailers buy goods from wholesalers they often pay through MFS (especially when goods are bought at due).



Low-income consumers in all areas, from marginal areas to intermediate areas to metros, have heard of fraud in MFS (and many have fallen victim too). But no one has lost faith in MFS for this. They trust the agents and believe that fraud can be avoided if they are alert.



The success of MFS agents as non-agricultural entrepreneurs has encouraged others to become agents as well. In the remote Monnier Char of Islampur Upazila, an entrepreneur who became successful as an MFS agent has started offering agent banking services with larger capital. The agents are emerging in the region as the new middle class.



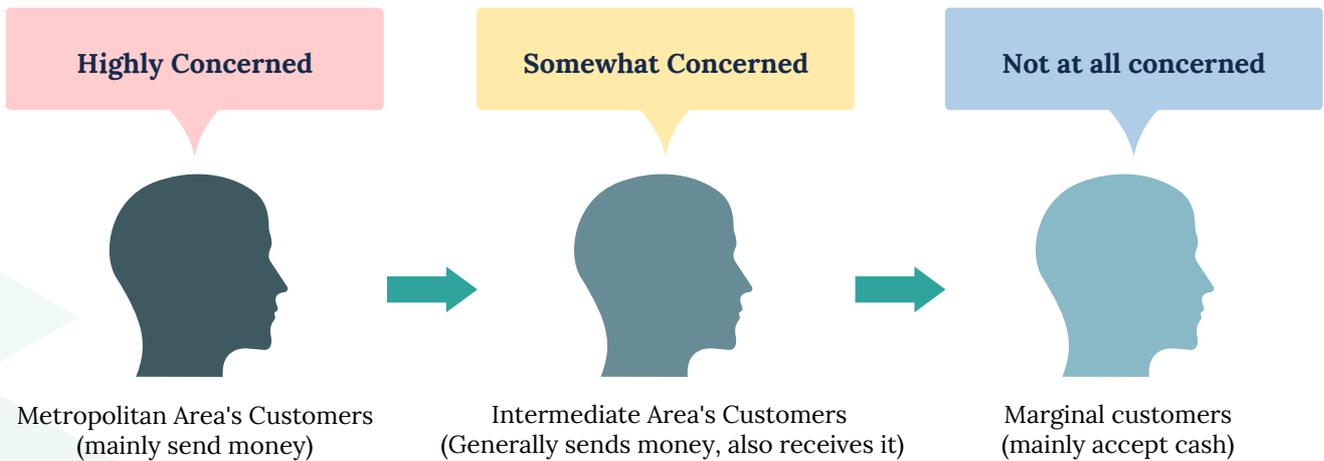
During the Corona crisis, many people used crowdfunding to assist the vulnerable population through MFS. A professional from Sirajganj collected 50 takas each from his friends through MFS and arranged daily commodities of 500 takas each for 480 families in the Char area.



A GLANCE AT THE FIELD REALITY OF MFS IN CHAR AREA

	Central (Metropolitan Area)	Intermediate District / Sub-District	Marginal Char Regions
<b>Consumer</b>	<ul style="list-style-type: none"> <li>• During Corona, vulnerable people received money from their village home through MFS.</li> <li>• Overall confidence has increased significantly.</li> <li>• Tendency of paying bills is still low.</li> <li>• Major concern was the cash out charges.</li> </ul>	<ul style="list-style-type: none"> <li>• The amount of new account openings during Corona is not significant.</li> <li>• Due to E-KYC there has been an increase in the tendency of consumers to open their own accounts.</li> <li>• Insurance premium is collected through MFS.</li> <li>• MFS users are feeling secure.</li> </ul>	<ul style="list-style-type: none"> <li>• The amount of new account openings has increased during the Corona period.</li> <li>• MFS has gained acceptance as a means of paying electricity bills and withdrawing remittances.</li> <li>• Not worried about the cash out charges'.</li> <li>• MFS service is completely-agent dependent.</li> </ul>
<b>Retail Everyday Commodity Seller</b>	<ul style="list-style-type: none"> <li>• Not eager to accept payment through MFS (as the business size is small, buyers are also less interested).</li> </ul>	<ul style="list-style-type: none"> <li>• Not aware of special accounts for small shopkeepers.</li> <li>• Considers being an agent of MFS a profitable venture.</li> </ul>	<ul style="list-style-type: none"> <li>• Small shop owners are not aware of special accounts.</li> <li>• Considers being an agent of MFS a profitable venture.</li> </ul>
<b>Everyday Commodity Wholesaler</b>	<ul style="list-style-type: none"> <li>• Not interested in merchant accounts.</li> <li>• Occasionally use MFS to collect dues from retailers.</li> </ul>	<ul style="list-style-type: none"> <li>• Collects dues from retailers through MFS (while giving the dues they charge a higher price which covers the MFS service charge).</li> </ul>	Not applicable.
<b>Agent</b>	<ul style="list-style-type: none"> <li>• The number of new account openings through agents has greatly reduced.</li> <li>• Tendency to pay various bills is not high. Agents are also less interested.</li> <li>• Poor people “cash in” more to send money to their villages than “cash out”.</li> </ul>	<ul style="list-style-type: none"> <li>• There is competitive pressure as the number of agents is increasing rapidly.</li> <li>• Very satisfied with the security in MFS management.</li> </ul>	<ul style="list-style-type: none"> <li>• Agents primarily capitalize on social contacts.</li> <li>• Faces various pressures from the customers as customer cares are far away.</li> <li>• Believes that the training requirement is not being met.</li> </ul>

## CHANGING PERCEPTIONS OF LOW-INCOME CONSUMERS FROM CENTRAL TO MARGINAL ABOUT THE SERVICE CHARGES (ESPECIALLY "CASH OUT CHARGES")



Observations suggest that the more we move towards peripheral regions from the metropolitan area, the less the consumers in the lower income category are concerned about the service charges (especially the "cash out charges") of MFS. The main reason for this may be that low income consumers living in the center (generally working in the informal sector) usually send money through MFS to families in the periphery. And at the time of sending a certain amount of money, they add the "cash out charge" that the family members in the village have to pay to withdraw it. Therefore the relatives in the village do not have to think about this charge.

Under normal circumstances, informal workers in the city send money to the villages during the Corona crisis.



Villagers who were relatively safe during the Corona crisis had sent help to informal workers in the city

What deserves special attention is that - during the Corona period, the flow of money was usually seen from the big cities to the suburbs. But a reverse flow has been seen here and there, albeit for a short time. The informal sector workers living in urban slums who regularly send money to rural areas through MFS have lost their jobs due to the lockdown. There are few cases where the urban informal worker has been sent money by his family living in the village through MFS to see him through the crisis.

This document was distributed as a hand-out at a seminar titled "A decade of MFS: Post-corona field reality" organized jointly by Unnayan Shamannay and Knowledge Alliance to mark 10 years of Mobile Financial Services in Bangladesh.



Unnayan Shamannay

**KNOWLEDGE  
ALLIANCE**