



## TAMING CORONAVIRUS RAMPAGE

# In this moment of crisis, the poor and needy must be aided with cash support via MFS

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Bangladesh has started dealing with the severe consequences of the global coronavirus pandemic in earnest, with curtailed economic activities manifested in factory closures, cancellation of and/or sharply reduced export orders, falling remittance inflows, and depressed demand for domestically produced goods and services.

The collapse in external demand coupled with the closure of all economic establishments -- micro, small, medium or large -- due to the lockdown have made millions of workers

The poverty rate has almost doubled to 40 per cent of the population, at least temporarily, reversing all the gains achieved in poverty reduction front over more

To bring about a quick recovery from the collapse, the government has declared a stimulus package of Tk 95,619 crore (3.3 per cent of GDP).

The unfolding extraordinary situation requires extraordinary measures and as such the policy intent of the support measures is quite clear and commendable.

While economic recovery will be of utmost importance as the lockdown eases and the spread of the infection is contained, at this moment the priority should be to provide income support to millions of poor and vulnerable households (including the 'new poor' arising from loss of jobs and earning opportunities) who are now faced with serious livelihood challenges and thus need support.

Hunger and deprivation of bare minimum needs could spark social unrest, potentially undermining our hard-earned socioeconomic progress achieved over the past decades.

Although not an easy task, designing and implementing a comprehensive support system directly targeting the poor and vulnerable groups is not impossible either.

How many people (or, number of households) will need immediate support to stave off hunger and fulfil their minimum needs?

Simulation of falling incomes using the distribution of households around the poverty line seem to suggest that 10-12 million households will require direct support.

How much is needed for the cash transfer programme?

A transfer amount equivalent to the poverty line incomes, which Bangladesh officially uses to make the distinction between poor and non-



SK ENAMUL HAQ

*The current government deserves a lot of credit for expanding the MFS in Bangladesh, and it would only be most timely and appropriate for it to use the infrastructure to provide the prompt livelihood support that people need.*

poor, would require providing each beneficiary household with a monthly amount between Tk 8,500-Tk 11,000.

We take the view that it may not constitute a practical approach not only because budgetary costs would be too high but may also result in perverse incentives for the recipients and attract non-targeted households.

In our view, a much lower monthly cash transfer of Tk 3,000 can be quite an effective

support.

This is based on some ground realities as Brac is currently administering such a cash assistance scheme for their identified poor and vulnerable households.

We do acknowledge that this amount is small, but -- based on the expenses related to the basic minimum needs -- this should help the households to survive the crisis.

This amount is unlikely to encourage many non-poor households to seek assistance.

It can be estimated that if a total of 12 million households are to be supported with monthly direct cash assistance of Tk 3,000, the total programme cost for three months will be Tk 10,800 crore, which is calculated as just about 0.36 per cent of Bangladesh's estimated GDP for fiscal 2019-20.

For a longer duration of six months for the same number of households, the computed cost will be less than 0.75 per cent of GDP.

### WHY CASH ASSISTANCE?

We don't undermine the need for in-kind assistance in certain special circumstances.

Otherwise, there exists a huge body of evidence to suggest great advantages of cash transfer programmes over in-kind schemes.

Cash programmes are more efficient as they do not distort consumption choices.

There is evidence that such transfers are 25-30 per cent cheaper than in-kind interventions.

Because of its known advantages, the National Social Security Strategy that Bangladesh adopted in 2015 proposes to transform all welfare-based food transfer interventions into cash assistance schemes.

There is also one more reason for suggesting cash assistance. Given the rapid expansion of mobile financial services (MFS), money can now be sent to even remote places in Bangladesh.

Yearly transactions through MFS exceeded \$50 billion in 2019. There are currently about 1 million MFS agents dealing with 80 million registered accounts, of which 35 million are considered active.

The MFS infrastructure thus stands ready to inject the cash cost-effectively while being much less susceptible to corrupt practices.

Under the current social distancing guidelines, it is also exceedingly difficult to distribute in-kind distribution, let alone the proliferation of thefts and misappropriation of relief materials, as reported frequently in media.

Cash assistance is also important to help people keep their consumption as diversified as possible. This can sustain local-level demand

for diversified goods and services.

Otherwise, many small growers of such items as vegetables, fruits, eggs and dairy products will go out of business.

### HOW TO REACH OUT TO THE BENEFICIARIES?

The National Social Security Strategy called for a national household database to identify the poorest and vulnerable populations groups.

However, even after several years, the proposed mechanism could not be established.

Therefore, using a nationwide database to track and reach the needy households at this time of crisis would remain a missed opportunity.

International experiences drawn from Brazil, Chile, India, Malaysia, Pakistan, Peru, the Philippines, Thailand, and from many other countries seem to suggest cash assistance delivered directly through digital financial services work in an extremely efficient manner.

The basic principle of our proposed approach is to set up an Emergency Cash Allowance Programme (ECAP) for 10-12 million households.

Households in need of assistance should self-identify or self-register for the allowances.

They can register by sending SMS to dedicated mobile numbers. The registration

## The question hounding mobile users: how do we top-up amid shutdown?

*MFS, digital channels step in to fill vacuum*

MUHAMMAD ZAHIDUL ISLAM

Mobile phones have long ago become an integral part of people's life and its utility is being strongly felt every minute as people in Bangladesh have physically been cut off from their neighbourhood and from the rest of the country because of the movement control order put in place to contain the deadly coronavirus.

For Tawhidul Islam's family, mobile data usage has increased two-fold to carry out various tasks, including working from home, facilitating children to attend online school, keeping in touch with relatives, online shopping, utility bill payment and consulting doctor via telemedicine.

The family of the 35-year-old private sector employee is not alone; due to the ongoing lockdown, many other families, who form the country's 16.61-crore-strong mobile subscriber base, are using mobile phones several times more than in the past and the device has become one of the most reliable means to carry out emergency tasks and maintain social communication.

Mobile data usage has increased by 15 to 20 per cent, according to the Association of Mobile Telecom Operators of Bangladesh.

About 45 million people have used bKash to top up mobile balance in April, which was 32 million in January, an increase of 40 per cent,

according to data from the country's leading mobile financial service (MFS) provider.

But keeping mobile devices with sufficient balance is not easy as recharge points and customer service centres are largely shuttered owing to the ongoing lockdown and the difficulty in collecting money from these outlets in exchange of digital balance.

As a result, about one crore mobile connections in Bangladesh have no balance at the moment.

The entire mobile industry is suffering from this challenge and state-owned telecom operator Teletalk is getting the biggest hit.

Teletalk sent a letter to the telecom ministry informing the policymakers about the challenges, saying its revenue declined about 40 per cent because of the situation.

"Our business has been impacted because of the unavailability of our recharge points," said Shahab Uddin, managing director of Teletalk. Bandwidth consumption has increased but earnings have not. "Besides, we will have to pay the bills to third parties."

Collecting money from retailers and topping up their balance has become tough for the mobile operators' sales representatives. As a result, recharge points are running without balance.

Due to the enforcement of the lockdown, several balance recharge agents' points are



SK ENAMUL HAQ

not fully operational across the country, Grameenphone said in a statement.

As a result, many people can't recharge or are facing difficulties to recharge. Hence, Grameenphone is providing balance transfer free from one user to another.

Telecoms Minister Mustafa Jabbar

acknowledged the challenges. "It is true that most parts of the country are locked down because of the coronavirus."

"Even a few days ago, this challenge was severe. The situation has improved after we took some measures."

Mobile operators are using Nagad, an MFS

of the postal division run by a private entity, to collect money for them.

The carriers can also consider using postal services to move money as most of the post offices are located in the remote areas and they are open, the minister said.

Though the government has included telecom as an emergency service, recharge points and customer care centres have been facing challenges in running operations.

This prompted mobile operators to switch to online recharges through MFS and online banking channels. They are even using some city-centric platforms like Pathao. Any Pathao deliveryman can make recharge.

Balance top-up through MFS and internet more than doubled to 30 per cent from less than 15 per cent before the coronavirus reached the shores of Bangladesh.

"Our digital recharge has gone up significantly in the last one month and we are promoting all the possible digital channels for recharging customers account," said a senior executive of Robi.

Considering the overall situation and keeping customers' convenience in mind, Banglalink is not disconnecting connections that have run out of validity due to recharge difficulties at this moment, said Taimur Rahman, chief corporate and regulatory affairs officer of Banglalink.