

# Building on what has worked

KIM WILSON

**B**RINGING together hydrogen and oxygen creates water, a molecule with properties completely different from hydrogen or oxygen alone. The same can be said for what has happened in Bangladesh regarding mobile financial services ("MFS"). MFS providers such as bKash have banded the power of banking and the immediacy of telecommunications to create a brand new molecule - one with properties completely different from either banking or telecommunications. This new hybrid is making Bangladesh a world leader in bringing mobile financial services to the poor. And the central bank, namely, Bangladesh Bank ("BB") has played a key role in allowing this new chemistry to flourish.

Let me explain my enthusiasm. I have long studied financial services for "the man on the street" and am a practitioner in this area as well. I have worked with banks, telcos, credit unions, pension organisations and NGOs in dozens of countries. In the past five years, I have focused on supervision and regulation of these services, and the formation of public policy with respect to these services. I also organise the annual conference called Killing Cash at Fletcher that brings together MFS players from around the world and promotes discussions on relevant issues.

I am excited to see that BB, which had started to promote financial inclusivity and mobile financial services through its regulation of 2011, is now advancing MFS regulation further in 2015. Now, 25 million people in the country use MFS, executing about 100 million transactions per month. The central bank has taken several prudent steps in the last five years.

First, BB learned from Kenya's stunning M-PESA success and the role that financial regulation played in that success. Second, the bank studied the Bangladesh economy. Third, from those steps, BB developed basic rules for MFS, gave licenses to operate MFS to several banks, and barred mobile network operators (MNOs) from getting into this line of business. Kenya unfortunately, did not do

this, and the near monopoly of one mobile operator gave it an instant monopoly in mobile money, discouraging even the most determined competitors. The result has been that users do not have choice and cannot easily, or without great cost, send or receive money to users on a different platform.

By barring MNOs from starting their own MFS, BB effectively promoted interoperability. This encouraged 25 million subscribers to sign up in four short years. bKash, for example, had signed up three times as many customers (19 million) in four years as EasyPaisa operating in Pakistan for about seven years. Interoperability is key in Bangladesh because the largest MNO has no more

outcompete on price or on shifting more funds to agents. Either way, a sloped playing field would undermine a fair match, and ultimately affect consumer choice or interoperability or both.

There is another important reason why MNOs should not have any capability to direct an MFS provider, other than, at best, being a passive minority investor. MFS services have two streams of revenues, from transactions and small banking products. An MNO directing an MFS may tilt towards one type over another, contrary to market needs. Moreover, if an MNO does provide small banking products or has the ability to direct an MFS provider, it needs to be regulated by BB, creating potential conflicts with telecom regula-

used an MNO-owned approach. This created problems vis-à-vis interest incomes, problems that were subsequently resolved by creating a foundation, called the M-PESA Foundation, and by parking the interest incomes there. In other words, even if MFS requires mobile phones, it is not a natural business for MNOs. I am now impressed by what Bangladesh has achieved and see the prudence in facilitating MFS directly by banks and separately as standalone entities, like bKash, while keeping MNOs at bay.

To assure that no single party dominates and that the consumer has choice without sacrificing use of an interoperable system, BB could simply require that no shareholder in an MFS provider should have more than a third of voting or economic interests in an MFS provider. Within that an MNO does not need to own any more than a fifth of equity interest, for providing connectivity that it should provide anyway and for which it gets paid. But even in that case, regulators should ensure that an MNO is no more than a passive investor in an MFS provider; if an MNO is an active investor, it will hurt interoperability, may tilt one stream of revenues over another, lead to unfair competition, and create conflicts among different regulators in the same country. The hydrogen atoms must lose its elemental properties when already bound in the water molecule. By not allowing any shareholder to own more than a third would promote diversity of thoughts and expertise without excessive domination. While the new regulation clearly states that BB will directly supervise this entity, maintaining 51 percent ownership by banks is overkill, especially when the MFS provider will not lend or take large deposits.

Through such thoughtful regulation, Bangladesh can claim an important landmark in the evolution of MFS, just as Kenya claims its own place. Only a few years ago, people turned to Kenya for the lead in MFS; now they can turn to Bangladesh.

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than 42 percent of the market share. Without being able to easily send money across provider platforms, users would be stuck managing services over a fragmented base of platforms.

Besides interoperability, another reason to regulate and limit direct mobile money services from MNOs is their cost advantage. For example, bKash forwards 7 percent of its transaction revenues to the MNOs for connectivity. Were the MNOs able to compete directly, they would

tors inside Bangladesh.

Furthermore, on the ability to trace flow of funds, law enforcers in Bangladesh can now go to an MFS provider and an MNO to corroborate the data. There is greater transparency if a separate standalone corporation provides MFS and pools data from multiple sources.

Many of us have been biased towards the so-called MNO-led model since our first observation of successful mobile money, Kenya's M-PESA,

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# Back home, to what?

RAKIB AVI and NAWRIN NUJHAT

**M**IGRATION is a naturally occurring phenomenon in existence since thousands of years ago. The first men migrated out of Africa to different parts of the world - making civilisation as diverse as it is today. Mughals came to this part of the world from central Asia and long before them, the Aryans. But what is common among all these cases of migration from different times with different groups of people? The answer to that is

The people of Bangladesh are no stranger to migration. An estimated five million Bangladeshis are currently working overseas, contributing greatly to their families, communities and the country's economy through remittances. Remittances sent by migrants through official channels reached a record high level of USD 15 billion in 2015, making it the 8th highest remittance-earning country in the world. Naturally, migration is increasingly being recognised as a viable livelihood option and one of the major sectors the government is looking to strengthen.

psychological well-being and lack of access to appropriate health services.

Migration can lead to so many discussions pertinent to human rights, economic empowerment and social development that it is too easy to lose focus trying to do everything together. One salient feature of any migration process that remains under the cover is the fate of people who come back to their countries.

We always talk about the perils of overseas migration. Almost all organisations who are working with migrants in Bangladesh focus on

BRAC took on a project focusing on the returning migrants to see exactly that -- what happened to them when they came back and what kind of support can be provided to them?

Reintegration of returning migrant workers is a new concept in the context of Bangladesh. Last year, in October 2014, to promote work through migration policy and application in Bangladesh, an eleven-month long project was launched in collaboration with the Government of Bangladesh, ILO and Swiss Development Corporation. A Standard Operating Procedure (SOP) was developed as a guide for the referral and reintegration services. These services were provided through support and resource centres established in Dhaka, Manikganj and Faridpur, covering eight sub-districts and reaching more than 25,000 people who are actively involved with migration.

More than 500 returning migrants have received referral services, economic grants, medical support and psychosocial counselling through support centres so far. Working relationships established with service providers under this project need to continue with consistent support and long-term intervention is required in this regard. The government, being the chief stakeholder, needs to endorse the SOP and gender responsive services that will have positive and significant impact on the lives of returning migrant workers, especially women.

Since September 2010, the United Nations has been working on the next set of development goals, following the MDGs - a set of eight global goals set in 2000 - which saw the largest anti-poverty movement in the history of mankind. Unfortunately the MDGs did not include safe migration or migrant workers' rights as one of the goals, despite there being direct links with some of the major goals. Last month the next set of global goals, the Sustainable Development Goals (SDG), were declared in the UN General Summit, amidst the presence of the world leaders from 193 UN member states. In the SDGs, migration features prominently under two goals where the rights of migrant workers, especially women migrants, and the facilitation of safe migration process were emphasised. The road to achieve these targets is heavily linked with other goals like ending poverty and creating employment for all. Nonetheless, it is admirable that the international community is taking the issue of migration seriously and the whole world is behind it.

The writers work in BRAC Communications.

**Migrants need support from the government of destination countries and Bangladesh embassies to exercise their rights and a strong reintegration mechanism when they return to Bangladesh. The returning migrants can be a source of inspiration or subject of nightmares for their communities, depending on their experiences overseas.**



PHOTO: AFP

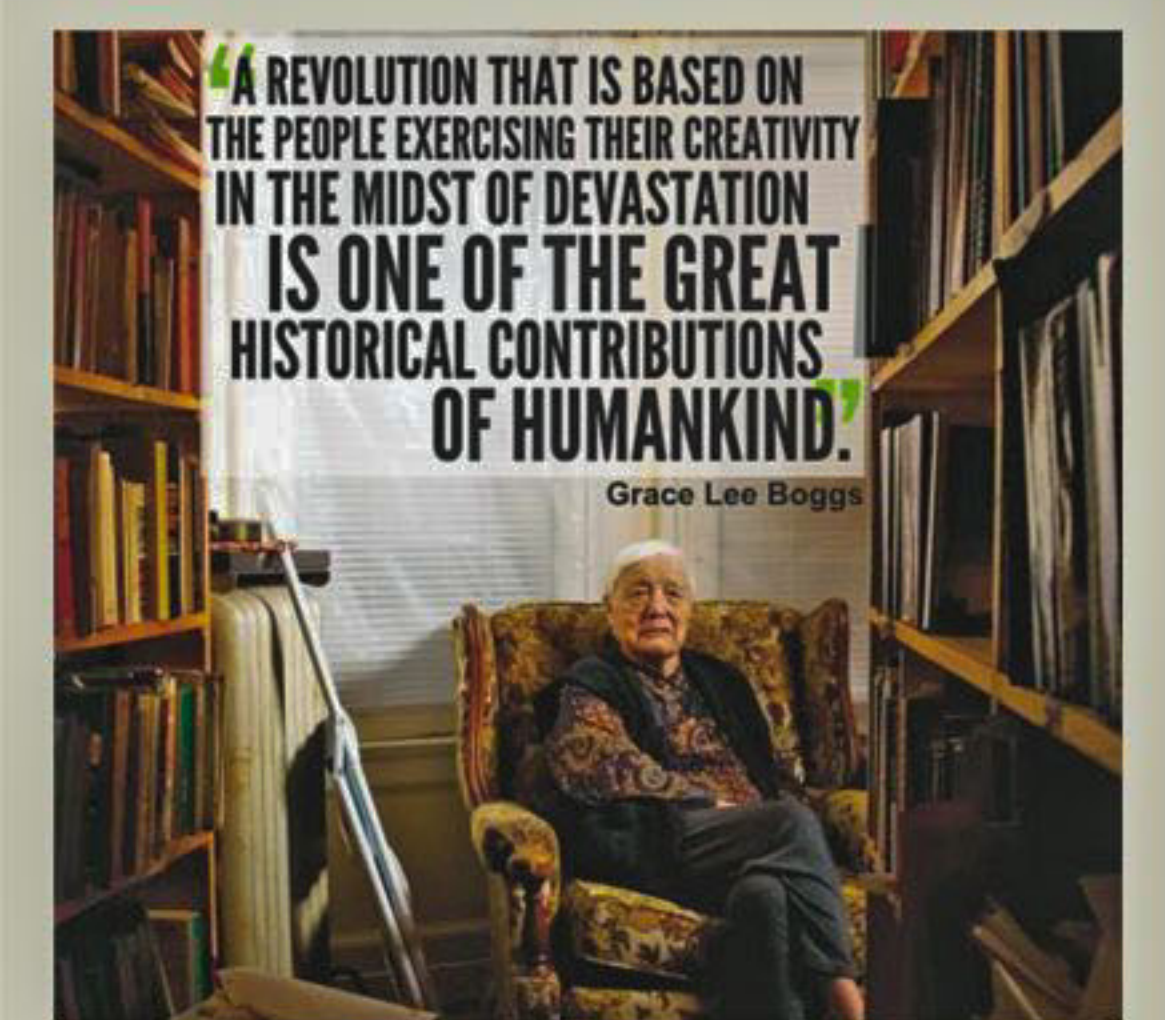
simple: allure of better opportunity. Migration was not only economically viable but there were social elements added in the mix too. People did not move out of sheer boredom; they wanted their footprints in newer lands with the hope of a secure future. Fast forward a few hundred years and we see the same thing all over again in Europe. With thousands of people running away from their lives in Syria and other conflict-ridden areas in the Middle East, many are never making it to the new promised lands.

Record-breaking as it is, the growth in migration from Bangladesh, increasing levels of remittances and its consequential benefits to the country are not without its challenges. Irregular migration, informal channels of remittance and human trafficking continue to result in serious violations of human rights. Other contributing factors include irregular recruitment practices and abuses, rising migration costs, a lack of information and data, and follow-up with returning migrants who have greater vulnerability in terms of infectious diseases,

them during the pre-departure stage, which is definitely useful - but is just one chapter of the story. Migrants need support from the government of destination countries and Bangladesh embassies to exercise their rights and a strong reintegration mechanism when they return to Bangladesh. The returning migrants can be a source of inspiration or subject of nightmares for their communities, depending on their experiences overseas.

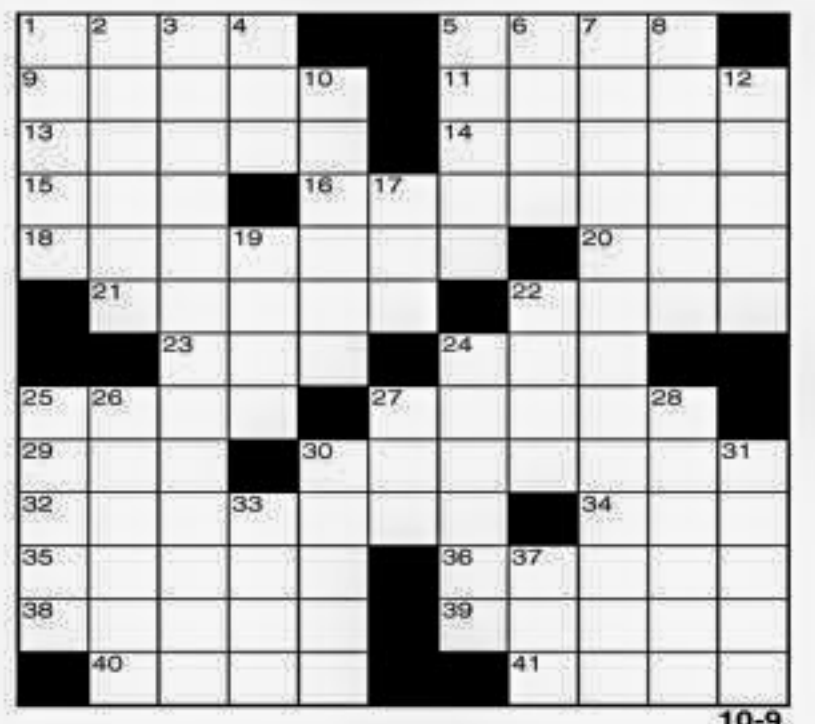
With the support of UN Women in Bangladesh,

## QUOTABLE Quote



## CROSSWORD BY THOMAS JOSEPH

- ACROSS**
- Tempo
  - Coop group
  - Love, to Luigi
  - Studio sign
  - Texan tree
  - Tybal's killer
  - Caribou's cousin
  - Least relaxed
  - Mob makeup
  - Ear: Prefix
  - Earlier, quaintly
  - Miles off
  - Third word of "America"
  - Director's cry
  - Sci-fi writer Frederik
  - "Tiny Bubbles" singer
  - Clumsy one
  - Struggle
  - Positive
  - "My word!"
  - Scout unit
  - Michelle Robinson's married name
  - Coeur
  - Caesar, for one
  - Lose traction
- DOWN**
- Corrals
  - First anniversary gift
  - Activist Bloomer
  - Orange-red South American bird
  - Historic time
  - Bull features
  - Son of Seth
  - Ultimate purpose
  - Afternoon break
  - Comes in
  - Chopper part
  - Before, to bards
  - Drudgery
  - Pop's sister
  - "The Terminator" heroine Sarah
  - Accords
  - Met events
  - "--Hear a Waltz?"
  - Kind of band
  - Like Superman
  - College VIPs
  - Singer Amos
  - Jazz style



## YESTERDAY'S ANSWER

M A L T L U R E S  
O Z A W A I N A N E  
R U N O N V I P E R  
A R C T E E T I M E  
L E E W A Y D I N  
V A N E A R E A L E A  
N A T S A N G  
A L P H E E H A W  
B E E S W A X O R E  
O R A T E E D W I N  
R I C E D S A T E D  
S E E M S N O S Y

## BEETLE BAILEY by Mort Walker



## BABY BLUES by Kirkman & Scott

