



# Mobile and Development Intelligence



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## bKash

bKash is a mobile money system in Bangladesh operating under the jurisdiction of Bangladesh Central Bank as a subsidiary of BRAC Bank, a local bank. The service aims to serve users at the bottom of the economic pyramid (BOP) ensuring a broader range of financial services across Bangladesh's population as a whole. The service uses a USSD interface, accessible via a basic handset, offers no cashing-in fee and low cashing-out and person-to-person transfer fees. These elements provide a system by which BOP users can send money in a way that is fast, secure, and affordable. Launched in July 2011, the service now has 2.2 million registered customers.

**Year launched**  
2011

**Business model**  
Consumer

**Targeted Device**  
Basic/ Feature Phone

**Primary Delivery Technology**  
SMS/USSD

**Products & Services**  
Payments

**Markets deployed in**  
Bangladesh

**Estimated number of users**  
2.2 million

### Background and opportunity:

In Bangladesh, as with many other countries in the developing world, people travel to urban centres to earn a livelihood so they can support families in rural areas. One fundamental insight driving the development of bKash was to cater for this growing class of workers, creating an efficient system by which they could send money home in a secure, fast and affordable way. bKash came up with a simple USSD interface, accessible by the cheapest (i.e. \$15) handset. "Smartphones would make it easy to implement mobile money, but the service would then be limited to only affluent customers and would defeat the purpose of reaching the unbanked and poor."

Registering for bKash and cashing-in services are free of charge. For person-to-person transfers, customers pay a flat fee of BDT 2 (or \$.02) irrespective of the size of the transaction. In case a customer wants to cash-out, there is a flat fee of 1.85% on the amount withdrawn. For example, if a user wants to cash-out BDT 50, the cash-out fee is BDT 0.92 (or \$.01). "Many bKash customers have such small tickets, but their large volume compensates for the apparent small ticket size." As per the central bank's prescription, bKash deposits the full value of its customers' wallet balances in a designated BRAC Bank account, which is under the surveillance of the central bank. Separately, BRAC Bank maintains the record of all individual bKash accounts in its own system. "In the process, bKash maintains an arrangement that is cost effective, but stays fully under the central bank's jurisdiction." Once users have electronic money in their bKash mobile wallets, they can send the money to another bKash mobile wallet instantly. Recipients can walk to bKash retail agents who give physical cash in exchange for electronic money and charge

<sup>1</sup> <http://www.bkash.com/>

<sup>2</sup> Image courtesy of bKash

service fees. “bKash’s focus on reaching the poor distinguishes it from services that have fees for cash-in or a minimum cash-out fee.”

### **Progress since launch:**

#### **How have things gone so far?**

After 17 months of operation bKash now has 30,000 agents, almost one in every two villages in rural Bangladesh, “this assures access to agents in the remotest part of the country”. The service was launched on July 21, 2011. It now has 2.2 million registered customers. In addition, 98% of mobile users in Bangladesh have access to bKash. This kind of penetration is achieved via partnerships with four major GSM operators of the country.

### **Scalability:**

#### **How is the service being scaled to reach a larger audience?**

In the short term bKash plans to stimulate growth through various product innovations which they are already working on. “These include solutions for international remittance, mobile airtime top-ups, loan repayments, transport ticketing, etc.” bKash will also be working closely with telecom operators whose wireless networks are essential for the service. They see that financial institutions and mobile network providers must work hand in hand if they are to reap the benefits of new technologies in the pipeline. “This will ensure that services are delivered in an increasingly consumer-friendly way, and if that is assured, there is no end to how efficiently the poor can manage their resources.”

### **User centric attitudes:**

#### **How does the organisation build itself around the end user?**

The service has a core objective: to see low income users adopt electronic money as a genuine alternative of physical money. With this in mind, they understand that a key qualification needed to use bKash is confidence – “the confidence to believe that one can take control of her financial decisions, save money, spend wisely and complete transactions in a manner that was never possible before”.

Achieving these levels of user confidence depends upon understanding current user requirements and habits in detail. Old habits (like keeping the money under a mattress, insecure transfers, and paying high transfer fees) need to be replaced by new habits (keeping money in a safe digital system, secure transfers, paying low fees, recognizing the importance of being part of financial inclusivity). The organisational goal of shifting these old habits to new improved habits depends upon first understanding and building around the end user.

### **Challenges:**

#### **What are the internal and external challenges currently faced?**

One of the core challenges stems from the perception of technology maintained by low income users. For example, many users mistakenly think that they require advanced skill to use the technology. A similar issue arises in that users often think that advanced English is required to use bKash (although, in fact, very little English is required to use the service). bKash’s education program seeks to overcome these issues, “our menu is so easy to use that, once a user becomes familiar with the steps, she or he can opt for the required service by simply choosing a numerical input and not have to respond with any text reply”.

(the same point was mentioned earlier: seems repeating) With a longstanding perception that “advanced and modern things” are not for them, low income users are led to believe that they are dependent on others for receiving a service. “Breaking this vicious cycle is one of the toughest parts of taking bKash to a level where physical cash would be obsolete.”

### **Partnerships:**

#### **What is the value of partnerships, particularly with MNOs?**

bKash regards partnership as a central theme in any mobile financial service. This includes partnership with agents, mobile operators, banks, and technology providers; where each one represents an essential element of the service structure. “It’s not a sprinter’s game, rather more of a rally race, where multiple partners contribute in assuring the service.” In the case of bKash in Bangladesh, the right partnerships with mobile operators were

essential. The financial regulator, the central bank, had prescribed the bank or its subsidiary, which is regulated by the central bank, to offer the mobile financial service. The central bank guidelines in Bangladesh clearly define the role of mobile operators and mobile financial service (MFS) providers. Mobile operators provide the connectivity between user-owned handsets and servers of MFS providers. For such connectivity, mobile operators receive revenues from MFS providers. As the mobile operators provide only connectivity, they have the appropriate incentive to maximize the volume of connectivity that would be their source of revenue. "This is a replicable model that on one hand maintains the regulatory integrity and, on the other, offers adequate economic opportunities for the mobile operators." After securing arrangements via revenue sharing models between bKash and mobile operators, bKash managed to secure 98% mobile user access to the service in Bangladesh.

### Looking back, looking forward:

What key lessons have been learnt, and what are the organisation's future objectives?

One important lesson is the difficulty experienced by low income users in activating features on their phones. However, as phones reaching financially constrained audiences become cheaper, internet-enabled, and have more intuitive features, bKash is optimistic that this area of difficulty will improve. "This would increase the ease of accessing services on mobile phones and hence increase mobile literacy." bKash have also learned that human contact, one-to-one or one-to-many education and training sessions, are essential components in their educational efforts. "When our sales teams and agents interact with individuals and explain the service, users learn very quickly."

Looking forward, bKash aims to keep contributing to the nation's socio-economic development. Fundamentally, this is facilitated by moving increasing numbers of people operating outside the formal banking facility into an expanding financial system. bKash also makes further use of this system: "All the little amounts can potentially add up to provide larger pools of capital to address larger problems. The organization is putting all the little idle bits of capital to use to move the country's economy forward"

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#### About the GSM Association

The GSMA represents the interests of mobile operators worldwide. Spanning 220 countries, the GSMA unites nearly 800 of the world's mobile operators, as well as more than 200 companies in the broader mobile ecosystem, including handset makers, software companies, equipment providers, Internet companies, and media and entertainment organisations. The GSMA also produces industry-leading events such as the Mobile World Congress and Mobile Asia Congress.

#### About Mobile for Development - Serving the underserved through mobile

Mobile for Development brings together our mobile operator members, the wider mobile industry and the development community to drive commercial mobile services for underserved people in emerging markets. We identify opportunities for social, economic impact and stimulate the development of scalable, life-enhancing mobile services.

#### About Mobile for Development Intelligence

MDI is a freely available, online platform of market and impact data, analysis and access to an active community of practice. The mobile phone's ubiquity is uniquely well-placed to drive economic and social development in emerging markets. Investments in the mobile and development sectors are rising yet there is limited data on which to base these decisions. MDI is designed to bridge this information gap.