



Social Equity Solutions Using Mobile Commerce Banking and Remittances

The resolution of poverty for rural poor is high on the agenda of governments around the world and organisations such as the United Nations.

Many institutions seek to resolve the problem of how to displace cash in impoverished areas. The amounts of cash float in the villages are tiny. The people are poor. The problem is not how to get cash in and cash out in the village. The issue is how to get money INTO the village. The challenge is to provide sustainable revenues flowing into the village from “exports” facilitated by simple, cheap and secure banking, remittances and electronic commerce.

These villages export labour and produce. Produce can be divided into agriculture such as rice and manufactured (hand made) goods such as silk.

However impoverished areas struggle to gain momentum and sustainability due to the many barriers placed before them. The difficulties faced by export workers of remitting money from the city or another country to the village are pronounced. Farmers sell their local produce into the local markets – usually to other poor people. Handmade goods generate low wages with most of the profits generated to middlemen in the city or overseas.

Mobile Phone initiatives

Mobile phones (sometimes subsidised) in villages provide communications and information to the rural sector in these poor areas. Often a village of several families will share one mobile phone handset with each family having their own SIM. This allows family members working in the city and overseas to contact home and also provides information to the village via WAP and mobile Internet.

This allows the rural poor to stay in touch and to be informed, but they are still poor.

Micro Loan Initiatives

Micro loans and peer to peer lending has been a terrific recent initiative and has changed the lives of many villagers. However due to lack of banking and commerce infrastructure, it is often difficult for lender and villager to engage and to remit the money into the hands of the villager.

When the funds are accessed, the villagers can use these to improve their farming practices and increase their outputs; however they are still often restricted to sell their increased supply to a limited (local) market. This can create oversupply resulting in lower pricing (rule of supply and demand) with the farmer receiving reduced or no financial benefit from their increased productivity. Now the farmer is informed, and in debt with the possibility of little or no financial return to show or to repay the debt.



Mobile Commerce initiatives for agriculture

If the farmer can access a broader market and gain market information – sometimes through the benefit of a cooperative – they can increase their market reach. With market information coupled with remote commerce solutions in the village the farmer can pre sell the crops, gain a higher price, be paid remotely and afford to pay for transport with margin. Now the farmer is in a sustainable stronger financial position.

Remote commerce solutions accelerate the benefits of micro-loans and bring real and sustainable (comparative) wealth to the rural poor.

Export labour and current remittances costs

In another instance, a family in Thailand is living below the poverty line in a village on US\$10 per month. The mother weaves silk. To gain a higher paying job, she moves to the city. Her children are left with her mother who cares for them and the family is separated.

In the city, she gains a higher paying job which earns US\$180 per month but the costs of living in the city consume a large proportion of these funds. She is able to save the equivalent of US\$20 per month and send it home. This is twice what the family was making in the village.

However it costs her US\$3 to remit the money to the post office nearest the village. Her mother has to pay for transport to get to the post office which costs another US\$2 and takes most of the day. For a family living on US\$10 per month initially, the Nett gain of the mother moving to the city is only 50% (US\$5).

The effective cost of money transfer is 50% of the gain; the family is separated and only marginally better off financially.

Peer to Peer mobile remittance initiatives

With secure peer-to-peer mobile remittances the mother could easily and cheaply remit the money directly to the grandmother using her mobile phone. This saves time and cost. It is simple and quick to set the grandmother and daughter up each with a low value pre-paid facility.

The facility could have mobile banking, remittances and commerce accessible via their respective mobile phones.

The mother could go into the local 7-11 or post office in the city and deposit the US\$20 to her pre-paid facility (for example a VISA pre-paid) for a fee of around US\$0.20. Using her mobile phone the Qpay secure remittance process allows her to instantly transfer this to the grandmother's pre-paid facility for a fee of US\$0.05 to US\$0.25. This results in US\$19.25 being accessible to the grandmother for a low fee of not more than \$0.75.

Alternately the mother's employer could pay a portion of her pay directly into the grandmother's pre-paid facility which would reduce the effective cost of remittance to nil.



Local remittance initiatives and cash out

The Grandmother can use her mobile phone in the village to pay other people in the village for low value items securely and simply via the same mobile phone peer to peer remittance facility for a very low fee or can transfer to another person in the village who could give her cash for a very low fee.

This provides for low cost remittances. The \$19.25 is an 85% increase in additional funds received by the grandmother. However, in this example the family is still separated.

Remote payment initiatives between city employer and village employee

In another instance, the provision of banking and remittance functions in the village may allow the mother to return to the village and work from home. She could send her produce to the city with transport costs paid for by her employer. Her employer could deposit her pay into her pre-paid facility. This would keep the family together and bring US\$180 per month into the village.

Current profits go to middle-men

However the employer sells her silk for US\$800 per month to an overseas wholesaler who sells it to a store. Her monthly outputs sell for as much as US\$3,200 by the time it reaches the consumer or clothes manufacturer.

Direct Remote Payment initiatives between the ultimate buyer and the villager

With Internet Commerce and mobile commerce, an Internet company builds a web site for the village. This website showcases the handmade goods manufactured in the village and provides an electronic shopping cart facility. Consumers and manufacturers in first world countries view these sites and make purchases via Electronic Commerce.

These purchases now provide the mother an effective income of US\$800 per month from manufacturers and consumers who buy her silk directly from her. The purchase and delivery information is passed to the village via mobile phone (email or SMS) where the goods are then despatched via registered mail by the mother (who is now working from home).

Trusted intermediaries may escrow the funds until the purchaser receives the goods, notifies the website (or the villager receives receipt of the delivery) and the funds are released into the villager's pre-paid facility.

In this instance substantial and sustainable funds flow into the village and the family is kept together.

Summary

Integrating banking, commerce and remittance functions via mobile phone with funds stored in a bank compliant, easy to access and universally accepted form such as pre-paid VISA or Mastercard type facility or low value bank account provides profound benefits for the rural poor.

These are non-subsidised and sustainable initiatives. However form (how to use it) and function (what the facility does) needs to be considered and especially security.



About the author

Qpay has developed a range of easy to use (form) convergent mobile solutions including mobile commerce, mobile banking and mobile peer-to-peer remittances (functions). Methods include SMS, voice, mobile Internet and traditional internet.

Unique security

Due to the simple nature of mobile phones they are more easily compromised by malicious software increasing the potential for fraud.

Losses of even low values as low as US\$5 are catastrophic to a family living in poverty on US\$10 per month.

To minimise fraud and losses Qpay has developed the only commercially available cost effective platform to deliver the above mobile applications more safely than current best practice Internet Banking security (multi-factor) processes enjoyed by first world countries.