

Mobile phone lifeline for world's poor

By Tatum Anderson
Delhi

While consumers around the world demand sleek black and silver mobile phones, villagers in rural India buy brightly-coloured handsets in gold, reds and pinks.

Mobile phones are as much a fashion statement here as in the trendy bars of Europe.

That Indian villagers are beginning to buy mobile phones is indicative of an explosive growth in mobile services in countries where the poorest people live.

Of the one million people who become new mobile phone subscribers everyday, about 85% live in emerging markets, according to the mobile phone industry body, the GSMA.

Not just fashionable

But there is growing evidence that mobile phones are more than a fashion accessory and can transform the lives of the people who are able to access them.

The most obvious anecdotal evidence can be seen all over the developing world. From Kampala to Mombasa, handset sellers are plying their trade - some based in small kiosks, others sheltering from the blazing sunshine under large, colourful umbrellas.

An enormous number of people, including taxi drivers and tradesmen, now rely on mobile phones to run their small businesses - well over 80% in Egypt and South Africa alone, according to a report by the UN's Conference on Trade and Development (Unctad).

The mobile phone boom has transformed ordinary people into micro-entrepreneurs.

One of the most famous examples of mobile phone entrepreneurship is the Village Phone Programme in Bangladesh.

Run by a sister firm of the 2006 Nobel Peace Prize-winning Grameen Bank, it enables local women to earn an income from renting mobile phones to fellow villagers.

The scheme, which has been broadened out to Uganda and Rwanda, could reach India this year.

Meanwhile, some farmers are able to receive better prices for their crops because they have access to information on market prices, primarily via mobile phones.

And new technology from Bharti Telesoft, is allowing the local villagers to sell mobile phone time to the poor in even smaller units - through prepay top-ups that are done through phone-to-phone links rather than using cards.

Business platform

TradeNet, a Ghana-based trading platform, is one of the number of projects allowing farmers to access prices and offers from traders by mobile phone.

Accompanying the growing number of anecdotes suggesting that mobile phones can change lives are studies which confirm the link between mobile phones and growing economic prosperity.

The mobile can be an agent of development - not just something that is only for the affluent,
Ben Soppitt, director of strategic initiatives at the GSMA.

A ground-breaking study led by an expert from the London Business School in 2005 concluded that

an increase of 10 mobile phones per 100 people in African developing countries would increase GDP growth by 0.6%.

The mobile phone industry, which has turned its attention to the remaining three billion people on the planet without mobile phones, has also sponsored a great number of studies aimed at proving that mobile phones can promote development.

One of these studies, carried out by consultancy Deloitte, says the increase in GDP today could be as much as 1.2%.

"The mobile can be an agent of development - not just something that is only for the affluent, along the same lines as imported Mercedes and Johnnie Walker Red Label," says Ben Soppitt, director of strategic initiatives at the GSMA.

Family link

Beyond job creation, mobile phones transform lives for many by presenting a way to communicate regularly with family members for the first time.

Almost 100 million Chinese migrant workers rely on mobile phones to talk to the families they have left behind in rural areas.

They also enable people to save time and money by allowing them to make inquiries by phone instead of travelling long distances.

Now new ways to improve lives are being considered by operators and international donors.

It is thought that mobile phones could become virtual bank accounts, being used to send, receive and save money.

M-banking, as it is known, might help to serve the three billion people who currently have no access to financial services, according to the World Bank.

"Most of those three billion people don't have a safe place to save money. What ultimately gets people out poverty, and prevents them from being vulnerable to crises, is when they have a nest egg to fall back on", says Gautam Ivatury, head of technology at Consultative Group to Assist the Poor (CGAP), a division of the World Bank that is promoting m-banking service trials from Mongolia to Pakistan.

CGAP is helping the development of services that will allow workers to send money to support their families in rural areas, by mobile phone.

Payments, or remittances, are already widespread. But since few of those receiving them have bank accounts, they have to pay a sizeable proportion to money transfer companies to pick up the money.

Money transfer

There are even problems when workers take the money directly to their families.

Mr Ivatury says many Zimbabweans working in South Africa lose as much as half the amount they take home to their families in bribes at security checkpoints.

M-banking would allow them to send money safely from their mobile phones to those of their families, who would be able to redeem cash from mobile airtime sellers where they live.

Already a Vodafone affiliate, mobile operator Safaricom, has tested a service called M-PESA in Kenya with various partners, including the UK's Department for International Development (DFID).

India's largest mobile operator, Bharti Airtel, has also trialled a similar scheme in a Himalayan village, with the help of State Bank of India.

However, access to such services will be limited as long as mobile networks fail to reach many rural areas - and as long as mobile phones and services are far too expensive for many in urban areas, as well as rural ones.

Sridhar Pai, founder of Indian telecoms consultancy Tonse Telecom, believes there is a huge untapped market in India alone.

"There are 880 million potential subscribers resident in rural and semi-urban locations. If penetration has to start entering these locations, it might make sense to have an incredibly competitive price package for these folks," he said.

Story from BBC NEWS:

<http://news.bbc.co.uk/go/pr/fr/-/2/hi/business/6339671.stm>

Published: 2007/02/19 22:40:17 GMT

© BBC MMVII