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PROFESSIONAL PAPER

Mobile Money Empowering People Living at Bottom of Pyramid and Boosting Socio-Economic Development in a Big Way

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***ABSTRACT** – Hardly anyone would disagree that mobile money is an engine of financial inclusion and has the potential to outreach millions of people, living at the bottom of pyramid and those living in remote areas. The current study was taken up to investigate the impact of mobile money access on the people living at the bottom of pyramid. The aim was to: (1) understand the concept of mobile money, (2) explore the relevance of mobile money in economic growth, (3) capture the growth of mobile money worldwide, (4) explore the socio – economic impact of mobile money and (4) discuss vital insights for traditional financial institutions and policy makers. The study revealed that mobile money had positive impact on financial inclusion. It also enhanced the economic opportunities for the large unbanked population living at the bottom of pyramid. The increase in the mobile penetration and use of mobile internet, among the people living at the bottom of pyramid in the developing countries, clearly reflect at the potential of mobile money, in bringing the financially excluded in the economic mainstream and thus help in sustainable socio-economic development.*

KEY WORDS: mobile money, financial inclusion, payments, remittances, socio-economic impact

Introduction

As the age old traditional financial institutions fail to provide access to elementary banking services to millions of people living at the bottom of pyramid and people living in the remote areas. Mobile money, a recent innovation by the technology companies, bridged the financial service access gap in a big way, consequently permitting socio-economic betterment particularly among the financially excluded groups in developing countries. As more and more people living at grass root level enthusiastically adopt ordinary mobile phone, smart phones and internet services, technology paved way for socio-economic

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development in the developing countries. In this context the current research paper seeks to investigate the developmental role of mobile money.

Objective of study

Hardly anyone would disagree that mobile money is an engine of financial inclusion and has the potential to outreach millions of people, living in remote areas and also those living at the bottom of pyramid. The current study was taken up to investigate the impact of mobile money access on the people living at the bottom of pyramid. The aim was to: (1) understand the concept of mobile money, (2) explore the relevance of mobile money in economic growth, (3) capture the growth of mobile money worldwide, (4) explore the socio-economic impact of mobile money and (4) discuss vital insights for bankers and policy makers.

Research methodology

This was an empirical research. The research was built on secondary sources of information. The facts and figures were collected from large number of publically available sources such as research papers, periodicals, and government documents, reports by private agencies, newspaper articles and websites.

Research implication

The study provides useful insights to the traditional financial organization and will help them to envision tactics to benefit from the ongoing economic transformation. The study will enthuse the policy-maker to bring new reforms to stimulate financial outreach to through digital podia. The study will also give food for thought to the researchers and academicians, who can take up future research, to examine the impact of digitization on poverty reduction, employment generation and economic development.

Overview of literature

Financial inclusion plays a significant role in abating poverty. It empowers the underprivileged and provides them with an opportunity to save, invest, borrow, spend, have smooth consumption and insure against vulnerabilities in their lives (World Bank, 2014). But, still enormous proportion of the population in developing countries, lacks access to the basic financial services (Asli and Klapper, 2012). Inaccessibility to elementary financial and banking services, restricts the ability of the deprived groups to save, borrow, invest and take part in formal and informal economic mainstream activities, which aim at smoothing consumption and curtailing poverty (Dupas and Robinson, 2008).

According to (Hishigsuren, 2006) Information, Communication, and Technology (ICT) helped in creating branchless banks via mobiles, automated teller machines (ATM), point-of-sale (PoS) networks etc., consequently it facilitated improved outreach, quicker processing, reduced operational costs and increased customer satisfaction. ICT served dual purpose - sustainability and improved outreach to the poor (Brynjolfsson and Hitt, 2000). One facet of ICT that has attracted maximum attention is, the efficacy of mobile phone in enhancing



financial inclusion and thereby, boosting economic growth (Levine, 2005). In 2000 with the introduction of Smart Money, the world's first electronic cash card linked to mobile phone, mobile payment services gained grip across countries and continents (Ernst and Young, 2014).

The agent-based mobile money services provide mobile phone-enabled, person-to-person (P2P) payment, transfer of money, allows users to store money on their mobile phones in an electronic account and deposit or withdraw money at one of agent locations (Hughes and Lonie, 2007; Morawczynski, 2008; Mas and Morawczynski, 2009; Morawczynski, 2009; Morawczynski and Pickens 2009). Millions of people use their phones as mobile wallets to receive and send payments, pay utility bills and purchase air time (Wishart, 2006; Mendes and Alampay, 2007). Mobile money is popular in remote areas and among migrant laborers for domestic and international remittances (Kravtsov, 2013; Owens, 2015).

Digital payment services like M-Pesa, Tigo Pesa, Airtel Money, Easypaisa, B - Kash are some of the prominent mobile money services which help in promoting financial inclusion as they process recurring, small-value high volume transactions distantly and provide a wide-ranging financial services, at near marginal cost.

Finding of the study

The concept of mobile money

Mobile money (m-Money) refers to a variety of financial services provided to the consumers via mobile phones. The services include transfers, savings, credits and billets (Dolan, 2009 and OECD, 2006). It can be person-to-person transmission of funds either domestic or international, or person-to-business payment for goods and services through mobiles (Dolan, 2009). According to (Desai, 2010) a service can be classified as mobile money if the service allows : (i) bill payments, storage of value, P2P remittances and bulk payments, (ii) utilizes network of agents outside bank branches for cash in or cash out transactions, and (iii) customers are able to use the service without being previously banked. According to Hope et al (2012), mobile money is an electronic payment system that enables remittance of money to and from an electronic account that can be accessed thru mobile. In person cash deposits and withdrawals are enabled through network of retail agents. Mobile-money includes services such as remittance, micro-payments, purchase of air-time etc. being offered to the unbanked through mobile technology.

Growth in mobile money services

The mobile money industry is growing rapidly. This growth has been largely driven by Mobile Network Operators (MNOs). Davidson and Pénicau (2012) in their survey found that in the beginning of 2009, there were seventeen mobile money services for the un-banked worldwide; this number rose to one hundred and twenty three in April 2012, with another ninety three planning to launch. While according to Desai (2012), there were one hundred and fifty live mobile money services for the un-banked in seventy two nations, forty one were launched in 2012. Further, Davidson and Pénicau (2012) also found that, in June 2011, the providers of mobile money services administered approximately one hundred and forty

two million transactions. Of these, about thirty million were payments: payment of utility bills, bulk payments and transfers. The remaining transactions comprised of cash in, cash out, and airtime top ups. During the first six months of 2011, the volume of transactions administered on a monthly basis by mobile money service providers increased at annualized rates of fifty nine percent and thirty six percent respectively. Rapid growth is expected in both the value and the volume of mobile payments transactions worldwide, with non-banking organizations accounting for enormous growing proportions (Ernst and Young, 2014).

Socio-Economic impact of mobile money services

It has been documented that there is a positive relationship between mobile money adoption and financial inclusion (Bold et. al., 2012; Porteous, 2006; Jenkins, 2008; Ehrbeck et al., 2012). According to Jenkins (2008) "It is mobile money's ability to facilitate financial inclusion that gives it its enormous potential for development impact.....financial inclusion being the precondition for effective economic participationto being able to integrate one's small business with large market players". The erstwhile studies revealed that the adoption of basic mobile phones, enhanced the economic opportunities for the large unbanked population and can bring sustainable growth in the region (Bishop et. al., 1999; ADB, 2003; Butler, 2005; Elijah & Ogunlade, 2006; Ssewanyana, 2007; Business Week, 2007; Srivastava, 2008; Etim, 2011, 2012; Economist, 2012;).

Mobile money has been identified as a feasible tool to provide basic financial services to millions of unbanked populations in living in urban and rural areas. Mobile Money created a relatively cheaper and more accessible electronic payment ecosystem that has broadened and deepened the financial service sector. More importantly, an effective agent network ensured that more people are financially included by increasing the number of access points for transactions, and plummeting the transaction cost, particularly in remote areas. A critical success factor for the Mobile Money was the spread of ubiquitous agents, so that consumers could transact safely and easily, close to their home or work place. The numerous other economic benefits that accrued were: it augments commerce and trade; it facilitates microfinance, it offer ease of remittance, it provides safe and secure alternative to hard currency and plastic money. So one of the most significant impact is the change in the pattern of remittances (Mbiti and Weil, 2011).

Apart from enhancing financial inclusion and increasing e-commerce there were job creation, financial empowerment and reduction of cost of transaction. By bypassing banks and other financial institutions that charged fees on money transfers, the system could save money that could be channelized to other ventures. Remittances are a lynchpin between families and communities at home and economic migrants. Together official and informal transmittals, played momentous role in augmenting human capital growth, by facilitating underprivileged peoples to meet trivial financial needs (Desai, 2010; Porter, 2009). The benefits of mobile money stretch beyond individual and family levels to companies and societies. Aker et al. (2010) revealed that the distribution of financial assistance under the welfare schemes, for people to cope with adverse condition, was executed economically thru mobile money, in comparison to the conventional expensive mechanisms of transfer. They argued mobile money was convenient and inexpensive. Jack and Suri (2014) found that right



to use mobile money services enabled risk sharing by considerably decreasing the costs of remittances amongst family and friends. They found that households which subscribed to mobile money service were able to cushion themselves against consumption volatilities when struck by income shocks, by receiving remittances from a wide pool of members in their social networks.

Discussion

Financial exclusion is a major impediment to growth in developing countries (Schumpeter, 1912; King and Levine, 1993; and Levine, 1997). A sizeable number of people in developing nations, are rural dwellers who seldom have access to banking services, in spite of their huge dependence on remittances from economic migrants for social security and poverty mitigation. Therefore there is a terrible need for the expansion of an effective mechanism for remittance of funds particularly for people who dwell in remote areas. The development of mobile money (m-Money) has significantly facilitated access to finance through the mobile platform, and has the largest rate of adoption all over the world, especially in the developing countries.

Mobile money has had a positive qualitative and quantitative socio-economic impact on many of the world's poor, it continues to meet a broad spectrum of base user needs from directly creating revenue generation opportunities to indirectly supporting survival. The merits of mobile money come from the efficacy of the services delivered through the digital route. Store of value and means of remittance without reliance on cash, is beneficial when security is an issue. Remittances, both within political boundaries and across nations is crucial in most developing nations, because of the migrant labor force.

Given the low level of personal disposable income particularly for the people living at the bottom of the pyramid, meaningful financial inclusion will be restrained, short of social Government-to-Person (G2P) cash transmissions. Government should use mobile money services to transfer benefits of social cash transfer schemes directly to the beneficiary's mobile. This will reduce the cost of payment, make deliveries efficient and convenient for recipients and would also prevent the pilferages. Using these services would enhance development benefits in the society (Bold et al. 2012).

The ubiquity of mobile phones, allow the un-banked to have access to basic banking services through mobile, making mobile phones play the role of "branchless bank" (Jack and Suri, 2011; Martinez and McKay, 2011). It is therefore imperative that traditional financial institutions, work in partnership with mobile network operators, to deliver mobile based basic financial services (Jenkins, 2008) to the unbanked people. At the same time the policy makers and the regulators constantly need bring desirable policy and regulatory reforms to stimulate financial outreach through digital podiums to the people living at the bottom of pyramid, to accomplish financial inclusion and poverty alleviation and ensure sustainable development (Ehrbeck et. al., 2012).

Conclusion

The current study was taken up to investigate the impact of mobile money access on the people living at the bottom of pyramid. The study revealed that mobile money had positive

impact on financial inclusion. It also enhanced the economic opportunities for the large unbanked population living at the bottom of pyramid. The same way as mobile phones changed the face of telecom connectivity, they hold the potential to transform the financial inclusion landscape. With the unique attributes such as low cost, ease of use, scalability and ubiquity, when aligned with the right business model in an enabling ecosystem, can truly accelerate the integration of the un-banked and the under-banked groups in the society into the mainstream economy. The increase in the mobile penetration and use of mobile internet among the people living at the bottom of pyramid in the developing countries, clearly reflect at the potential of mobile money, in bringing the financially excluded in the economic mainstream and thus help in sustainable socio-economic development.

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Mobilni novac u ulozi osnaživanja ljudi koji žive na dnu piramide i jačanje finansijske inkluzije u velikom stilu

REZIME –Malo ko se ne bi složio da je mobilni novac pokretač finansijske inkluzije i ima potencijal da dosegne do miliona ljudi koji žive na dnu piramide i onih koji žive u udaljenim područjima. Ovaj rad ispituje uticaj pristupa mobilnom novcu na ljude koji žive na dnu piramide. Cilj je bio da se: (1) razume koncept mobilnog novca, (2) istraži značaj mobilnog novca u ekonomskom rastu, (3) istraži rast mobilnog novca širom sveta, (4) istraže prednosti mobilnog novca i (5) razmatraju vitalna shvatanja tradicionalnih finansijskih institucija i kreatora politika. Rad je otkrio da mobilni novac ima veoma pozitivan uticaj na finansijsku inkluziju. Takođe, poboljšava ekonomske mogućnosti za velike delove stanovništva koji nemaju pristup bankama. Nove političke inicijative, reforme i strateška udruživanja



operatera mobilne telefonije i tradicionalnih finansijskih institucija mogu dovesti finansijski isključene ljude u ekonomske tokove i mogu pomoći u održivom razvoju.

KLJUČNE REČI: *mobilni novac, finansijska inkluzija, plaćanja, doznake*

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