



story

Fighting Poverty With Cell Phones

February 22, 2008—If you're like most teenagers in rich countries, your mobile phone is your social lifeline, keeping you in touch with friends, regardless of where they live.

But for many people in poor countries, mobile phones are a tool that can help them climb out of poverty.

The mobile phone technology is being used creatively in poor countries to help spur development and reduce poverty, particularly in remote rural areas.

How can that be?

Getting the Right Price

Mobile phones help people connect with markets: letting buyers call around to adjacent villages to check where the best deals are, while allowing producers to price their wares more accurately.

After mobile phones were made available to fishermen in Kerala, India, they were able to call several markets and agree on selling prices before landing their fish. Within a few weeks the fluctuation in fish prices subsided, increasing the fishermen's profit by 9% and reducing consumer prices by 4%.

Bringing Banking Services

Access to traditional banking services is costly and limited in rural areas in poor countries. This means that many people are forced to rely solely on cash, which is not only inconvenient, but limits their business opportunities. Mobile phones are helping to change that by providing banking services to the "unbanked" over the mobile networks. The use of this technology is still in its infancy, but its potential is huge. Some examples are:

In the **Philippines**, microfinance customers of rural banks can use G-Cash, a service of Globe Telecom, to repay their loans, without visiting the nearest bank branch which can often be far away. Customers make their monthly loan payments by simply sending a text message with their available G-cash.

Teba Bank of **South Africa** uses existing mobile phone technology to provide low-cost, electronic banking services (savings and payments) for poor customers. The program was

Bringing Banking Services (continued)

originally developed to handle wage payments for migrant workers.

In the **Democratic Republic of Congo** and **Zambia**, clients use their mobile phones to pay bills. The client establishes an account with Celpay and then can make purchases by texting a request to Celpay, which will transfer money to the merchant's account. Security is provided by the use of a personal identification number, which is needed to complete the transaction.

In contrast, only 1.5% of the adults in **South Africa** use mobile phone banking, according to Bankable Frontier Associates.

Some other projects using mobile banking are underway in Colombia, Kenya, Philippines, Maldives, Pakistan, South Africa, and Mongolia, according to the Consultative Group to Assist the Poor (CGAP), a consortium of 33 public and private companies to help poor people gain access to financial services.

Providing Income for Poor Women

People in rural areas have turned owning a mobile phone into a small-scale business, by renting the phone to others and charging for its use.

For many poor, disenfranchised women this has become a reliable source of income.

In Bangladesh, the Village Phone not only gives the villagers access to phone, but empowers women operators, spurs economic activity and promotes entrepreneurialism. Started by Grameen Phone, Village Phones has 280,000 cellphones in some 55,000 Bangladeshi villages.

A similar project is underway in Nigeria.

"Traditional" Development Solutions Still Needed

Although mobile phones have had a "transformational impact" on Sub-Saharan, South Asian, and other low-income regions, new technologies are not a "silver bullet" to eliminate hunger, according to Andrew Burns, a World Bank economist who authored Global Economic Prospects.

In addition to keeping up with technological progress, poor countries need to continue improving their basic infrastructure, like roads, as well as health and education, all of which can be aided, not superseded by technological progress and its diffusion.

IT'S A FACT

Mobile v. Landline Phones

There are now at least five times more mobile than fixed-telephone subscribers in Africa.

Mobile phones and other newer technologies are mostly being financed and built by ample private investment. They also require relatively few highly qualified people and are relatively easy to maintain.

On the other hand, older technologies, such as landlines, are financed and maintained by governments, and depend on expensive government infrastructure and financing, which may be constrained.