



The MasterCard Foundation Symposium on Financial Inclusion: Clients at the Center

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This document presents transcripts from the plenary conversations and presentations during The MasterCard Foundation Symposium on Financial Inclusion: Clients at the Center 2013. The statements made and views expressed are solely those of the authors and do not necessarily reflect the views of The MasterCard Foundation, the Boulder Institute of Microfinance or the symposium participants. Some have undergone minor adjustments, but in general we preserved the tone of the panels and presentations to provide the reader with the content of the symposium.

Keynote Speaker

Speaker: Kamal Quadir - Founder of CellBazaar Inc. and CEO of bKash

Kamal Quadir

I would like to, before I start the set talk, let me spend half a minute on this photo. This picture I took in 2005, and when I was going through this thing, I think it somewhat summarizes what the clients or user actually wants. It was a stormy evening, in near the Ganges in Bangladesh, and the clients here, the people who are crossing the river. So they just want to go to the other side of the river. How you take me there. That's the boat man's job. And so they want the boat man to think about the security, the safety, the navigation, but clients at the end of the day they have problems and they want a solution. And I thought that somewhat summarizes, like on any stormy day, they don't care about what's really going on. They just want to go to the other side. So it's not part of my core presentation, but I thought I should be using that to break the ice.

I would like to thank The MasterCard Foundation and Boulder Institute of Microfinance for inviting me. And before coming here, I had a conversation with Ann Miles and Bob Christen, and I told them that I'm very excited to come, but I have never worked with microfinance. And they said that's the reason we want you to come. Okay? And that gave me a sense of relief. So today, as a practitioner of certain technology, I will talk about the evolution of two initiatives: first, CellBazaar which is a simple initiative, but had a very creative business model. And the other one is bKash, which is relatively more complex, and where many forces came together.

I start my story with this fisherman. Met him in the summer of 2005 around 4:00 PM in a ferry terminal in remote Bangladesh. So he came with his big fish and said, "Would you like to buy this fish?" And I used to live alone in Bangladesh, and also we cannot eat this fish alone, so I declined. So he came back an hour later, and he offered 20 percent discount, and I again said, "No thank you." And then he came around 6:00 PM and offered an additional 50 percent discount. And that's when I'm intrigued, and I said, "What's going on here? So why don't you want to sell this fish?" And he said that, "This fish after 7:00 PM, after the sunset, it has no price. I'll not even get 10-15 percent off what I'm offering you, because I'm going to sell it to the local middle man, and eventually that's going to travel to the market. So I have no bargaining power whatsoever after the sun set. So that made me really see this problem a little bit is that in poor countries, limited communication technologies hinders business, and only where people do negotiation when they can travel all the way to the market place, and not every farmer, or every fisherman can afford doing that. So if there is a way to address this problem, then the client has a certain kind of bargaining power. So that was quite interesting, and at that time, I was finishing my grad school education, and I was thinking of doing some kind of post business school, Wall Street type job. But I thought this is exciting enough that maybe I should try this thing. So I started looking at what do we have in Bangladesh. Now, Bangladesh, despite having many of these problems, it has a tremendous mobile network. It's one of the best networked emerging countries in the world. Ninety-seven percent of the population has access to a mobile phone. And each of these mobile phones is like a small computer. I mean, I heard some professor saying this thing to me once, is that the cheapest mobile phone today that costs around \$20 has more processing power than what NASA used to use in 1969 when man went to moon. So under that assumption, we have in Bangladesh, at that time, around 75 million mobile phones, that bring 75 million NASA computers to Bangladesh. That's a tremendous capacity.

So how can we capitalize that? Now, if one percent of those Bangladeshi telephone users are fishermen, then we have 750,000 fishermen with mobile phones. And let's assume even one percent of them are posting their fish into an eBay type system, or a Craigslist type system, then we're going to have every day 750,000 massive fish posted on the website. That's more fish in the entire room than all these 250 people we have here, or 300, we can eat in our entire life. So it was something, quite a tremendous resource.

So I was thinking can we really create something where we would have a virtual marketplace, where people would participate in many different ways. But remember, when we think about these things, but we are not thinking about Bangladesh and the clients, because they are the people that don't have access to ... 60 percent of the people don't have access to power. People don't know how to read and write in English, even Bangladesh literacy is below probably, I don't have the exact data, but around 40-50 percent. So, how do we really create something where this problem can be solved? So we need to think about ... let's have a technology where the basic phones, maybe with an SMS can enter the data, and people can retrieve the data using the location and the product, and then we have a one-to-one communication where people can figure out what they want to buy and what they want to sell. And if we can have a situation like that, then we have an electronic marketplace.

So the technology was an interesting thing, but it was not really the technology that solved the problem. It's really figuring out how the technology would be applied to common people. I mean, I often remember my CellBazaar days when I used to work there, my colleagues, most of the time we thought we were working for either a design company or a communication company. Because if we cannot communicate properly, then the entire technology is meaningless. And especially for a developing country, that's critical because that's where people have very little exposure to technology. So they have the technophobia is far more severe than what we're used to in modern economies.

So we started working on this thing, but what we also thought was very important is that we have to come up with something that almost will be free. And when you said almost free, why don't they make it completely free. And so we made it there was no cost whatsoever. So people wonder, then like who pays whom? How do you make money? So the bottom line is there are, when you bring millions of people together, you create some sort of outsource, the crowdsource model that pays for everything. And I'll tell you about CellBazaar. So posting of any item was completely free, and after four and a half years of work, we end up convincing 4.5 million participating in this platform, and when they're posting something, then people have a reason to call each other. I mean, I have no reason to call people when I find somebody, a stranger walking through the street. But when I know that somebody has posted an iPhone at \$100, I'll call that person, and that creates a tremendous call volume for the telephone operator. And we got a cut of that and created a business model. So the outsourcing was our raw material, and that gave a business model that gave everybody a win/win situation. And when we did that, people started posting all kinds of funny things. Somebody posted an oil tanker. Is that crazy? And somebody posted a German shepherd. Somebody posted red chili. But this happened during CellBazaar's maturity, like after four and a half years of using it. So, at the end of the day, what we saw, people just wanted a solution at the end of the day. If you can create a solution, then they will participate. But what we saw, that general customer—I mean, just think about Craigslist which we are very much used to in the US, you've got a bird's eye view of what's the market situation. You then make a smart decision, even if you cannot have a brick and mortar shop, you can participate in a virtual marketplace, and in a place like Bangladesh, which the general perception, it's a backward country. But any given moment, whether 4:00 in the morning, if you log into CellBazaar.com, you will see hundreds

of people are posting millions of stuff. We get, CellBazaar gets, over close to a million items posted over a year. So this is perhaps the biggest marketplace in the country right now. It's all participated by individuals posting things with mobile phone. So that's CellBazaar.

So, that's CellBazaar. Now, let's get into something a little bit more complicated. That is bKash. Now, bKash is what we observed that there are \$64 billion dollars that people pass in Bangladesh hand to hand. It's a close to \$200 billion economy today, but most of the people don't have access to banks. Even though we have a massive population, as I was saying, massive cell phone penetration, but only nine percent of the Bangladeshi population has access to a conventional bank account. So the interactivity is done purely cash based, and in a place like that, somebody's getting cash from one person to another person, and this is not unique to Bangladesh. It's common in many other developing countries. So there, mobile money would be a great solution. Great things were happening in Kenya, and a few other countries, and we thought, okay, let's learn from this thing, and how can we apply this thing in Bangladesh. But everywhere, mobile money is quite—I hate to use that term, but a bit “over-hyped.” But at the same time, every economy, every country has its own rules and regulations. So fundamentally, it's an extremely regulated environment. CellBazaar, the previous one, had no regulatory participation, no regulatory governance at all. Anybody with an idea can execute that. It's a very simple idea in some ways. But this had a layer of complexity, because at the end of the day we are handling public money. So before going further, I have recognized a few faces belonging to the mobile money knowledge base in the world, but still I want to round the basic mobile money and how it really works. What is it?

A hundred years ago, we wrote a letter by writing a letter, by we took the pen and pencil and a piece of paper, we write a letter to relatives. And then came fax or some other technology. Then came emails. Finally, we're doing SMS all the time. So we see some kind of evolution is taking place. Similarly, we used to use cash, coin. Then they have checks. Then they have bank transfer. And now, people are checking their banking from mobile phones. So there's something like a convergence that's taking place, and if the two mobile phones can talk to each other, then potentially we can transfer money from one phone to another phone. That's a very fundamental thing. But when we talk about money, if we look at it carefully, all money has a central bank governor or Treasury Secretary's signature on it. It's guaranteeing the value of this cash. So when you were digitizing this thing, you're doing two phones and things are traveling, it also needs a serious regulatory approval to protect the customer interest. And that's fundamental. Now, we're talking about two phones in a country like Bangladesh. Now we're talking about 100 million phones. So potentially, the same thing can be done among 100 million people. And the complexity really goes up then very high. And now that we are talking about a solution in a place like that, we need to see why it fits in Bangladesh so well.

As I said earlier, it's a very agri-based economy, people all working with cash. There's a massive remittance flow that comes to Bangladesh from outside, as well as domestic remittance, because very few places have concentration of industrial activities. So people from different parts of the country come to those locations for jobs. So remittance, both international remittance and domestic remittance is a big part of Bangladesh's economy. And then it has a very structured regulatory system. One great thing that happened in Kenya is M-Pesa, but subsequently, all the regulators are looking at this thing very carefully and saying, how do we structure this thing so that public money, public funds are protected under some regulatory structure. So the Bangladesh regulatory body really played a very effective role. I must say, I mean, without that kind of regulatory structure, I don't think we could have ever envisioned something like bKash. So, and on top of that, I talked about this mobile phone gap we

have. We have close to 60 million of the country's population have access to mobile phone, but only 15 percent have access to banks, so this gap will be minimized if we can have accounts where people can get access to mobile phones.

So let's look at the regulatory structure carefully because I think if we are replicating this thing in other countries, I think it's important we recognize what are the components. That's where the client's interest is protected. The most valuable asset in the mobile money sense is the handset that the customer owns. The customer spends their money buying this phone. So we need to recognize this investment. And then there's a network operator connecting the phones, and then finally the service provider like bKash is connecting people and providing the service. In Bangladesh right now, there are 23 mobile money operators, and bKash is just one of them.

Now, after the complexity—we will not go through this thing—but when people do a transaction, then roughly around 32 steps go on behind the screens. But people don't really care about this 32. People at the end of the day want to make sure they get their money, and that's what the complex operation eventually assures people having. So with that, and this is something where I think the whole magic of mobile money can be summarized, but let me explain this thing a little bit. As I said, there are few hubs in the country where all the jobs are. So you can see this blue means somebody's putting money inside, and red means somebody is taking money outside. So, the concentration of employment is in those four places where the big blues are. So once people are earning money, the money gets spread all over the country in a second. And there's a person I met recently, and I was sharing with Ann that person's story, and I would like to tell her story here.

So I met this person at the agent where this transaction takes place, and I said, "How much are you using it," – "Well, I use it every month. I send money home doing this thing." And I said, "Do you enjoy it, do you like it, do you find the value great for you?" And she said, "Like, yeah, it's great. It's great. But I don't want to do it every month. I don't want to do it. I do it like nine months a year. The other three months I go home and deliver the money." And I said, "Why?" And her answer was that, "At the end of the day, I need to see my husband, I need to see my children." So technology is great, but that doesn't mean that we should be enslaved by this technology and really don't go see our family and only use the technology. And sometimes, we get very much locked into this technological solution. Well, the solution is great and I'm very proud of sharing this thing. Money is going all over the country, but we sometimes forget the core value we provide is that of improving the life and the protection of our family and so on and so forth. So it's important to keep that in mind. And with that, I'm going to show you a video of another lady, and there are ... we'll talk about it in the last couple of slides, where we do roughly 20 million transaction in a month, and each of those transactions creates one such story. And so this story is just one of the 20 million we could be telling this month. So let me run this video.

So this is just somebody you're aware because after two years, we have five million customers, we have 61,000 agents, and you can see the picture of the agent. Those are the ... this is where we have taken the banks, retail services in the country right now. If we have mobile technology, that's where things end up going. And bKash has turned into a verb in Bangla. People say, "I bKash somebody," that means "I send money." Okay. And here's the video.

Video Playing (Did not transcribe – in a foreign language)

So an issue like bKash, I don't want to underestimate its complexity. Many forces came together to create a service like that, and it is not only just the bank in Bangladesh, and the microfinance, and the entrepreneurs with global understanding of this kind of technology, it's the regulator. There are 162 distributors; there are 61,000 agents; and as I said, five million customers. So when you put all of them together, no matter how complex and abstract it sounds, it does bring something that is fundamentally inclusive. And when we look at the bKash initiative, it's not only created value to that customer, it also brought great value to the country because in the past people really did not have a ... if you're a poor person, if you're a worker working in the textile factory in Bangladesh, after you earn the money, you cannot really save the money in any place. You have to give it to either your brother or husband or father, or put it under the mattress. Today, bKash has become the collective mattress of the whole country. So people are putting the money in the bKash system so you can access it at any time you want. As a result, it is providing a far broader inclusivity, and real empowerment for the person because now she has the capacity to access the money any time she wants to go into one of the 61,000 agents we have in the country.

So with that, the conclusive point that I would like to make is that, was there a business model before we created bKash? Yeah. I mean, without a business model, we couldn't have raised so much money to convince the investor and to run the business. But did we really follow line by line the business plan? I don't think so. It was primarily really having that true north on the customer, on the client, what they really want, and figuring out on a daily basis how do we meet their needs. And if we have that true north fixed, we can focus and do something, and within two years, such inclusiveness was achieved. With that, thank you very much, and thanks for the opportunity. (Applause)