

Chapter 57

Mobile Financial Services at the Base of the Pyramid: A Systemic View for Cross-Sector Governance and Embedded Innovation

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ABSTRACT

Mobile financial services is one of the uprising movements to bank the unbanked by integrating philanthropic and business approaches for financial inclusion. In this chapter, the authors address how a systemic view helps integrate the Philanthropic Initiatives (PI) and the Commercial Initiatives (CI) to get a sustainable impact on the unbanked micro-entrepreneurs. However, each approach has pros and cons as they go along the stages of design, deployment, and sustainability. Using the soft system thinking, the authors theorise the Base of the Pyramid (BoP) as a business system to mix-up the relatively high start-up capabilities of the PI with the relatively sustainable impact of CI. The mobile money case shows that donors, local private enterprises, and multinational corporations follow the BoP strategy to develop an online grid that offers a reconciled balanced scorecard for economic returns, social benefits, and local impact. Such a strategy guarantees flexible, long-term investments and facilitates developing innovative financial services.

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INTRODUCTION

Poverty and disenfranchising from the financial system stays one of the humanity's lasting challenges (Chambers, 1983; Margolis and Walsh, 2003). In response, the interest of donors and enterprises in using market-based strategies have increased to enfranchise the poor micro-entrepreneurs and link them to the financial system (Hulme and Arun, 2009; UNCTAD, 2011; Yunus, 2003). Despite the growing trend toward these approaches, critiques are still rising and convincing (Copestake, 2007; Jaiswal, 2008; Karnani, 2007; Morduch et.al, 2009). However, the expansion of mobile devices and other forms of Information and communication technologies (ICTs) facilitated inter-organizational communication, universal access to multistakeholders (Heeks, 2010), and creates a networked society (Castells, 2007 & 2011). In the mobile financial services, Philanthropic Initiatives (PI) and the Commercial Initiatives (CI) run independently of one another, because the economic goals of the latter are irreconcilable and sometimes conflicting with the social goals of the former (London and Anupindi, 2011). Getting both approaches compatible may contribute to achieving sustainable development with wider outreach (Kelly, 2009; Hart, 2011; London, 2011). The "Base of the Pyramid" (BoP) is candidate business system that explains how this synergy could take place (Prahalad, 2010; Prahalad and Hammond, 2002).

What insights, then, does the BoP lens offer for enhancing that synergy between the PI and the CI?

To address this research enquiry, our chapter concerns first with comparing the PI and CI and their underpinning business systems. In doing so, we draw upon the recent literature from the mobile financial services to conceptualize the system design, deployment, sustainability in both types. Then we examine how the BoP lens better integrate the pros of both systems alone the three stages of system development. We see this study as an essential move toward highlighting the broader inquiry of "how can we develop market-based business systems that serve the poor?"

As this research addresses a socioeconomic complex phenomenon, an interpretive qualitative approach has been adopted (Myers, 2013). Our data have been collected from "e-Masary", a case of mobile money in Egypt. Using the BoP business system we provide analysis of different Philanthropic and business networks in the e-Masary and how these networks prompt to integrate in a new business form to bank the unbanked Egyptians estimated to be 80% of the population. Semi-structured interviews, focus groups, field visits and archival studies are the data collection methods used to provide an extensive answer to the research enquiry (Bryman, 1989). Template analysis was also used to interpret the huge amount of data into the key findings (King, 2004).

Following Soft System Methodology (SSM) (Chekland, 2013), we start our chapter by revisiting the challenges of banking the unbanked (such as investment and profitability, digital infrastructure and mobile-based supply chains, regulations and the overall regulatory legal frameworks) to frame the problem situation. Then in the second section, we provide a body of gray literature, including empirical cases of mobile financial services in order to build-up a candidate conceptual framework based on which we explain the motivation for integration between both of the PI and the CI in our targeted e-Masary case study. In the third section, we discuss our theorization of the BoP as a business system. Afterward, we discuss the e-Masary case in depth to draw our templates and study results. In section five, we show the research findings the results of considering the BoP business system as a lens for cross-sector governance and embedded innovation. The last section, offers a conclusion, including potential contribution, research limitations, and future recommendation.

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