

Cell phones play vital role in developing world

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Story Highlights

Cell phone use driving growth in emerging economies
Subscriptions in the developing world have surged since 2000
Philippines a global leader in mobile commerce

HANOI, Vietnam (AP) -- Nguyen Huu Truc's trusty cell phone has revolutionized his small embroidery business -- and his life.

When he bought his first mobile phone in 1995, Vietnam had just one fixed-line phone for every 100 people, and cell phones were a pricey novelty. Communication was difficult, forcing Truc to make time-consuming trips to suppliers and buyers.

But these days, Vietnam has 33 telephones per 100 people -- and two-thirds of the phones are mobile. Now Truc can make calls on his cell phone from virtually anywhere in the country for about 10 cents a minute, saving him time and money and providing quicker access to information.

"I cannot imagine what it would be like if I didn't have my mobile phone for a day," he says. "It's no longer just something that only the rich can afford. Now, it's a basic means of communication."

Truc's experience provides a glimpse into how wireless communication is helping fuel Vietnam's rapid growth -- and transforming dozens of other developing nations from the ground up.

Today, mobile phones are the primary form of telecommunication in most emerging economies, fulfilling much the same role as fixed-line phone networks did in facilitating growth in the United States and Europe after World War II.

Some developing nations have even jumped out in front as mobile pioneers. In the Philippines, more than 4 million people use their cell phones as virtual wallets to buy things or transfer cash -- services still rare in many wealthy countries, with few exceptions like Japan.

As service charges and handset prices have plunged and coverage areas have expanded, cell phone subscriptions in the developing world have surged fivefold since 2000, to 1.4 billion at the end of 2005, according to the U.N. International Telecommunication Union. That's nearly double the 800 million in advanced economies.

Research shows that greater cell phone use can drive economic growth in emerging economies. Based on market research in China, India and the Philippines, consulting firm McKinsey & Co. found that raising wireless penetration by 10 percentage points can lead to an increase in gross domestic product of about 0.5 percent, or around \$12 billion for an economy the size of China.

"There's enormous entrepreneurship and creativity worldwide, and through mobile phones you're providing people with the tools -- rather than aid -- to earn a living," says Leonard Waverman, a London Business School professor. In a separate study of 92 countries, Waverman had findings similar to McKinsey's report.

"It's not a magic bullet, but it's a vital tool," says Waverman, whose research was partly funded by British mobile carrier Vodafone Group PLC.



Filipino women use their cell phones in Manila. The Philippines has become a global leader in mobile commerce.

By bouncing signals off base stations, relay towers and satellites instead of over copper wires strung to villages and homes, cell phones can hurdle mountains. Mobile phones are not hampered by illiteracy -- which is a barrier to computer use -- giving millions new opportunities to exchange information, make money and conduct business.

In India, fishermen call ahead to ports to see where they will get the best deal on their catch. Kenyan farmers check crop prices on a service offered by local provider Safaricom.

In South Africa, cell phones serve as a virtual office for carpenters, painters and other laborers who post their numbers on handwritten signs advertising their skills.

Virtual wallets

The Philippines has become a global leader in mobile commerce. Since 2000, Smart Communications Inc., the country's largest carrier, has allowed subscribers in its Smart Money program to hold limited amounts of cash in electronic wallets linked to their mobile accounts.

Using their cell phones, members can withdraw cash from their bank accounts, pay for goods and services and transfer money and airtime credit. The phone records all transactions. Overseas Filipinos are even using this service to send money home. While the system is designed to work with financial institutions, subscribers don't need a bank account.

"If your son or daughter is away at school and needs money, this is an easy way to send it to them," says Ramon Isberto, a Smart spokesman.

This kind of application holds promise for the millions in developing countries who have no bank accounts and for whom transferring money can be difficult or risky.

Wizzit, a South African-based company targeting customers without bank accounts, has been offering cell phone-based financial services since 2005.

Vodafone, which is investing heavily in Africa, is partnering with Kenyan affiliate Safaricom and the Commercial Bank of Africa to soon launch M-Pesa, a mobile financial service that allows users to send and receive cash and perform other transactions.

"Financial institutions are realizing that the only way to reach new customers is through mobile networks," says Nick Hughes, head of the mobile payment team at Vodafone.

Expanding mobile networks also brings other economic benefits, experts say. It lures more foreign investment, gives families better access to health and educational information and provides governments with more revenue from licenses and taxes.

Wireless technology has emerged at a fortuitous time for carriers expanding in developing countries because it is so much cheaper and easier to build than fixed-line networks.

Rugged, sprawling Afghanistan, for example, now has 2 million cell phone subscribers and only 20,000 fixed-line phones.

"They can leapfrog the technology," says David Knapp, general director of Motorola Vietnam.

In Vietnam, where the economy is growing 8 percent a year, the communist government has spent heavily to expand coverage to all 64 provinces.

"The more people who have cell phones, the more the economy will grow, and vice versa," says Bui Quoc Viet, a spokesman for the state-run Vietnam Post & Telecommunications Corp., the country's largest telecom company.

The government has also promoted competition: Vietnam now has six mobile carriers, two with foreign partners. The development has driven down service charges, a key factor in the tripling of cell phone subscribers over the past two years to 18 million.

Mobile phones provide a good way for the younger generation to seek new business opportunities and cash in on Vietnam's move toward a market economy, says Paul Ruppert, managing director of consultancy Global Point View LLC, who has extensive experience in Asia.

"It's all micro-activity -- tailors, small repair shops, textile producers, grocery stores," Ruppert says. "Even though they're small, they're allowed to get an idea of the market via the cell phone."

Text messaging, or SMS, is another application that's particularly popular in Asian nations like Thailand, Vietnam and the Philippines. It's considered a cheap, unobtrusive way to stay in touch with friends, connect to the Internet and conduct business.

"It's a good way to save costs, but more importantly I can use SMS services as evidence for my business transactions," says Truc, the embroidery business owner.

Carriers have adapted to the needs of poorer customers by selling prepaid airtime cards, often for as little as 35 cents per card. This eliminates the need for a contract, credit history check or even an address. Once you register for a phone number and buy an airtime card, you're in business.

Communal phone

Handset makers, meanwhile, are offering ultra-cheap phones. Motorola Inc., under the GSM Association's emerging market handset program, has produced cell phones with a wholesale price of less than \$30. Retail prices vary depending on taxes and local market conditions.

But even those phones are still too expensive for many who live on one or two dollars a day.

That's given rise to communal phone use and a cottage industry made up of people who resell phone service for a living.

Both are typified in Bangladesh's "Palli Phone," or village phone, program. A quarter million "phone ladies" buy mobile phones on credit from Grameen Bank, winner of the 2006 Nobel Peace Prize along with its founder Muhammad Yunus, providing wireless communication for the community and themselves with a livelihood.

Hasina Banu, who lives in a remote village in northern Bangladesh, bought a phone from Grameen for about \$110 and each week pays back about \$2.50. She now earns about \$25 a month from the phone and plans to use that money to open a small grocery store.

But even in rural Bangladesh she says competition is heating up among other "Palli Phone" sellers.

"Now I get less customers," Banu says. "But I am happy that now I have some money with (which) I can expand my business."