Title
Intermediaries, Cash Economies, and Technological Change in Myanmar and India - Part Two (IMTFI Blog)

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Intermediaries, Cash Economies, and Technological Change in Myanmar and India (Part Two)

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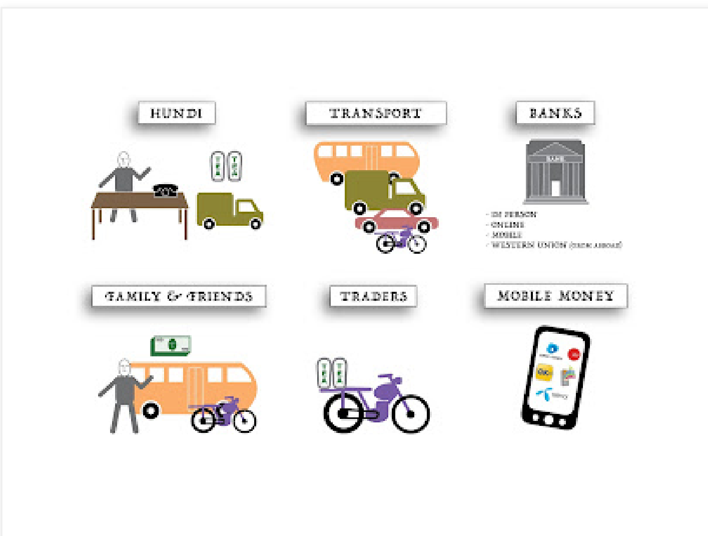
In our previous blog post, we described why we mapped how people borrow and send money around before and/or outside the formal financial sector. Our goal was to understand the value that intermediaries bring to financial transactions in Kerala (India) and Shan state (Myanmar). This led us to unearth a vibrant eco-system of intermediaries, who offer a variety of services and are often in competition with each other – a very different picture from the stereotypical idea that a lack of formal financial services is the same as a lack of financial services. The arrival of mobile money and mobile banking takes place in the context of an already crowded market of competitors. Clients have more choice – and digital financial service providers have to demonstrate their value relative to these existing ways of moving money.



The relatively newly established bank accounts for lower income sections of the population in Kerala are largely restricted to the depositing/transfer of money from the state under public schemes or subsidies. In Shan, state bank accounts are specifically targeted at people with some savings or traders. In both places, therefore, the introduction of mobile money services merely adds to the range of formal financial channels. People are aware of and are even beginning to use these channels, some to greater and others to lesser extents.

In Shan state, traders with a significant volume of business are opening multiple bank accounts to take advantage of free intra-bank money transfer, and thus be able to send money to clients for free regardless of where their clients have their bank account. Despite the digital banking applications, however, much of the work of signing up clients, helping them with deposits, transfers, and other operations still happened face-to-face. Banks would send their young marketing people around town to explain their services to potential clients, to tell them who else was already signed up and who was in the bank, thus allowing the client to establish a sort of trust by proxy: did they know the director of the branch? Any of the employees? Was any person they trusted already a client? This trust “check-list” was followed by regular, in-person visits to the bank even when the client did use mobile banking.

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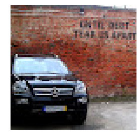
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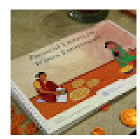
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The increase of formal financial services has therefore resulted in an increase of formal financial intermediaries (regulators, banks, local telco operators in almost all cases) and the persistence of 'old' intermediaries, who still create value for their clients by moving around and lending cash.

Consequently, our second question in our fieldwork was about the different kinds of value that human intermediaries create. We have identified five such areas where the involvement of a human intermediary appears valuable enough to clients that they choose that route over using unmediated and/or digital modes of conducting financial transactions

1. Negotiating time
The intermediaries we identified were able to offer or move money at short notice, which was important in the largely agrarian communities we focused on. Economic transactions such as the sale of crops or fish are not always "cash-in-hand." Very often, the markets for these commodities are far away (even international) and payments for goods sold are routinely delayed. Small-scale farmers seldom have the wherewithal to wait for payment. Therefore, they may decide to sell their goods to locally known traders for less than they could get if they sold directly to the final buyer, just so they receive immediate, cash payments. These decisions on when to sell, or who to sell to, are often made in the context of the farmer's life at a given moment and their life phase – are there children to send to school? Is the farmer older and care more about receiving some cash now, than more cash at a later time? If a fisherman returns after a few days at sea and wants to buy himself a drink, he might care more about selling the fish quickly through his usual intermediary at a known market in order to get the cash he needs for that drink, rather than waiting to find the best price and market. (In the absence of a guarantee that digital money will be accepted, the need for physical cash is great. Cash is universally accepted, including at small- time liquor stores, a point that came up repeatedly in conversations with interlocutors at Kerala beach). What intermediaries offer their clients is thus an opportunity to negotiate how quickly they can access useable money.

2. Negotiating Space
Negotiating space is a second area where intermediaries add value. Intermediaries traverse geographical distances, going between villages and markets frequently – e.g. buying a crop from farmers or fish from fishermen, then selling at a market or to a factory, etc. For farmers, spending time going to markets (even with decent roads) represents a greater loss in income than the lower price they receive after a trader takes his/her cut.

3. Situated Expertise
Most of the informal intermediaries we met were themselves members of the communities where they transacted and had long years of experience in their work. This led to their status as local experts, who knew financial transactions and networks in their domain. In Kerala, fishers viewed their auctioneers as having experience with and deep knowledge of the local fish economy and the process of auctioning. They could be relied on to gauge the prices of different varieties of fish, their seasonal availability and demand across geographies. Similarly, in Shan state, traders are seen as experts in, for example, the national tea markets – as those in the know about which tea to send where. As local and export markets are increasingly intertwined, traders play an essential role in promoting, marketing, and establishing new markets for local produce.

4. Negotiating Visibility
Those involved in financial transactions are often concerned about the visibility of these transactions for a variety of economic, social, and legal reasons. Different formal and informal intermediaries are able to monitor the circulation of money to different extents. Importantly, the implications of their monitoring are also different. Money moved through formal and trackable channels, be they bank accounts or mobile money wallets, can potentially be monitored by the state and tied back to those involved in the transaction. In fact, in the Indian case, the Reserve Bank of India itself envisions digital money as a way to get a better and more reliable sense of the volume (and location) of financial transactions taking place in the country. However, medium to large-scale actors in a market often do not find being tracked by a telco or the state an attractive proposition.

On the other hand, smaller-time, informal intermediaries might not have the wherewithal (nor often the motivation) to track and document the transactions of those they transact with in as comprehensive a way (though they do ‘keep track’ of their borrowers). Moreover, sellers might be in a position to negotiate with intermediaries with whom they have a long-term relationship over how much they are being tracked, or what aspects of the seller’s transactions intermediaries are keeping track of. Thus, informal intermediaries (and cash transactions) keep actors much less legible to the state, which these actors might often find valuable.

5. Social fit
This is a tricky category that is as much about societal perceptions of fit. For example, in Shan state, Burmese-Chinese dominate the tea trade and many other agricultural commodities (especially those exported to China) because of language but also family networks. It then becomes difficult for non-Chinese tea farmers or traders without such extensive networks or skills to enter this market. But there are more subtle differences, such as gender (as other IMTFI researchers have pointed out) or educational level, that make people feel out of place in certain spaces. An intermediary, then, is the person who is able to bridge these divides, or who opens up access to some of these networks, because of their social location.

Studying intermediaries in the specific environment where they operate shows a rich variety in the roles they play and the value they create for their clients. Together, these can explain why clients might choose to go through human intermediaries rather than use their mobile phones directly to conduct many of their financial transactions.

For Part One of this blog post series, see here.

To read more about their IMTFI funded research see their project page here.

Link to their one-day workshop this Friday, November 11th at IIIT-Bangalore featuring industry experts from Eko, Microsoft Research India, McKinsey Digital Labs, the Gates Foundation, India and the National Payments Corporation of India.

Stay tuned for Oreglia and Srinivasan's final report!

Posted by Unknown at 4:35 PM

Labels: India, Information technology, intermediation, mobile money, Myanmar, social relationships

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