

## **Empowering Role of the Village Phone Program in Bangladesh: In Retrospect, in Prospect**

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### **Abstract**

*This article evaluates the role of the Village Phone (VP) Program in empowering the VP operators and its users. It also investigates how the availability of telephone services at reduced tariffs has impacted the role of the Program in Bangladesh as an earning tool. The findings suggest that in its initial stage, VP played a significant role in economic empowerment of the VP Operators. With the increased availability of the telecommunications services in rural areas 2005 onwards, the demand for the VP and its role in generating an income to support the livelihood of rural women in Bangladesh has decreased significantly in recent time. It appears this declining trend in the revenue earnings from VPs will continue and the program faces its demise in the near future.*

**Keywords:** Phone Ladies, Empowerment, Tele-center, Community Information Center.

### **Introduction**

About 80 per cent of the population of Bangladesh lives in villages. Before 1997 there was no telephone network in rural areas. Even in the rest of the country the level of connectivity was appalling with less than 0.39 per cent tele-density (Bayes 2001). Bangladesh then initiated liberalization of the sector by awarding six cellular mobile phone licenses to private business investors during 1989-1996. The USA-based entrepreneur Iqbal Qadir first floated the idea of providing mobile telephones to the rural people of Bangladesh through an innovative, shared-access business model (GrameenPhone Annual Report, 2006). The GrameenPhone translated his idea into a virtual business model for providing telecom services to rural people (Camp and Anderson 2001). It is a profitable business arm of the Grameen Bank founded by Nobel laureate Muhammad Yunus.

In 1997, the Grameen (the name 'Grameen' means 'village') family members—namely Grameen Bank, GrameenPhone and Grameen Telecom—jointly launched the Village Phone (VP) Program (Bhuiyan, 2004). Its objective has been to provide rural people with access to telecommunications services under a shared-access business model. This has created new opportunities for VP operators (popularly known as 'Phone Ladies') to become mobile phone owners without having any prior savings. The Phone Ladies rent out the use of mobile phone sets to villagers in order to earn an income.

Under the shared access model, VP has brought a quiet information revolution by bringing IT to the poor and giving telecom access to rural people for whom telephones were a luxury rather than a right. By 2007, the program spread to more than 50,000 villages, in 61 out of 64 districts of the country. As of July 2007, the number of Village Phones reached 475,000 (Interview, 2009). Professor Yunus and his Bangladesh-originated Grameen Bank won the 2006 Nobel Prize for creating economic and social development through this VP model of micro-financing and mobile phone service resale (Frieden, 2007).

The purpose of this study is to examine whether the role of the VP Program as an earning tool has been decaying due to the availability of alternative telecommunications services in rural areas and the significant decline of cellular mobile phone tariffs in Bangladesh.

The paper is organized as follows: Section 2 outlines methods of data collection; Section 3 provides a brief overview of literature on village phone; Section 4 discusses the success factors of the VP Program and Section 5 provides an analysis on the Current Status of VP business and Future Prospects the business Model. The findings of the study lead to the conclusions of the paper in Section 6.

### **Methods of data collection**

Data for this study were collected through a combination of face-to-face interviews and secondary materials. Both VP operators (who are also VP owners) and users were interviewed for the study. The VP owners/operators were selected randomly from a list of VP operators (maintained in Grameen Telecom Head Office, Dhaka) who are operating in Dhaka division.

For this study, VP operators from across 15 different villages located in a distance of around 30-40 kilometres in the greater Dhaka region (Narsindhi, Manikgonj and Narayangonj districts) were interviewed. A semi-structured interview guide was used for the interviews. The villages are typical Bangladeshi communities which are representative of the whole VP scheme. In addition to the VP operators, one mid-level and one senior corporate level executive of GrameenPhone, the former CEO of Grameen Telecom and three tele-center CEO/directors, were also interviewed in person in 2008. Interviews with the GrameenPhone executives were conducted to understand the present state of the demand and profitability of their VP program, while the VP operators were interviewed to learn about their income stream from the airtime (village phone) sale business compared to their previous earnings from the same. For updated data, email communication was conducted in 2009.

Given the large numbers of VP customers, the focus group discussion method was preferred to other data collection techniques as it permitted gathering large amount of information from potentially large groups of people in relatively short periods of time. It also did not require complex sampling strategies (Berg 2007). Moreover, focus group discussions facilitated the ability to draw some conclusions about the large population of interest. Three focus groups, each comprising ten (10) VP users were conducted. Members in the group were chosen on the basis of VP users' willingness to participate. Users volunteered in response to newspaper advertisements seeking participants. Focus group members were encouraged and facilitated to share their ideas and to interact with each other. They were asked semi-structured & open-ended questions (Table

3). These questions were used as a guideline only. The researcher moderated the focus group sessions and facilitated maximum interaction among the participants. Additional questions and issues came up in course of the discussion. Each focus group meeting lasted about an hour. A written explanatory statement containing the purpose and significance of the study was delivered to the interviewees in advance.

For the secondary data, the study relied on published and unpublished documents, GrameenPhone annual reports and other web-sources. The interviews were transcribed, and systematically coded according to themes before being analyzed using computer-based software NVivo 8.0.

## **Literature review**

### **Background and operational mode of VP**

The VP Program is an alliance partnership between Grameen Bank, Grameen Telecom and GrameenPhone. GrameenPhone is the leading mobile phone firm in Bangladesh and a profitable arm of the Grameen family of organizations. Grameen Telecom is a non-profit entity of Grameen Bank which also owns part of GrameenPhone. Grameen Bank took the lead firm role in launching the collaborative program. Grameen Bank provides micro-credit (\$200 capital) to its woman members (borrowers of Grameen Bank) to enable them to buy a mobile phone set without any collateral (Anderson and Kupp 2008; OECD 2004). Thus the VP program was an initiative to impact a positive change in the lives of women (instead of being 'gender neutral') who are economically and socially disadvantaged. The VP operators are selected by Grameen Bank from among its women borrowers (Richardson, Ramirez and Haq, 2000). In order to be eligible to become a VP operator, these borrowers must meet some requirements (Knight-John, Zainudeen and Khan, 2005) such as (a) a Grameen Bank member for a minimum period (b) a good repayment record (who had paid back at least two loans) (c) time to operate the VP and (d) at least one literate member in the household

Grameen Bank selected women to provide microcredit and phone retailing business for three reasons: First, women are reliable, disciplined and regulator in servicing the debt, thus making the success of the program. GrameenPhone experienced this impression about women borrowers from its micro-credit program. Second, compared to men, GrameenPhone provides subsidized airtime at 50 per cent of the regular prices (under a partnership agreement) to the VP operators. Grameen Telecom provides necessary training and other support services to the women borrowers. These women-borrowers who run the airtime business are known as Phone Ladies (also known as VP operators). The Phone Ladies rent the phones, with airtime to the neighbours in the village for a fee (Mair and Schoen 2007; Morse 2003). The VP model is known as 'shared-access model' because instead of each end-user owning a handset, a group of phone users shares one paying for calls by the minute (Dang, Sultana and Umemoto 2008; Rahman, 2005).

Under the innovative concept of shared-access model concept, anyone can receive and make phone calls by paying a fee- per- minute basis.

## Users of VP

Rural people who had no access to telecommunications service but who required the telecom services were the target of VP. Village Phones enable rural people to make calls from their villages and also receive calls from outside. Thus, the Village Phone provides an important link for villagers who are now residing either in city or outside Bangladesh to stay in touch with their family and relatives at home<sup>1</sup>. Village Phone is used mainly for financial matters (on remittance sent home by expatriate family members). It is also used for business, trading and health reasons (Richardson, Ramirez and Haq 2000)

## Economic and Social Empowerment through VP Initiative

In discussing whether VP program empowered VPOs, it is pertinent to understand the concept of 'empowerment' and assess how VP business has contributed to the dimensions of empowerment.

Empowerment is a cornerstone of a bottom-up approach in development. Empowerment refers to enabling weaker, excluded and powerless citizens to gain or regain power over their lives. Rappaport (in Beeker, Guenther-Gray and Raj 1998) defined empowerment as 'the process by which people, organizations and communities gain mastery over their lives' (1998: 832). In the context of bottom-up development theory, empowerment can be translated into people's participation by allowing them take part in the decision-making and development process (Fors and Moreno, 2002).

The VP Program has been significant change agent in phone ladies' life. The majority of the VPOs interviewed mentioned that the selling of airtime through the VP business have provided them with a way to earn their livelihood. It has been revealed by the VPOs that they now (2008-09) earn on average US\$1.50 a day after meeting all costs incurred to run the VP business *which was much higher* a few years ago. For example, during 1999-2002/3, their per day net earnings was \$ 2.00- \$ 2.50 per day. The significant reduction in call rates due to competitive pressure and easy accessibility of mobile phones reduced their net income in the last 3-4 years.

About two-thirds of the respondents reported that the business model of VP allowed them to have increased role in family decision making, and enhanced their dignity relative to the rest of the community. Just over two-fifths (forty one percent) of the respondents claimed that they are now able to decide spousal matters such as whether they would adopt family planning to limit their number of children. Previously, they had to surrender to their husband's will on different familial issues such as whether to adopt family planning, sending children school or not and where to put their savings. A majority of the VPOs stated that before the VP business, they had lacked freedom of mobility in the society. They were seen as a mere housewife to do every day to day activity including cooking, cleaning, washing clothes, rice parboiling, and husking. Regarding husbands' role in getting initially involved with the VP business, a majority of the phone ladies (18 out of 24) reported that their husbands/male guardians in their household influenced them to become Grameen Member and engage in the airtime business. The income

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<sup>1</sup> The single most important variable in relation to phone use is whether or not a household has a family member working overseas (Richardson et al., 2000 p.24).

stream from the VP business made the Phone ladies less dependent on their partners. This reduction of dependency on their male partners is a form of empowerment.

These women were formerly voiceless in the family and often ignored. The earnings from retailing the mobile phone set gave the Phone Ladies a scope to raise their voice in the family decision making. They can also contribute in developing their children's including where to send them for education. Apart from the participation in family decision-making; they found own livelihoods. The phone business allowed the phone ladies to gain control over their lives and the resources they own. Having control on one's one living and resources is a form of empowerment.

Socially, the income the Phone Ladies generated has elevated their social standing, and provided them with increased participation in family decision-making while reducing their dependency relations with their partners. The enhanced prestige of the VP operators stemming from the ownership of village phone also brought them social empowerment. The study also finds that the access to telephone service also helped to change the power relations between rural traders and relatively powerful middlemen.

The access to telephone service empowered the small traders and farmers in the village over middlemen by providing them with timely and relevant information about market prices, to allow them to decide when and where to market their produce. It has been found in the field study that the VP helped the poor farmers and their communities to access to accurate and timely market information to strengthen their position in the market chain. Use of mobile phone service also found to have helped the micro entrepreneurs to develop new business contacts particularly those for whom the mobile phone service retailed by VP is the first and only medium to access telephone. This finding is consistent with Goggin and Clark (2009) who are of the view that the mobile phone can enable the community members to access local, regional, national, and global networks – potentially a tool to break down the traditional structures of power that work against the very poor (p.593)

It is notable that an income of \$1-1.50 income/day from the VP may seem very insignificant for many. But in a country where a typical household in rural village spends around US\$ 2-3 a day, 40.4% of the population live below the absolute poverty line, and many of them cannot afford to buy the basic necessities of life such as food, clothing and shelter (Mondal, 2009), VP operators' income of around \$1.5 a day makes a significant difference in their life. It enhanced Phone Ladies' disposable income offering them choice and discretion to spend extra income.

### **VP a social business**

The VP model is an example of a pro-poor information and communication technology (ICT) project. Using mobile phone technology, it brought telecommunications services to the rural community at an affordable price for those who were previously denied a service. This is because mobile phone services are relatively cheap and less time consuming to offer to consumers compared to fixed line phones. Mobile phones do not require customer-access (local-loop) lines; instead transmitter towers serve its purpose. This makes the economics of mobile phones is different from that of fixed-line telephones. With the development of innovative pricing packages and products such as prepaid cards, flexi-load payment options, mobile phones are being used by

all sections of people. Judith Mariscal and Eugenio Rivera consider mobile phones as a 'pro-poor service'. According to them, "mobile telephony has and will continue to provide social benefits, because it is becoming the favored means of communication for less-privileged segments of the population" (Mariscal and Rivera 2007: 51). As a mobile phone-based business model, the VP model emerged as a social business because it was driven by the social-objective to benefit the poor. The village phone model also provided a network externality benefits to all concerned as observed in Tschang, Chuladul and Le (2002): "when more and more villages are connected to the network, the value of connecting increases disproportionately for each connected village" (2002:137). This study provides compelling evidence that the VP initiative provided unique opportunity for traditional veiled Bangladeshi rural women who follow Islamic values to access telecommunications service. The access to telephone service (facilitated by VP model) by a nominal fee also appears to have contributed significantly in reducing information gap between those who could afford a handset and who could not given the fact that mobile phones are still expensive in many developing countries. For example, in Burma, the options of having a mobile phone are limited to buying an expensive handset from the government or a cheap model if one has access to the Chinese-or Thai-made handsets available along the borders (Goggin and Clark, 2009 p.594). In such a context, VP helped poor Bangladeshis not to fall further behind due to their incapability to afford a handset and its associated costs.

Access to information and the ability to exchange opinion with peers about the market makes the consumers/community members knowledgeable about the prevalent price and alternative choices. Evidence suggests that the village phone increases users' income by 10-20 percent on top of their time savings (Sullivan, 2007). VP not only has empowered phone ladies, it has also facilitated entrepreneurial activity at village level to drive community development through their improved-well being. The successful implementation of VP business and use of mobile phone by even illiterate business women have also helped to break down hurdles and scare about technology in the villages. Seelos and Mair (2007) observe: "The VP program has created jobs for the rural people, facilitated repatriation payments, allowed villagers to save on costly and lengthy trips for business and personal purposes and made existing businesses more productive" (2007).

Thus it is obvious that the overall effect of the VP business has been beneficial for all parties involved in the program. As a communication tool, village phone has created significant economic and social impact to the entire village.

### **VP – Success factors**

The former lack of telecommunications facilities in rural Bangladesh and the immense demand for telecommunications services were the main success factors of VP. Other factors which helped the success of the program include: Grameen's credit support for start-up cost of the program, favorable business terms (discount on airtime), affordable call rates and the large number of Bangladeshis working abroad and wanting to call home (Courtright 2004; Dowla 2006; Moni and Uddin 2004). Discounted airtime helped VP to provide mobile phone service at a relatively cheaper price. VP's per minute tariff was US\$0.14 (Tk.7) while normal tariffs of Grameenphone and other operators were in the range of US \$ 0.22-0.30 (Tk.12-Tk.16) during 1997-2002 (Yusuf, Alam and Coghill, 2010; Buse 2008). By removing the barrier of owning a mobile phone set, the

VP model was able to make mobile phone services cheaper and thus provided affordable services to the poor living in remote and rural areas in Bangladesh (Dang, Sultana and Umemoto 2008). Grameen understood the significance of combined purchasing power of a community in introducing the VP in rural areas (where one single person is unable to bear the cost of a mobile) as Prahalad and Hammond (2002:10) interpreted later:

An individual consumer might not be able to afford a particular product or service, while a group, or even a whole village, often can. Shared access is rapidly becoming the standard model for providing IT access in Bottom of Pyramid (BOP) markets, making the community-not the individual-the customer.

Cultural factors also contributed to the VP's success. Due to cultural barriers such as the *purdah* (*veil*) norm, Bangladeshi women are very unlikely to visit a male operators' home to use a phone (Bourrie 2000). VP operators being predominantly women have no such cultural barriers in attracting customers (especially woman ones) for retailing their phone service.

### **Current Status of VP business and Future Prospects**

Village Phone was once renowned worldwide for its success in making Phone Ladies economically and socially empowered. However, majority of respondents from the VP operators and users believed that its role as a tool of empowerment is in decline; and it is experiencing significant erosion in its revenue generation. The factors considered responsible for causing a large dent in VP's utility and profitability include: the growing availability of low-cost handsets<sup>2</sup> and easy availability of mobile phones (the number of mobile phone subscribers: 26,000 in 1997 and 46.41 million as of July 2010 ([www.btrc.gov.bd](http://www.btrc.gov.bd) accessed on 8 December, 2010). Mobile phones are in the hands of most unlikely traders in Bangladesh: rickshaw pullers; taxi drivers; betel-leaf vendors, maid servants, and farmers. A majority of the VP operators reported they had been experiencing a dent in the competitive advantage they used to enjoy when there were no other service providers in the villages. For example, the call rates per minute for mobile phone service were in the range of US\$ 0.30-0.32 when VP program was launched in 1997. Rapid proliferation of mobile services in rural markets and the stiff competition among the operators resulted in a significant reduction in mobile tariffs. The rate has gone down so drastically that Bangladesh now offers the lowest call rates-less than US \$ 0.02/minute-in the world (Hasan, 2009). Aggressive marketing, in both print and electronic media, made the villagers more aware about the falling mobile tariffs. The Phone Ladies are no longer in a position to charge more than what the market determines.

The tariffs of different operators (as shown in Table 1) range between approximately US\$ 0.007-0.028/min (Tk. 0.49- Tk.2.00) although they charge different rates for different packages and times of the day. For on-net calls (i.e. calls on the same network), mobile operators charge even lower rates as evidenced in Table 1. On the contrary, the rate VP charges its customers is

<sup>2</sup> The falling prices of low-end GSM handsets (average sales price of each low end GSM sets were \$250 in 1995, \$100 in 1999, \$60 in 2002 and \$22 in 2007) have paved the way for villagers to go for own mobile phone (Christman, 2007). More people can now afford their own mobile phone due to cheaper low end GSM handsets.

around US\$0.017/minute (Tk.1.20/minute) much higher than the prices of many packages charged by others (Table 1).

Table 1 shows the comparative tariff rates of VP vis-à-vis its competitors. It shows that the rate of VP is not competitive compared with other operators. Most packages of Teletalk and Banglalink (such as off-peak rates) are cheaper than the VP rates (as evident in Table 1) while prices of other packages are very similar and competitive. Multipurpose tele-centers are in a better position in the village because of their ability to provide different services (from a single centre) to cater to the needs of the villagers. By offering multiple services, these centers are also able to derive economies of scope and reduce their operational costs (Tschang, Chuladul and Le 2002). These tele-centers emerged as strong competitor of VP operators.

Table 1: Standard Prepaid tariffs of competitors vis-a-vis VP

Mobile Phone service providers	Off-Peak Rate (per minute)	Peak Rate (per minute)
GrameenPhone	On-net calls: Tk.0.49 (i.e.Calls made on the same network)	Tk.1.50
	Off-net calls Tk.1.00	Tk.2.00/minute (for off-net calls)
Banglalink	On net calls: Tk. 0.45	Tk. 1.25
		Tk.1.45
Teletalk	On net: Tk.0.60	Tk. 0.95
	Off-net: Tk. 1.00	Tk.0.90
VP	Tk. 0.85 (off-peak)	Tk.1.14 (0.99+VAT) (both on-net and off-net)

(Source: Authors' field study and company websites,2008/09)

About one-third of the VP users reported:

Once Village Phone was the only provider in our village to receive as well as make phone calls. Now there are different alternatives. We can go to multipurpose tele-centers to meet our information and communication services needs. The tele-centers have enabled us to access not just voice telephony but also internet (email), data and other ICT services as well.

A VP operator stated that 10 years ago, she was the only provider of telephone in her village and the surrounding area. Today, she has to compete with PCOs, tele-centers, public switched

telecom network (PSTN) operators and other mobile operators. The result is drastic reduction in call rates, reduced demand for VP and reduced profitability.

The drastic reduction in call rates as well as the newly established multipurpose tele-centers by organizations such as D-Net, BRAC, Bangladesh NGOs Network for Radio and Communication (BNNRC) and Young Power in Social Action (YPSA), has adversely affected the demand for VP. These multi-purpose tele-centers have been established to empower the rural community by providing them access to information, communication and ancillary services. The availability of multiple services, such as telephone, internet, cable TV and radio, photography and health services (The Daily Star, 2007) in one center made former single service VP users prefer tele-centers to VP for a single service. Thus, it is not only the competition and falling tariffs but also the inherent limitations of the model i.e. its inability to meet multiple and varied needs of villagers with the changing need of time which has brought the VP model near to obsolescence. The falling fate of the VP is a reflection of the short product life cycles (PLC) in ICT sector.

The appeal of the VP to the villagers also reduced significantly. The users of telephone services in the rural areas reported that they previously relied solely on VP as there were no other alternatives. Today, they have several alternatives which provide telephone services at a cheaper price. Apart from multi-purpose tele-centers, a sizeable number of former VP users now have their own mobile phone. Furthermore, many former VP customers now avail services from other sources. In this respect, one VP user observes:

Previously we used to rely solely on VP. Now we can talk to our destinations and relatives using Public Call Office, PSTN phones, and neighbors' mobile phones. Our need and urgency to travel to VP operators' shop/kiosk to make a phone call has reduced greatly.

The running of public call office (PCO) business in rural areas by mobile phone operators (through open and disguised unemployed people) in tea-stalls, public places and other small kiosks also reduced the demand, importance and profitability of the village phone. Rural people can easily access to the telecommunications services at affordable cost through these kiosks. The use of PCO by mobile phones has been allowed by the telecom regulator in the greater interest of the rural community (Hasan, 2008). The significant increase in the number of regular subscribers of GrameenPhone and other operators at village level negatively impacted upon the income of the VP operators (Islam 2005). Table 2 shows responses of villagers (who previously availed themselves of VP services) with regard to their present preference in accessing telecommunications and ICT services.

The opinions of the former village phone users as summarised in Table 2 suggest the majority of them have switched from VP to other providers to avail telephone and other ICT services. The switching of VP's former customers to other providers and the significant reduction in call rates due to competitive pressure brought VP program near to collapse. The Grameen business model was flawed in that it sat still on a good product instead of looking towards the future. The following quote illustrates how quickly the income stream of VP is falling due to increased competition:

‘Today, she must vie with 284 other Village Phone Operators nearby, plus all the cell phones her neighbors have bought for themselves as prices have come down. As a result, Begum's phone rentals these days bring in monthly profits of only \$22’ (Shaffer 2007).

Table 2. Village Phone Users’ current preference for ICT services

Preference in buying telephone services	Respondents %	Reasons for preference	Gender (Male: Female)
Different providers such as other mobile phone service providers, PCOs, and mobile phone shops/kiosks	41%	These are available in village markets and shops	81%
		Affordable	19%
Multifunctional village Tele-centres	19%	The tele-centers have enabled us to access not just voice telephony but also internet (email), data and other ICT services as well.	72% 28%
We now have our own phones	7%	Mobile ownership allows users not to buy airtime	Mostly male
Village Phone (VP)	29%	We do not want to change provider  We feel easy to go to a female operator as it helps us to keep our burkahs (veil)	Male 15% Female 85%
Neighbours/friend’s phone	4%	We only receive calls from overseas; so we do not need to buy a set. We can use neighbours’ phone and they are very helpful to us	Mostly female

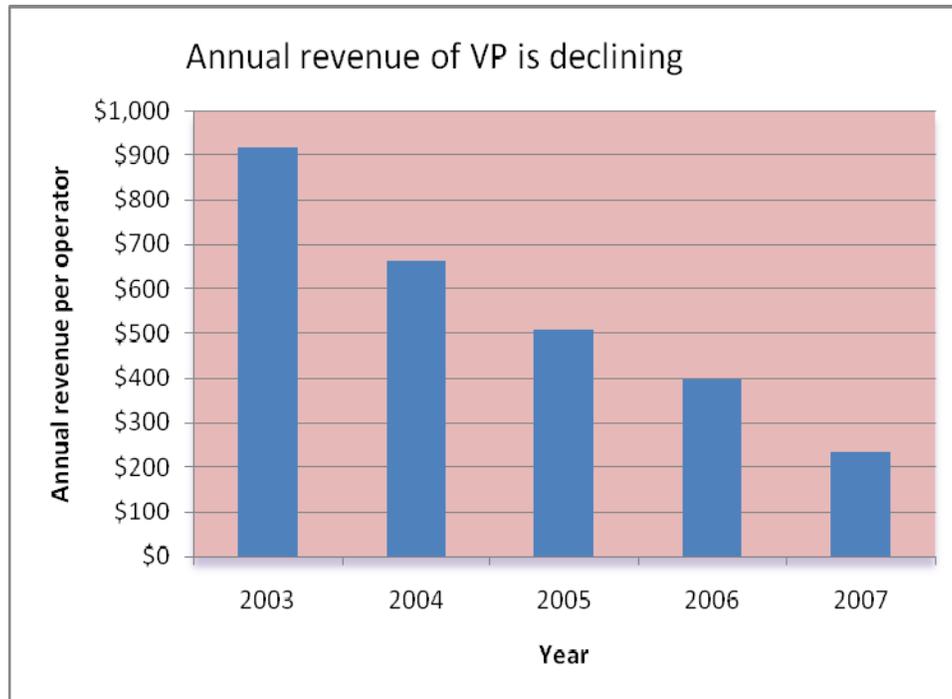
(Source: compiled by authors from the interview and focus group discussions)

The declining revenue earnings of the Phone Ladies are clearly evident in Figure 1.

Not only revenues, Phone Ladies’ profits are also in decline and in 2006 the annual average profit went down to as low as \$70 (Khan, 2008).

A majority (eighty percent) of the VP operators expressed that their income from VP is sharply declining due to competitive pressures. The statement below sums up the sentiment of the VP operators:

I got my phone in April 1999. My income from the phone was US\$ 148 a month in 1999. In 10 years time, income from the VP had decreased sharply. Now that there are other phones in the area, my earnings reduced drastically and now (in 2008) I earn only about US\$ 20 a month.



Source: Interview findings; Shaffer, 2007

Figure 1. Annual Revenue of VP

According to a GrameenPhone senior official, the context of introducing VP and its necessity no longer exists. He reported that in the future, the VP project may not continue because of very cheap mobile tariffs and availability of alternative providers of ICT services. The utility of the VP has been reduced greatly due to easy access to mobile phones, PSTN phones service, low handset and connection costs (interview 2008).

In summary, Village Phones and ‘Phone Ladies’ have lost much of their significance and relevance due to the choice former VP customers now have to access to telecommunications services at a lower cost. The income of VP operators from the airtime business has fallen so much that they can no longer depend solely on their mobile phones to make a living. The VP is no longer a way out of poverty for rural women. Once VP initiative transformed their lives, made

them empowered in gender relations and allowed them to send their children for education. If the VP program collapsed, many phone ladies would be forced to go back down that slide towards poverty again. While some will be able to adjust by taking over a Community Information Centers (CIC), many others will not.

### **Policy Implications**

There is no doubt about the significant role the VP model played once in providing connectivity to the poorest people with no access to telecommunications services. However, with the easy availability of telecommunications and other ICT services at a lower price, the once much-acclaimed model for women empowerment now faces collapse and its survival is at stake. Based on the opinions expressed, we argue that the VP model has been totally context dependent and it seems to have lost much of its appeal in the changed telecommunications landscape. GrameenPhone did not conceive that the VP model could become obsolete in a decade or so. And it had no plans to bring any modifications to the VP model. Of late, realizing the great challenge that the VP business has been facing from other competitors, GrameenPhone made some modifications in its business conditions to allow the VP operators survive during a difficult time (Interview, 2008). One such modification is the scrapping of the minimum usage condition.

Previously VP Operators had to generate a minimum amount of revenue [US\$43-57/] to keep their business relationship with GrameenPhone intact. Failing to do so would have resulted in taking away the VP business opportunity with GrameenPhone. Considering the falling revenue from the VP business, GrameenPhone launched an incentive package for Phone Ladies. Under this program, Phone Ladies are given a 5 per cent bonus on their sale proceeds exceeding the first Tk.500 (Interview, 2008). GrameenPhone has also set up more than 500 CICs across the country. GrameenPhone is now considering running these CICs by the VP operators in order to provide 'Phone Ladies' a viable alternative.

GrameenPhone should have evaluated the viability of the VP model earlier. But they have not done any such evaluations as the interview findings suggest. The lack of operational autonomy was one of main reasons for not undertaking such evaluations about the future of VP business model (Interview with selected participants, 2008). In such non-government organizations, key decision making authorities are largely dependent on the innovativeness and thoughts of one person. It appears that delegation of power was very limited in running Grameen Family of Organizations. As the livelihoods of the VP operators largely depend on the continued success of the VP model, GrameenPhone should have made the Phone Ladies aware about the challenges the model may face due to rapid changes in telecommunications technology and prepared them for alternative business ventures. The once highly successful VP program lost much of its significance as other competitors with better alternatives emerged in rural areas where no such facilities existed before. Grameen Policy makers failed to scan the changed telecommunications scenario and embrace alternative business models.

It is learned that GrameenPhone is now acquiring and dedicating new resources and capabilities to replace the VP model with multipurpose information centers and provide the Phone Ladies a new line of business. It has also made some modifications to its VP model which are mostly incremental in nature and seem inadequate to support the program. The findings of the

study suggest that business models are context-dependent and a once successful business model can lose its relevance and appeal unless the business model is refreshed or modified in view of changing circumstances. This is especially true in information technology sector where rapid development is in constant evolution and hence creating new business opportunities for entrepreneurs. This study provides an insight for policy makers who are involved with ICT sector micro-programs. Organizational leaders managing ICT micro-programs should bear in mind that no program can remain successful for an indefinite period. Policy makers and entrepreneurs need to review their business models at regular intervals and look for alternative business models to suit the changed circumstances.

### **Conclusion**

The findings of the study suggest that the once-renowned VP model of communication is facing serious competition and its relevance is becoming questionable. The strong growth of mobile networks (from almost zero in 1997 to around thirty five per cent in 2009), low hand set prices, the provisioning of telecommunications and other ICT services by PCOs and tele-centres have contributed to VP's declining business levels.

The inherent limitations of the VP business model (i.e., VP only provides voice services) seems to be another contributing factor towards VPs' sharply decreasing annual revenue. The competitive advantage of the VP operators is in decline and the profitability of the business is plummeting drastically. It has lost its utility and popularity among its users as its once sought-after telecommunications service is not a rarity any more. A large proportion of the village phone users have already switched to other providers and/or CICs where they can avail of multiple services including the telecom ones at affordable prices. Others are actively considering switching to providers where they can access diversified services at comparable costs. It is thus evident that the VP model is approaching obsolescence in the changed telecommunications landscape of Bangladesh. The result is GrameenPhone's recent modification to the existing model, setting up of CICs as an alternative business venture and active consideration to gradually allow VP operators to take charge of the CIC. However, the CICs require a larger capital base (more resources and capabilities) to satisfy varied needs of villagers and to remain competitive with others.

Like all studies, this study has some limitations. First and foremost, we could not choose VP operators in all parts of the country due to time and budget constraints. Our study was thus limited to the Dhaka region (an administrative division in Bangladesh). Considering the limited coverage, a detailed and extensive study may provide more convincing findings. Nevertheless, the modifications to the existing VP model, the launching of CICs by GrameenPhone and the decision to accommodate VP operators in the CICs lends support to our empirical finding that VP model is facing serious competitive challenge in the market and its viability is at stake.

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