Village Phone – A Tool for Empowerment

by Ryan Stanley

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Introduction

In an increasingly interconnected world, the ability to efficiently access and share information can have dramatic implications for social and economic development. As worldwide demand for Information and Communication Technology (ICT) services grows, so does the potential for these services to improve the lives of the poor. This article will examine how microfinance can serve as a platform for the provision of ICTs to the rural poor. It will consider how a successful microfinance product, such as Village Phone, can increase women’s empowerment and welfare. In addition, this article will reflect on the connections between women’s empowerment and the HIV/AIDS pandemic, exploring ways the microfinance sector can help to alleviate the burdens associated with the disease and decrease women’s vulnerability to infection. The article draws from research on and experience from Village Phone programs in Bangladesh, Uganda, and Rwanda.

About the Author

Ryan Stanley served as a project manager involved in replication of Grameen Village Phone model in Uganda and Rwanda, and participated in the training of approximately 100 Village Phone Operators. He spent a total of 15 months living in Africa while working on projects, and traveled extensively through Eastern and Southern Africa. He is currently a graduate student studying International Development at the University of Denver, Denver, CO.
Village Phone Background

Grameen Telecom of Bangladesh gave birth to the Village Phone concept in 1997 with the launch of Grameen Phone. Grameen Bank clients were provided with loans for the purchase of a digital Global System Mobile (GSM) phone to launch their own public phone business. The operators use the phone to provide telephone service to other residents of their community, earning enough revenue to repay their loan and continue indefinitely with an income generating business. In May 2005, there were more than 110,000 Bangladeshi Village Phone Operators (VPOs) providing telecommunications services to their communities. Ninety-nine percent of these operators are women. Each of these phones provides communication access to an average of 1,500 people, with a total of over 100 million people covered throughout the country.

The Village Phone program is a socially beneficial and profitable enterprise that demonstrates how public and private sector cooperation can make a significant contribution to poverty reduction. The Grameen Technology Center, an initiative of Grameen Foundation USA (GFUSA), established the first replication of the Grameen Village Phone model with the launch of MTN villagePhone Uganda (vP Uganda) in November 2003. Incorporated as a for-profit company, vP Uganda is a joint venture between GFUSA and Mobile Telephone Network (MTN) Uganda, the leading GSM network service provider in the country. MTN Uganda benefits from the partnership though increased clientele, additional traffic on their network, and through fulfillment of governmental public assess requirements. Nine indigenous microfinance institutions (MFIs) have partnered with vP Uganda to provide financing to clients for the purchase of Village Phones. In May 2005, more than 1,500 Village Phone Operators were serving rural villagers in 49 of 56 districts throughout Uganda. To date, vP Uganda has demonstrated financial sustainability for all partners involved and is on target to become a profitable company providing telecommunications services to the poor.

In April 2005, the GFUSA Technology Center began a similar pilot Village Phone program with three microfinance organizations and 50 Village Phone Operators in fifteen districts of Rwanda. Initial goals are set for the deployment of 5000 Village Phones in Uganda and 3000 in Rwanda within five years of their respective business incorporation dates. Though relatively modest goals compared to those of the Village Phone program in Bangladesh, they represent the first steps in validating the Village Phone concept for replication in developing countries worldwide.

GFUSA recently published a manual which presents a general replication model for the Village Phone program incorporating best practices from Village Phone programs in Bangladesh, Uganda, and Rwanda. This manual provides businesses, non-governmental organizations (NGOs), and governmental organizations with the opportunity to initiate Village Phone programs in countries around the world and improve rural communications. The replication manual is available online at www.gfusa.org.

The Village Phone acts as a tool for networking and information exchange providing modern digital wireless telecommunication services to some of the poorest people in the world. Information and Communication Technology plays a vital role in the social, political, and economic sectors of every country. In rural areas where isolation and poor infrastructure are the often the norm, telecommunications can play an extremely important role in enhancing rural
social and economic development. VPOs have access to a device which influences how they know and understand the world. This tool changes the way they and their communities communicate, access, and share information. By acquiring the Village Phone and the skills to use it, Village Phone Operators gain access to power that can influence all aspects of their lives.

Village Phone Operators have become an essential community information source in many rural areas. Residents of isolated rural villages are now connected to the outside world through the Village Phone and have access to information and communications facilities that can save them time and money. The Village Phone allows poor rural people to take advantage of market information to increase profits and reduce productive expenses. A Canadian International Development Agency (CIDA) commissioned study\(^1\) in Bangladesh concluded that the Grameen Village Phone program yields “significant positive social and economic impacts, including relatively large consumer surplus and immeasurable quality of life benefits.” The study concluded that the consumer surplus for a single phone call ranges from 2.64% to 9.8% of mean monthly household income. The cost of a trip to the city ranges from two to eight times the cost of a single phone call, meaning that the real savings for poor rural people of between $2.70 and $10 for individual calls. The income that operators derive from the Village Phone is about 24% of the household income on average – in some cases it was as high as 40% of the household income. This income, in the hands of poor female entrepreneurs, can help decrease economic dependence on men and provide an economic “safety net” for a household.

Unmet demand for microfinance and rural telecommunications services demonstrates the potential for a global Village Phone initiative to dramatically improve the lives of millions of poor people. Microfinance acts as a platform which creates infrastructure to mobilize the poor in large numbers for participation in economic and social initiatives. Microfinance organizations provide a network of clients, trusted brand names, and relationships in rural communities that are crucial for such initiatives to effectively reach and empower individuals. Currently there are over 30 million households with access to microfinance services worldwide; however, fewer than 2% of poor people have access to micro-credit programs and estimates of global demand for microfinance range from 400 to 500 million households.\(^2\) In Africa, about 70% of the poor live in rural areas and it is predicted that the rural population will continue to outnumber the urban population for nearly three decades to come.\(^3\) Nevertheless, urban migration, whereby millions of people have moved to towns and cities in search of better work and living opportunities, creates demand for communication services among the rural poor. There are approximately five telephone subscribers (fixed and wireless) for every 100 inhabitants on the African continent, and the majority are located in large urban centers.\(^4\) Very few of the rural poor have access to affordable telecommunications options and demand for these services is almost completely unmet. The Village Phone program and other ICT initiatives such as the GFUSA Village

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\(^1\) D. Richardson, R. Ramirez, and M. Haq "Village Phone Program in Rural Bangladesh: A Multimedia Case Study," (TeleComms Development Group, 2000).


Computing Project in India are examples of how microfinance can be utilized as a platform for the provision of ICT services to rural areas of the globe.

**Empowering Benefits of Microfinance and Village Phone**

Empowerment of women and gender equity are prerequisites for achieving political, social, economic, cultural, and environmental security among all peoples. The concept of empowerment ranges from increased participation in household decision-making and the market economy to increased capacity for self-reliance. “Although women are not always poorer than men, because of the weaker basis of their entitlements, they are generally more vulnerable and, once poor, may have less options in terms of escape.” In addition, the poorer a household, the more likely it is to rely on a women’s earnings as its most important source of income. The term agency can be used to describe the process of decision-making, negotiation, and manipulation required for women to effectively use resources. Women who have been excluded from decision-making for most of their lives often lack the agency to define goals and act effectively to achieve them. Such individuals are often the most vulnerable to disease, health related problems and poverty.

Income generating activities that MFIs provide such as the Village Phone can significantly reduce women’s vulnerability to poverty. A reduction in women’s vulnerability can sometimes also translate into empowerment if greater financial security and economic independence allows women to become more assertive in household and community affairs. Comprehensive impact studies have demonstrated the following: microfinance helps very poor households meet basic needs and protect against risks; the use of financial services by low income households is associated with improvements in household economic welfare and enterprise stability or growth; by supporting women’s economic participation, microfinance helps to empower women, thus promoting gender-equality and improving household well-being.

A random sample of thirty female Ugandan Village Phone Operators was interviewed for this article via their Village Phones. Of this group, all thirty asserted that the Village Phone increased their status within their community. Sixty-five percent of the operators interviewed stated that they no longer depend as much on their husbands for economic support as a result of their Village Phone business. VPO Sara Sempa, who cares for four orphans, stated, “I now support my husband in financial matters and even run the household in his absence, something that I was not able to manage before I received the Village Phone.” Operator Grace Nasasirwe affirmed, “I am now an employed woman earning a living; before I used to beg for money from my husband.”

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6 Sally Baden and Kirsty Milward, "Gender Inequality and Poverty: Trends, Linkages, Analysis and Policy Implications," (BRIDGE Institute of Development Studies, 1997 (Revised)).
7 UNCDF, Basic Facts About Microfinance.
HIV/AIDS and Poverty

Increasing a woman’s empowerment helps to decrease her vulnerability to HIV/AIDS infection and counteract the socioeconomic effects of the epidemic within her family. The HIV/AIDS pandemic at present threatens all people, but it disproportionately impacts the economically and socially disadvantaged, especially women. Financial services and the ability to access a diverse array of income/resource streams assist households in coping with HIV-related costs and address the root causes of vulnerability. Microfinance institutions are well positioned and equipped to help societies mitigate the effects of HIV/AIDS. Through the provision of a comprehensive range of product, service, and operational devises, microfinance organizations can help to diminish the effects of the disease while pursuing the goals of operational and financial sustainability. As a microfinance product, the Village Phone is well suited to address many of the direct and indirect consequences of the HIV/AIDS pandemic. It provides women improved access to information, increases their status within the community, and can help them achieve a measure of economic independence within their household. Furthermore, it is an additional source of income that households can use to better manage the costs associated with HIV/AIDS among family members.

Within developing countries, a disproportionate percentage of the poor are women, and a disproportionate number of women are infected with HIV/AIDS. Of the 1.3 billion people living in poverty worldwide, 70% are women. In 2004 an estimated 39.4 million people were living with HIV worldwide and 17.6 million of them were women. In 2004 alone, approximately 3.1 million people died of AIDS. Sub-Saharan Africa remains the most affected region with approximately 25.4 million people living with HIV. Just under two thirds of all people living with HIV are in Sub-Saharan Africa, as are more than three quarters of all women living with HIV. For women in Sub-Saharan Africa, the prospects are disheartening: women and girls represent 57 percent of all people infected with HIV and 76 percent of young people (aged 15-24 years) living with HIV are female. Most of those currently infected will die within the next ten years, some much sooner. The current 12 million AIDS orphans in Sub-Saharan Africa (and the UNAIDS projections for many millions more in the next ten years) compromise a significant portion of the next generation of Africans.

The susceptibility of women and girls to HIV infection stems principally from gender inequalities which result in pervasive disempowerment. Gender inequality and the poverty that often accompanies it, traps women into a cycle of vulnerability to HIV/AIDS. Lack of knowledge about the disease, economic dependence on male partners, transactional sex (i.e. prostitution), gender related violence, and cultural factors also play significant roles in this vulnerability. Conversely, education plays an integral role in women’s agency and is also a key defense against the spread of HIV. Higher education levels can lead to increased AIDS awareness, higher rates of condom use, and greater communication on HIV prevention among partners. A recent UNICEF survey found that up to 50% of young women in high-prevalence countries did not know the basic facts about AIDS. Many women become infected as a result

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10 Ibid.
of their partners’ high-risk behavior which, due to lack of power in relationships, women wield little if any control over. These imbalances of power within domestic relationships mirror wider, societal inequalities that limit women’s opportunities.

AIDS underscores and exacerbates the unequal divisions of labor and responsibility within households. Not only are women at risk to infection themselves, they also bear a disproportionate burden of the responsibilities and costs associated with HIV/AIDS among family members. Generally, women provide the bulk of home based care for HIV/AIDS patients within the family. As their time and energy are absorbed by care duties, women’s opportunities to advance their education, and achieve financial independence through income generating activities are limited. “When a man falls ill with HIV, the primary burden of caring for him falls on women. When he dies, his widow and children will, in many cases, be turned out of the family home – in violation of property and inheritance rights – and plunged into new depths of vulnerability.”12 The combined physical and emotional burden of caring for sick household members including orphans who have been affected by the disease, trying to ensure an adequate food supply, providing medicines, paying school fees, and replacing lost income, inevitably forces women to neglect their own health and well-being. These circumstances demonstrate the need for empowerment strategies among organizations that seek to reduce women’s vulnerability to poverty and disease.

**Alleviating the Burden**

The Village Phone acts as an empowering tool which creates enabling conditions for female operators to better manage relationships with their partners, families, and their communities. It has the potential to raise an individual’s status within their community, increases her contact with a wide range of people, improve access to information, and provide an additional source of income. Through the empowerment of female operators the Village Phone can help to alleviate the burdens of poverty and help decrease HIV/AIDS infection rates.

Village Phone Operators become leaders in their communities, as they are relied upon for the communications services that they provide. They are required to relay messages, handle information of different types, and manage finances. These activities increase an operator’s familiarity with new areas and people. Ugandan Village Phone Operator Aida Numali stated, “I am now known by everyone in my community for having a Village Phone.” Operators are privy to important phone conversations, causing them to gain functional knowledge in areas such as currency markets, health problems, etc. In turn, this boosts a VPOs self-confidence and efficacy when dealing with unexpected situations. Advancing their skills, knowledge, and access to information effectively empowers female Village Phone Operators. All of these benefits help to increase women’s agency in negotiating with their partners, protecting themselves against disease, and caring for the health of their family.

Educational programs provided by microfinance institutions help clients increase social networks and provide information that can both empower women and reduce HIV/AIDS prevalence. A common component of group-based lending methodologies, social intermediation aims at

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building human and social assets in order to achieve broader goals such as women’s empowerment; for example, Grameen Bank’s “Sixteen Decisions” aim to change members’ attitudes and outlook in order to enhance social empowerment. Other institutions perform social intermediation through provision of social services such as health care, education, or business development. Offering micro-credit combined with education has a tremendous potential to be a cost-effective strategy to empower women and make significant changes in their lives. MTN villagePhone Uganda partner Foundation for Credit and Community Assistance (FOCCAS), incorporates health and nutrition education, including HIV/AIDS education, into each weekly meeting with its clients. These organizations utilize their network of clients as a vehicle for HIV/AIDS prevention through education and community mobilization.

Microfinance programs including Village Phone increase women’s economic ability to deal with the burden HIV/AIDS places on a household. Support for income generating activities can help households accumulate savings and protect resources in times of need, thus helping to mitigate the impact of AIDS. The Village Phone is a self sustaining business that provides households with additional income to rely upon. The average Ugandan VPO earns approximately $30 US per month from their phone business. This is a significant contribution to household income in a country where a large percentage of the population lives on less than $1 US per day. Furthermore, both Village Phone operators and clients benefit in terms of better prices on goods, lower cost of travel, more employment opportunities, and better access to health facilities.

**An Empowering Opportunity**

As demonstrated in this article, Village Phone is a proven example of how the microfinance sector can empower women and help to alleviate the burdens associated with poverty and HIV/AIDS. It has proven to be a socially beneficial and profitable enterprise, demonstrating how public and private sector cooperation can reduce poverty. The Village Phone plays an important role in enhancing rural social and economic development by bringing telecommunications services to previously remote areas. It is a tool for networking and information exchange which influences the way its operators know and understand the world, and it change the ways communities communicate, access, and share information. The Village Phone can assist women in overcoming economic dependence upon men and help shift gender roles while income generated from the Village Phone can help alleviate the economic burden that HIV/AIDS places on poor households. It is a tool which can empower economically and socially disadvantaged individuals by improving their status within society, increasing their contact with a wide range of people, and improving access to information. The Village Phone empowers female operators by advancing their skills, knowledge, and economic resources. Finally, unmet demand for microfinance and rural communications services demonstrates the potential for a global Village Phone movement to dramatically alter the way the rural poor communicate. The Village Phone program demonstrates how providing credit and telecommunications services to the poor can empower individuals, alleviate the effects of HIV/AIDS, and help break the cycle of poverty.

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14 World Bank, "World Development Indicators," (World Bank, 2005).
Sources Consulted:


———. "World Development Indicators." World Bank, 2005.