

FINTECH AND FINANCIAL INCLUSION AND THE CASE OF BANGLADESH



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organized by IMF-STI, SAARTAC and ATI**

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01

Bangladesh's Journey towards Financial Inclusion and Fintech

02

Key Achievements and Developments

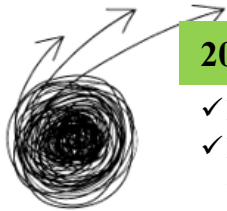
03

Lessons Learned in FI in the Aftermath of COVID-19

04

Challenges Ahead

Global and Local Mandates for Financial Inclusion and Digitization



2005 UN DECLARATION

- ✓ International Microcredit Year.
- ✓ **Financial Inclusion** as a tool towards inclusive growth and poverty reduction.



2030 SDG AGENDAS

FI is an enabler towards achieving 8 targets of the 17 goals.



MAIN FOCUS

“No one is left behind” to make the growth inclusive and to alleviate poverty.



DIGITAL BANGLADESH

The present Govt. put high priority on financial inclusion and digitization with the slogan of “Digital Bangladesh”



FINTECH AND FINANCIAL INCLUSION

Digitization, payment system modernization in the financial sector promoting financial inclusion and accelerate economic growth in Bangladesh.



MAIN FOCUS

Pro-poor and inclusive economic growth in Bangladesh.

Digitization and Financial Inclusion - Govt.'s Priority

7th 5YP 2016-20

- *Ensuring financial inclusion through e-banking*
- *Expanding markets and reduce transactions costs through e-commerce and trade*
- *Strengthening payment mechanisms to minimize leakage*
- *Promoting financial inclusion among poor and vulnerable families*

8th 5YP 2021-25

- *Promoting interoperability to speed up financial inclusion*
- *Collaborating with MFIs and MNOs to offer digital credit score for SMEs*
- *Devising a Master Plan for a digital economy to secure a resilient financial ecosystem*
- *Developing regulatory Sandbox to allow pilot testing*

Prospective Plan 2021-41

- *Ensuring greater financial inclusion through mobile and digital technology*
- *Supporting inclusive and pro-poor growth benefiting all the population segments to achieve a developed country status by 2041.*

BB's Strategic Plans

2010-14
**Commitment for
Change**

- *Broadening of access to the formal financial services*
- *Meeting the financing needs of agriculture and SMEs*
- *Creating awareness, extending networking and capacity building for FIs.*

2015-19
**Heading Towards
New Horizon**

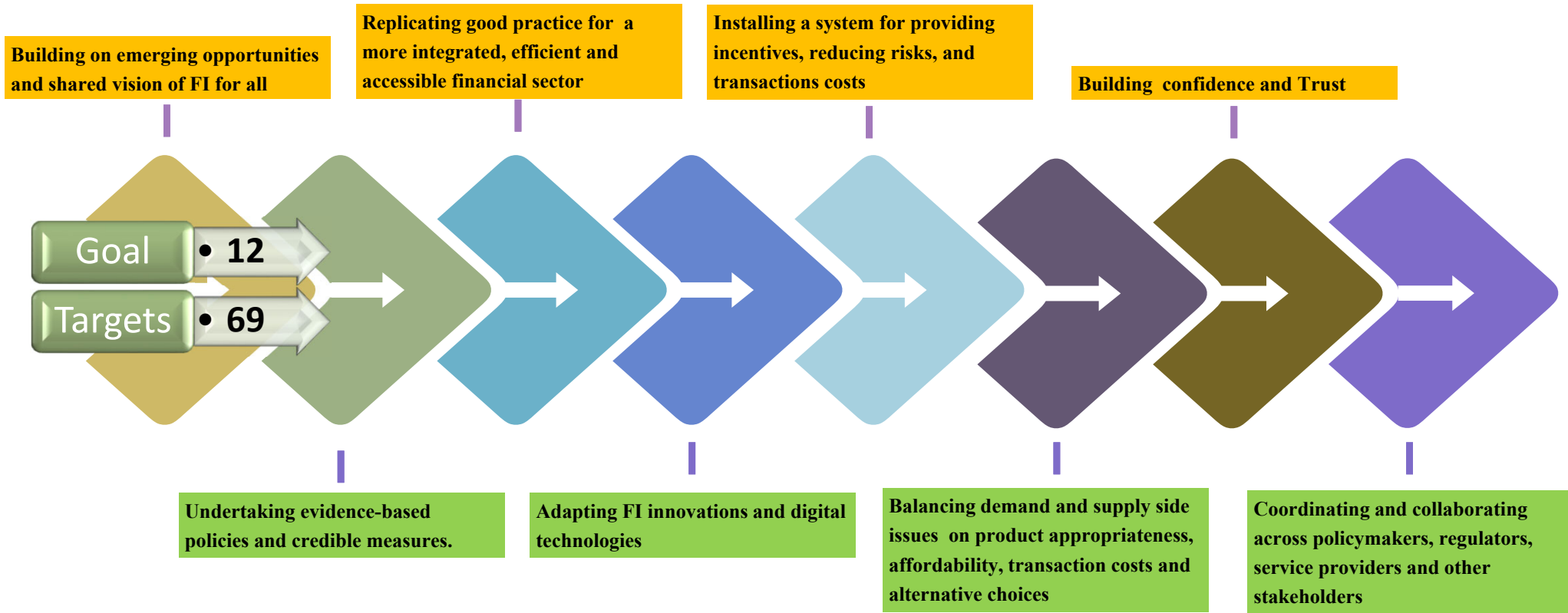
- *Diversifying financial products and service delivery channel for greater FI*
- *Bolstering financial inclusion using mainstream banking infrastructure*
- *Formulating National Financial Inclusion Strategy and ensure concerted approach among related agencies*

2020-24
**Fostering Stable
Financial System**

- *Widening the coverage of financial inclusion through agent banking*
- *Reducing gender gap through inclusion of unbanked women*
- *Developing strategies to reach underprivileged people and increase usage of financial services*

National FI Strategy (2021-26): Govt. & BB

“Journey towards Sustainable and Impactful Financial Inclusion through Digitization and Innovation”





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BB's Approaches to Promote Financial Inclusion

Motivational Initiatives

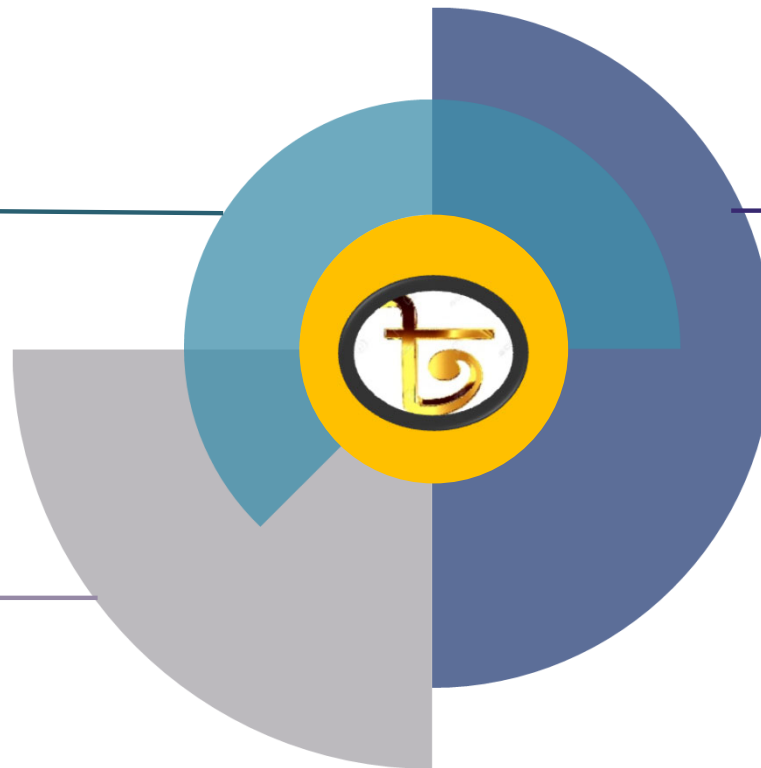
- Road shows / fairs / campaign
- CSR initiatives

Technology Driven Initiatives

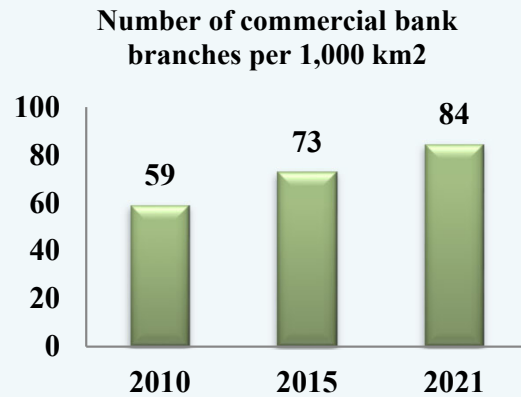
- Digitization / modernization of payment system
- Designing faster and cheaper remittance and money transfer services
- Online banking, automated clearing and settlement of cheques and electronic fund transfers

Policy Support Initiatives

- Concessional refinance against agricultural, CMSMEs and green financing
- Area cluster based support packages for CMSMEs
- Rural bank branch expansion
- Allowing banks to open banking service booths in areas with no branches – agent, sub-branch banking
- Off-branch financial services delivery using MFIs and mobile phone/smart card based banking
- No-frill account for farmers and other disadvantaged people



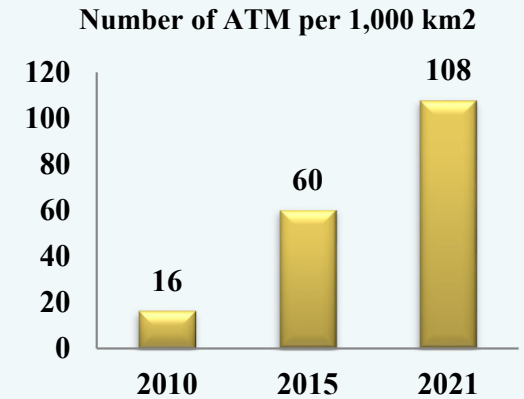
Financial Inclusion through Banks/Financial Institutions



Source: Financial Access Survey (FAS), IMF (2021)



Over the last decade, the availability of financial services points increased significantly in terms of both access to bank branches and ATMs. Number of ATM jumped sharply.



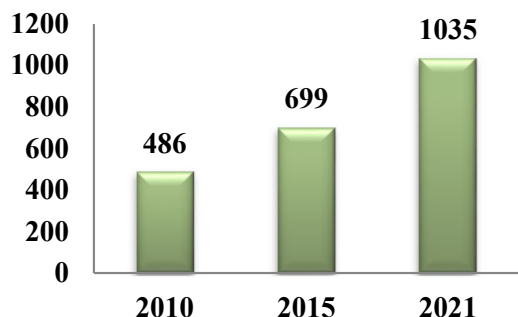
Source: FAS, IMF (2021)

Total commercial bank branches in the county: as of June 2022

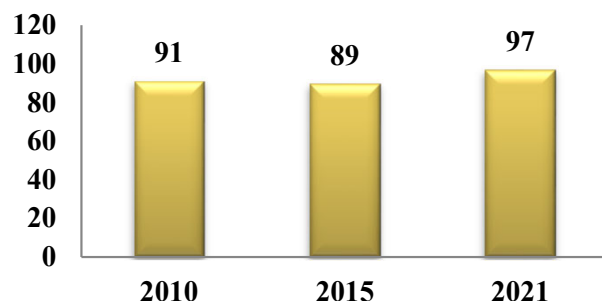
Urban	Rural	Total
5737 (52%)	5243 (48%)	10980

Financial Inclusion through Banks/Financial Institutions

No. of deposit accounts with banks per 1,000 adults



Number of loan accounts with commercial banks per 1,000 adults



ACCESSIBILITY

Number of deposit accounts doubled in the last ten years.



ACCESSIBILITY

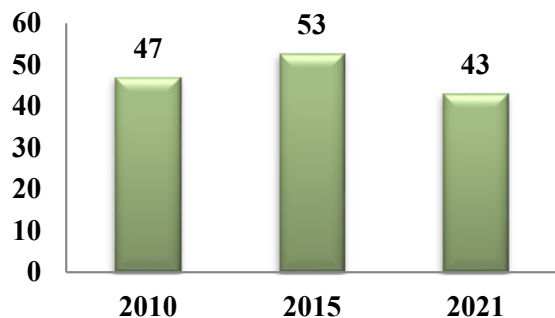
But number of loan accounts remained almost constant over the decade.



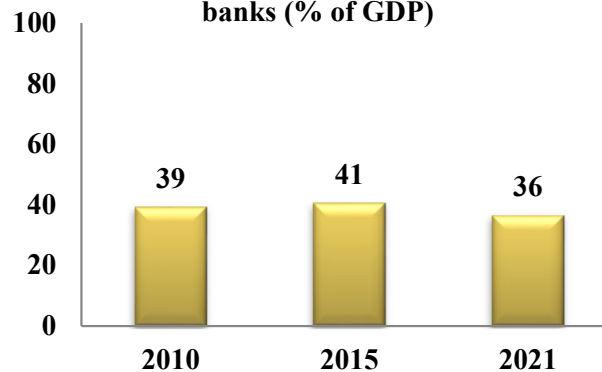
USAGE

Both the amount of deposits and loans as percent of GDP remained mostly stable over the last decade.

Outstanding deposits with commercial banks (% of GDP)

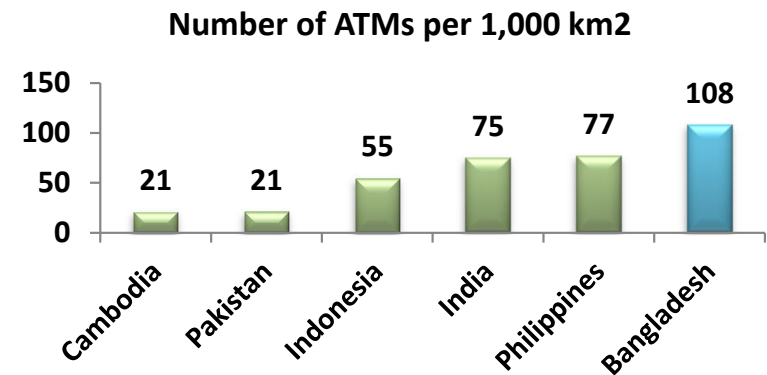
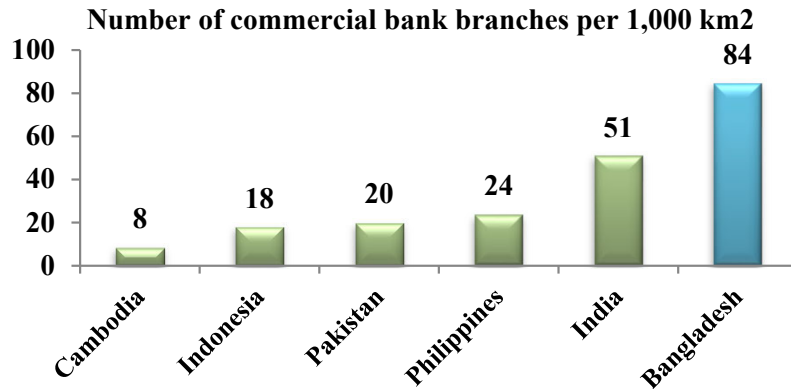


Outstanding loans from commercial banks (% of GDP)



Source: FAS, IMF(2021)

Bank Branches and ATM Penetration in Selected Countries



Source: FAS, IMF(2021)

Both bank branch and ATM penetration for access to finance in Bangladesh are higher than those of the selected countries.

Some contributory factors, such as:

01

Attention to underserved segments of rural, agriculture, and SME s

02

Promoting inclusive, green and sustainable financing

03

Regulatory development to take onboard all banks and financial institutions to expand bank branches and ATM for financial access in the underserved areas

Financial Inclusion through Microfinance Institutions



746
MFIs



175,000
Employees



35.20 mn
Clients

	FY2010	FY2015	FY2021	Growth over decade (%)
Total no. of branches	17,252	15,609	20,955	21.5
Total borrowers (mn.)	19.21	20.35	27.80	44.7
Loan disbursement (In bn. BDT)	306.72	633.35	1512.09	393.0
Loan outstanding (in bn. BDT)	14.02	352.41	949.85	6675.0
Saving (in bn. BDT)	51.36	135.41	422.39	722.4

Source: Microfinance In Bangladesh, MRA (2021)

Financial Inclusion through Fintech

FINANCIAL INFRASTRUCTURE

Upgradation of financial infrastructure - BACH, BEFTN, NPSB and RTGS



13 MFS

Mobile Financial Services – bKash, Nagad, Rocket, etc., addressing the bottom-of-pyramid

BB PROVIDED TWO TYPES OF DFS LICENSES TO SERVE THE CUSTOMERS

13 PSP

Payment Service Provider (PSP) – iPay, D-money BD Ltd, Recursion Fintech Ltd, etc.

Financial Inclusion through Fintech-Digitized Financial Services

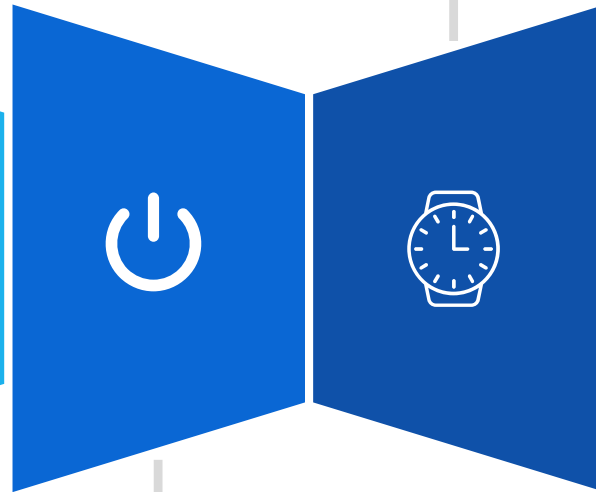
AUTOMATED CIB

Introduction of automated Credit Information Bureau (CIB) to enable effective credit risk management and ease doing business in Bangladesh



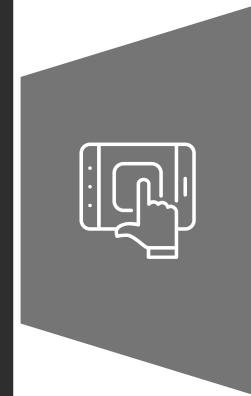
AUTOMATED CHEQUE PROCESSING

Automated cheque processing, National Payment Switch, BACH, NPSB BEFTN and RTGS



KYC/E-KYC WITH DATABASE

Linking the KYC process with the national database



ONLINE SUPERVISION

Implementation of online and paperless supervision, ISS (Integrated Supervision System)

ONLINE REPORTING

Online reporting of all inward and outward remittance transactions of authorized dealers

BANKING SOFTWARE

Using core banking software by banks

MFS/DFS Market Status



12 banks provide MFS service

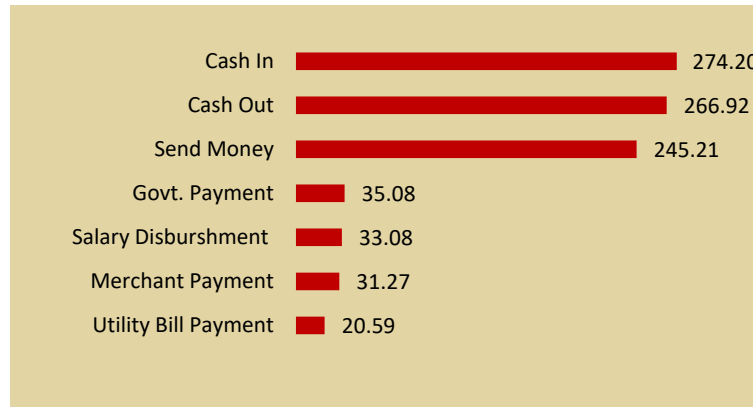


1.5 mn agents



No. of Transactions:
15.3 mn /daily

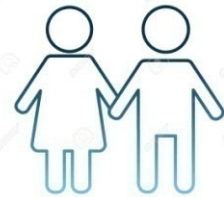
MFS/DFS Transaction Amount (bn. Tk.), June 22



Value of Transactions: Tk.
31.4 bn /daily



178 mn registered account



52% male account

48% female account



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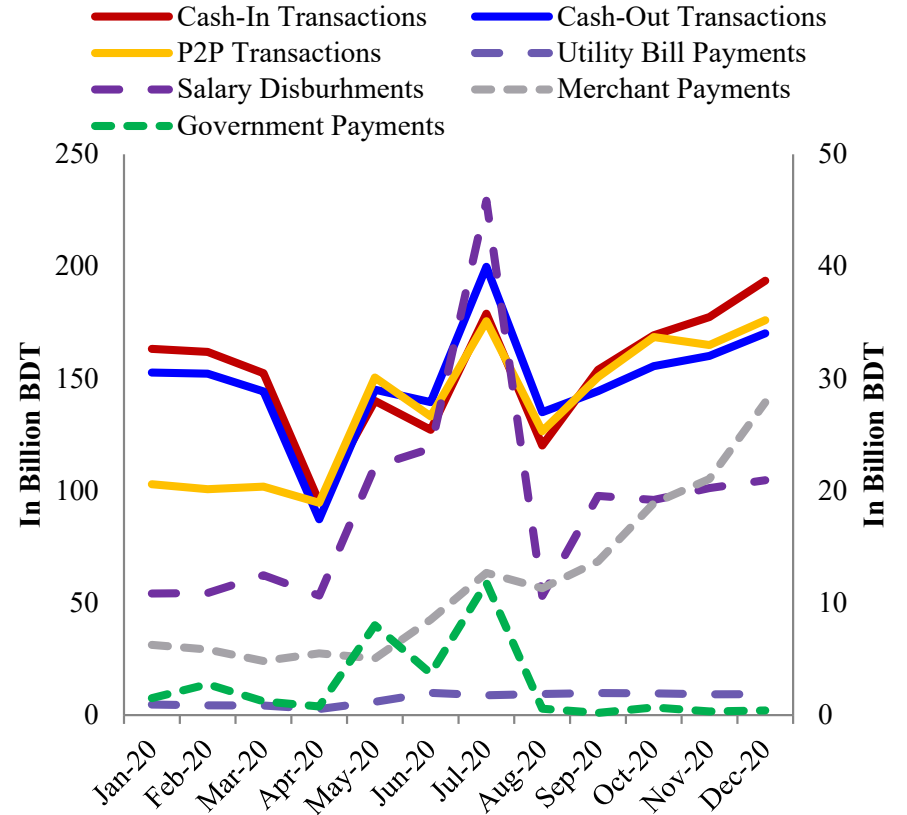
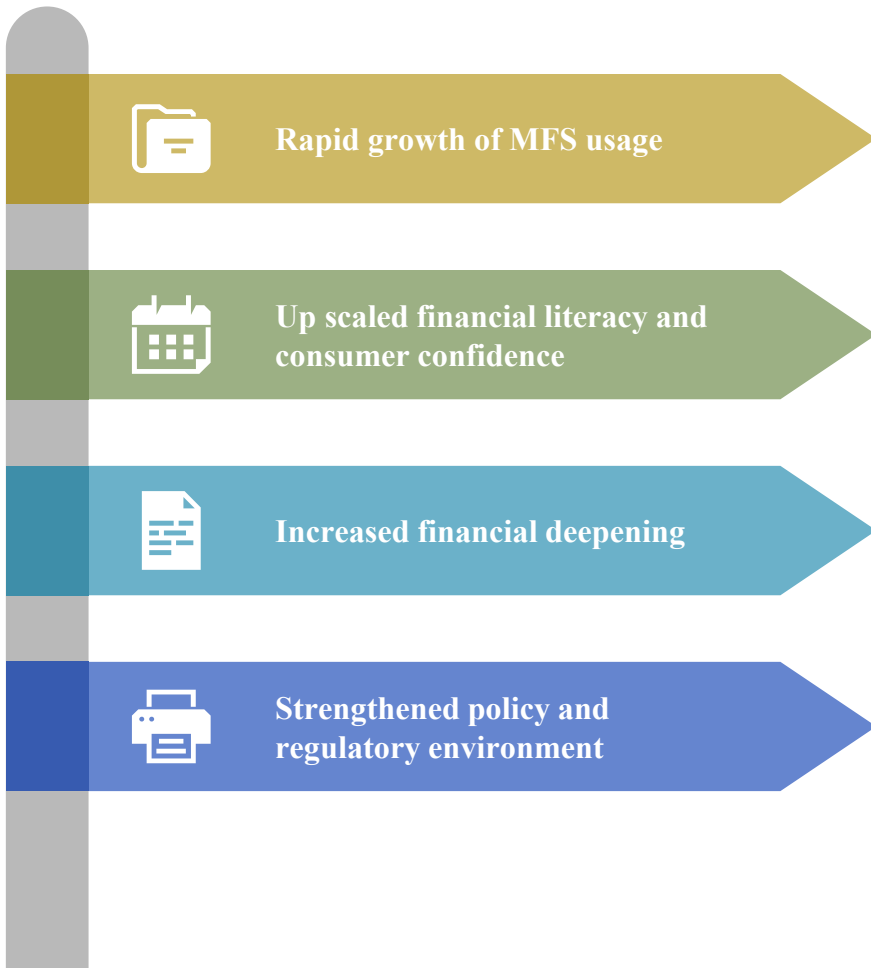
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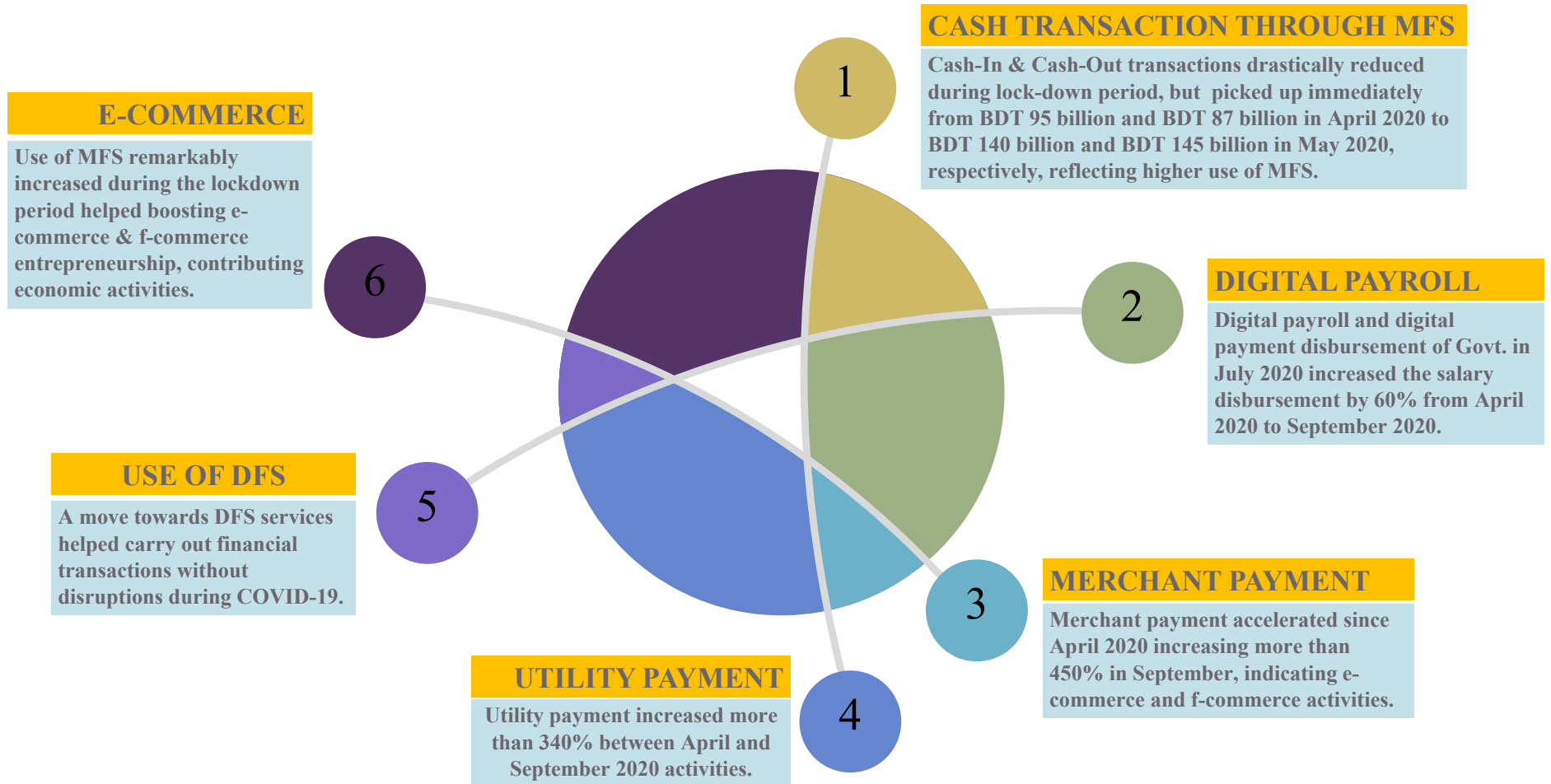
Challenges Ahead

MFS Usage During COVID-19



Source: Bangladesh Bank, Note: Dotted lines are plotted on the secondary axis of the graph.

MFS Usage During COVID-19





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LEVERAGING FINTECH

Leveraging Fintech, BB is contemplating making policies on nano-loan, digital lending, agro-tech, supply chain finance, crowd funding and P2P lending.

DIGITAL TRANSFORMATION

The pandemic accelerated digital transformation of the businesses, including MSMEs.

TECHNOLOGY TO FI

BB started moving towards using technology more actively to expand FI.

BB's Preparedness in addressing Blockchain Technology and Climate Change Vulnerabilities

Challenges Ahead

DFS POSES RISKS

Digital Financial Services rapidly expands financial access but also poses significant risks related to fraud, market abuses, consumer protection and financial stability.

FINTECH LITERACY

Efforts should continue to improve Fintech related financial literacy.

REGTECH AND SUPTECH

Rapid evolution of Fintech demands similar pace of Regtech and Suptech development in the context of regulatory compliance, risk mitigation and consumer protection.



THANK YOU