



## Message from CHAIRMAN

# Let the dream of Independence come true

51 years ago, at the stroke of the midnight hour, while the world slept, India awoke to life and freedom. But this Freedom came with a cost, a cost our freedom fighters paid without a hint of a frown. March 26 is our favourite Mother-land Bangladesh's Independence and National Day.

Freedom is the absolute desire of any nation. To achieve the right to self-determination, establish democratic good governance, form a society based on secularism, achieve economic liberation, safeguard the lives of people, to practice religion, to make their own culture-values-to ensure the untimely practice of beliefs, freedom and sovereignty are essential for every nation to implement the common national desire.

Independent Day is a day where we remember the great spirit of the liberation war, as well as the original spirit, dream and commitment of the war of liberation. On this day, we must take an oath to build an exploitation-corruption-free democratic Bangladesh in accordance with the expectations of independence.

And this work is not impossible at all. It requires the establishment of national unity and solidarity by avoiding politics of hatred, division, intolerance and conflict. It must be acknowledged that the deep divide in the political arena and disunity in the national question is a major obstacles in the path of national progress.

We must overcome this obstacle. It is possible to establish a meaningful and permanent democratic system in Bangladesh if the whole nation is united like 71. All the conscious people of the society, including politicians, should be aware of the loss of millions of people for independence and the hard-earned prosperity of the people of Bangladesh.

A handwritten signature in black ink, appearing to read 'Faruk Ahmed', with a stylized flourish underneath.

**FARUK AHMED**

Bangladesh Journalists' Foundation For Consumers & Investors (BJFCI) is the largest platform of senior journalists working in leading dailies of Bangladesh. It's members are working as Editors, Executive Editors, Economic Editors, Business Editors, News Editors, Chief Reporters, Special Correspondents and Senior Reporters/Sub Editors and committed to protect the rights of consumers and interest of inclusive investors through media interventions. BJFCI raises voice for the rights of consumers and promotes growth finance sector, digital innovations and mobile financial services in line with its vision to build a fair financial society for a better Bangladesh with inclusive growth.



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# The struggling story of bKash Didi' Munni now talks of the city

Shamim Ara

Munni Barua, well known as 'bKash Didi' in the city's Sabujbagh area is now the talk of the town after CNN broadcast her success story with bKash recently.

Munni is a female agent of bKash, the leading mobile financial services in Bangladesh. International television network CNN recently broadcasted a short documentary on her struggling story of becoming a successful entrepreneur which has gained prominence beyond the country's borders.

"I am a familiar face in the locality. But now more people are encouraging me to go ahead after learning about me from a CNN documentary", the 45-years old woman entrepreneur told this correspondent.

In the CNN documentary, Munni Barua, the mother of two children was seen sharing her experience about how a woman overcame all socio-economic hurdles to take responsibility for her family.

She also talked about how she found fortune in becoming an agent of bKash, the largest mobile financial service (MFS) provider in Bangladesh.

"More women are now showing interest in working as bKash agents", she said noting that bKash has opened a unique opportunity for women to earn a hefty amount of money every day as more people are using bkash.

Munni came to Dhaka with her family back in 1996. With the income from her husband's grocery store, their life was going well. This young woman fell into hardship in 2012 with her two children after her husband died from a stroke.

"On those days, I faced a lot of barriers while running the shop. Eventually losing the shop, I even had to sell groceries on a roadside cart," she said with a grim face.

"Later, I started working as a bKash agent, and my days started to look brighter. Being a bKash agent, now I have the opportunity to help people to make their transactions easier, more secure and more convenient",



She continued.

"You don't have to go to the bank, you don't need to stand in line, and transactions can be done anytime – day or night".

Apart from setting up her own business with firm determination, Munni also succeeded to enroll her two children at Jahangirnagar University.

With bKash, Munni continues, people can instantly send money to the recipient and come to us for cashing out and cashing in as required. This service, which is within the walking distance of anyone's home, has made people's life very easy."

Munni also told CNN, "Many call me 'bKash Didi' because they get my help to transact their money even in the odd hours in case of emergency. Whoever comes to my shop, I provide various types of financial services promptly, keeping in mind that the transaction might have some urgency", she said.

"I also advise and respond to the queries of people regarding different services of bKash. This is how bKash has brought changes in my life".

"Apart from financial stability, I even managed to get my children admitted to one of the best public universities. Everyone says, 'Didi, you're very fortunate'", Munni told CNN.



# 28 expatriates win diamond pendants by sending remittance through bKash



## DF Report

28 expatriates won diamond pendants for their loved ones in Bangladesh by sending the maximum amount of remittance in a single transaction through bKash.

The Chief Commercial Officer of bKash, Ali Ahmmed, handed over the diamond pendants to the family members of the lucky expatriates at bKash's head office on Monday (13 March), a press release reads.

According to the release, this 28-day campaign was conducted throughout the month of February this year to encourage sending remittances through legal channels from all over the world.

The relatives of expatriates in Bangladesh expressed their satisfaction with bKash's instant and hassle-free remittance service, which saves time and enables them to better manage their finances without going to the bank. They added that receiving remittances through

legal channels strengthens the nation's foreign exchange reserves.

One of the expatriates, Mizanur Rahman, said, "I always prefer to send remittance to my wife, father, brother, and other family members through bKash. bKash gives me the freedom to send remittances to a specific person at any time. And, being able to fulfil my wife's desire by winning a diamond pendant from the bKash campaign feels amazing."

The release mentioned that currently, remittances sent by expatriates from around 95 countries are instantly reaching their relatives' bKash accounts through more than 80 Money Transfer Organizations via settlement in 15 commercial banks in Bangladesh.

Thanks to cutting-edge technology, the entire process takes place instantly, and relatives of expatriates in Bangladesh receive money in their bKash accounts right away.



Editor's Pick

## Dream For Freedom From Poverty

# MFS TURNING DREAM INTO REALITY

● FARUK AHMED

**W**ars of nations are fought to change maps. But wars of poverty are fought to map change. Muhammad Ali, Professional Boxer said this when the global concern was to fight poverty.

Nearly 22,000 children die each day due to living in poverty. There are 2.2 billion children in the world, and 1 billion of them live in poverty. A third of all poor in developing countries are children aged zero to 12. Half of the over one billion people living on less than one dollar a day. They lack basic labour rights as well as business rights for informal self-employment, and rights to social protection, organization and representation.

### Fighting poverty effectively in Bangladesh

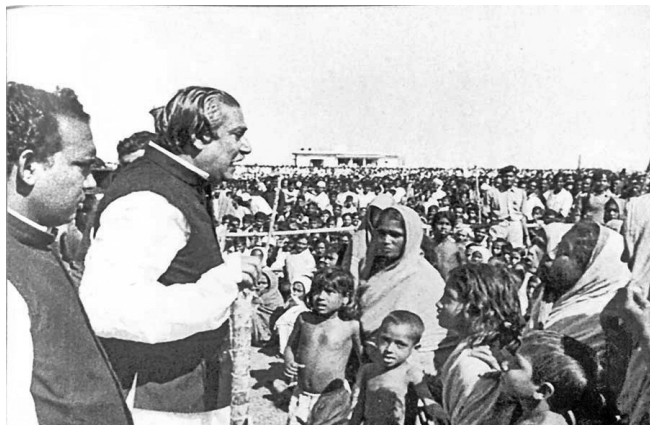
Without protecting these rights, the working poor have little chance of working their way out of poverty. The

voice and visibility of the poor are essential for pro-poor policies and legal reforms that can help them move out of poverty, including legal empowerment to secure property, labour and business interests. Every woman, man, youth and child has the human right to a standard of living adequate for health and well-being, to food, clothing, housing, medical care and social services. These fundamental human rights are defined in the Universal Declaration of Human Rights

Poverty is a great enemy of human happiness; it certainly destroys liberty, and it makes some virtues impracticable, and others extremely difficult. Poverty is a human rights violation. Bangabandhu Sheikh Mujibur Rahman, the Father of The Nation realised this immediately after he snatched freedom through a nine-month-long blood-shed war against the Pakistani



regime. He ignited a new war for freedom from poverty. His dream was to build a prosperous Bangladesh, with freedom from poverty, hunger, corruption and exploitation.



His main dream was Freedom from Poverty. "We have to put a smile on poor people's faces. The people of Bangladesh have to survive and so require a minimum amount of food. We will turn this war-ravaged country into a golden one. It will be a society free of exploitation", he said this in a constituent assembly speech in 1972.

In Bangladesh, upper poverty rates have halved to 24.3 per cent, while extreme poverty rates fell by two-thirds to 12.9 per cent, based on strata-specific upper and lower poverty lines. Measures of poverty using the international poverty line of \$2.15 a day show comparable trends. The success in poverty reduction is the efforts combined efforts of government, private entrepreneurs, NGOs, banks, fintech and a strategy called financial inclusion, which gained momentum driven by the mobile financial service revolution which started in 2011 after the entrance of bKash, now a game changer for the poor.

## The War on Poverty: From Cooperative to Micro Credit

However, reducing poverty was a complex and difficult challenge for Bangabandhu as it has many dimensions. Progress requires effective public action at both the national and local levels. Some actions within a country are powerfully affected by international conditions.

Freedom from want is a right, not merely a matter of compassion. Bangabandhu could realised this. So, in August 1973 at the Commonwealth Summit held in Ottawa he said that the poor countries or the developing world had been deceived for centuries from economic freedom or social justice.

"Economic freedom had to be secured without sacrificing political freedom, and economic growth had to be achieved without sacrificing social justice", he told the

world leaders.

Before the turn of the century, access to goods such as food, housing, and health care-while essential to human survival-were deemed outside of the human rights sphere. So, the cooperative movement began in Europe in the nineteenth century, primarily in England and France. The industrial revolution and the increasing mechanization of the economy transformed society and threatened the livelihoods of many workers.

When Bangabandhu saw millions of war-affected people were falling into the poverty line, he started a cooperative movement across the country to get rid of the people from the poverty trap. It is unfortunate that the cooperative movement failed to play a responsible role in generating employment opportunities and alleviating poverty in the country.

Most of the cooperative societies established under the government patronisation are now inactive although they have huge properties driven by misappropriation, corruptions and mismanagement. Transparency International Bangladesh (TIB) in its study reveals that there are about 186,199 cooperatives in the country and of them, 47 percent of cooperatives are dysfunctional due to the existing various limitations of regulatory and supervising bodies and internal problems of the cooperatives.



After the failures of cooperative movement, the governments took micro credit as a tool to fight against poverty. NGOs provide microcredit to poor people to enhance their income and improve the situation of hardship. It has a host of positive impacts on families that receive it and also affects the aggregate welfare at village level. Microcredit is an effective and powerful tool for rural development, income generation, food security, women empowerment, human resource development and ultimately poverty alleviation.

Bangladesh is the birthplace of microcredit. But many development scientists through their study reports shows that microcredit is also no magic for development. It alone cannot alleviate the poverty significantly without ensuring their individual transactional powers such as economic transaction, social transaction, legal transaction and political transaction power.



It alone is not the answer.

However, reducing poverty is a complex and difficult challenge as it has many dimensions. Only cash or food assistance will not address poverty fast enough. Money and food combined with delivery of quality health, nutrition and education support, clean water, vocational training and behavioural changes will help reduce poverty in a sustainable manner.

**Financial Inclusion- The Ultimate Option**

To snatch freedom from poverty, the ultimate option has been identified by social scientists is financial inclusion.

The question was: What if any one has no secure, affordable way to save money, pay bills, or obtain a business loan? Certainly, he/ she will lead to poverty trap. Because, "unbanked" people struggle to save, plan for the future, start a business, or recover from unexpected losses. Small businesses without access to affordable financial services or credit can't acquire capital to invest, grow, and create jobs.

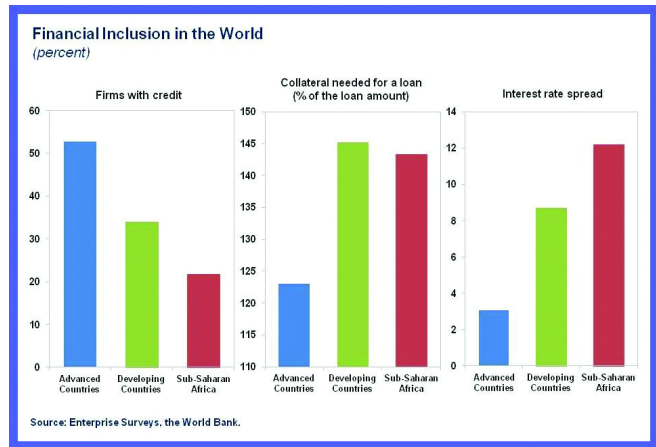
More than one in three people on earth now lacks access to basic bank accounts or any kind of credit. About 1.7 billion people worldwide are excluded from formal financial services such as savings, payments, insurance, and credit. In developing economies, only 63 percent of adults have an account, and women-nearly 1 billion of them-are disproportionately excluded from beneficial financial systems.

Most poor households still operate almost entirely through a cash economy. This means they have to save using physical assets, such as livestock or jewelry.

Cash gets spent, animals die, and jewelry can be lost or stolen. What's more, these forms of savings earn no interest and can actually lose value over time.

To send money to family, those without a bank account have to rely on couriers or friends who carry cash by bus, which is expensive, insecure, and slow. To borrow money in an emergency, they must turn to moneylenders who charge notoriously high-interest rates. So, reducing poverty depends on helping poor people manage their money. Bank accounts are one of the best ways to do that.

Therefore, financial inclusion has moved up the global reform agenda and gained the great interest for its potential to break the vicious cycle of poverty and lower income inequality. Because, it has effects on economic growth, financial stability, female empowerment, poverty alleviation, and income inequality, which has laid the foundation for this field of research.



Having access to financial services is important to both individuals and companies, as it provides a means of storing money, managing payments and cash flows, accumulating savings, accessing credit, and making investments. Such access is also key to acquiring assets and building financial security.

Reducing the financial access deficit requires us to adopt new technologies and work in innovative ways, like building electronic payment systems instead of continuing to use paper money. In Brazil, the World Bank helped Banco Central do Brasil develop a strategy to make it easier for people with low incomes and those living in rural areas to make payments. In Bangladesh, bKash has addressed this challenge.

Realising the multidimensional impact of financial inclusion on poverty reduction, the present government led by Sheikh Hasina, the daughter of Bangabandhu Sheikh Mujibur Rahman has taken financial inclusion as a strategy to fight against poverty.

In 2011, she accelerated the war on poverty adding a new tool- mobile financial service (MFS) to fulfil the dream of her father-Bangabandhu: Freedom from Poverty. And it has a put big impact on the war against poverty through a new revolution for poverty reduction. Within a few years, the poverty rate has dropped by nearly half. Life expectancy, literacy rates and per capita food production have increased significantly.

### The revolution is rolling too fast

There are many other reasons behind poverty and one of the reasons is the top-down approach of the economy. Bangladesh has shown an impressive growth trend over the years but poor people are yet to reap the benefits because of the trickle-down effect. The benefits of economic growth have trickled up rather than trickled down. When Economic growth or GDP growth increases at the centre or core, it leads to developing economic growth on the periphery like the trickle-down-effect, which is a problem of ensuring equitable income, individual development or inclusive growth and raises large income gap between owners and labourers of industries, economists say.

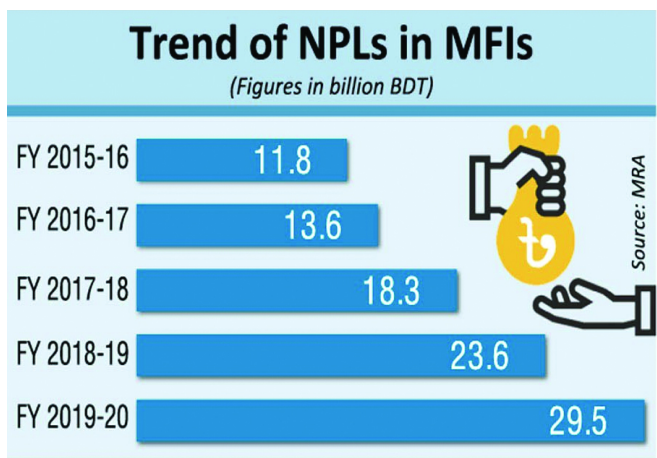
So, it remained as a great challenge for the policy makers for long to deploy the right tool in the right way to combat poverty. The concern was: What strategy can help Bangladesh to push up the economic growth as well as cut down extreme poverty rate without the trickledown effect?

Certainly, the answer lay in the inclusive growth strategy that Bangladesh has taken in its agenda. Oxford economist Paul Collier in his book--The Bottom Billion-- explains that economic growth is not sufficient for reducing poverty rate. Inclusive development is the most important for poverty alleviation.He is not alone: Professor Jeffrey Sachs of Columbia University

who studied on the unprecedented MFS revolution in South Africa and Netherland-born Mareen Gehlich, Shillabeer of Canterbury Christ Church University, UK who worked in Bangladesh on poverty reduction, have the same view.

During the last two decades following the implementation of financial sector reform programs and infusion of new technology, Bangladesh's financial services industries have achieved phenomenal success in terms of branch expansion, viability, profitability, innovation and competitiveness. Despite such progress, there are concerns that banks have not been able to include a vast segment of the population, especially the under-privileged sections and rural people into the fold of basic banking services.

The key reasons for the exclusion of a large number of people include lack of direct access to financial institutions and suitable products, high operational costs and risks arising from asymmetric information. Industry experts say the financial industry needs to find more cost-effective ways to serve the unbanked poor with customized products. As easy access to finance promotes growth and alleviates poverty, promoting financial inclusion is an integral ingredient of the development agenda in Bangladesh.



So, the government of Bangladesh has taken financial inclusion as the right solution. But the concern remained as to how government can ensure access to finance, the most critical part of financial inclusion as policymakers had bitter experiences with microloan episodes, and found foreign aid as a trap. Ensuring greater financial access for the poor and unbanked stood as the stumbling block, since the brick and mortar banks ignored them all along.

Many industry experts say the rapid transition towards financial inclusion that Bangladesh witnessed in the last six years could not have happened without the successful adoption of the MFS revolution. So, people see MFS as not simply a payment system, it's a revolution in the way of the nation's fight against poverty.



## How MFS Turning Dream Into Reality

How do we fight extreme poverty in the most effective way? This was the big question for the policy makers as micro credit has some tragic episodes and in many cases, so called livelihood programme and foreign donation appeared as "poverty trap.

Poverty trap occurs when poor people do not have the resources necessary to get out of poverty, such as financial capital, education, or connections. Increasing connectivity leads to economic growth and social development and helps poor to get-rid of poverty trap. And the best way, according to many development economists, is connectivity to productivity and to recognize that economic development is of the people, by the people, for the people. If citizens can network and make themselves more organized and productive, so that their voices are heard, so then things would improve.

And thus connectivity to productivity theme has gained ground in developing countries and mobile phone has opened the window of opportunity to accelerate the war against poverty. It facilitates commercial banks to operate mobile banking and bring unbanked people into their financial spectrums. And the most effective tool of mobile banking is its unique payment service-Mobile Financial Service (MFS) that transforms mobile phone connectivity to productivity enabling access the poor to finance.

MFS is an innovative payment system that allows people to make financial transactions and money transfers from the comfort of their homes. The lower cost left them with more disposable income, and they now had a secure way to store cash, even those working in the informal economy. So, a revolution with a new spectrum has started unleashing fortunes for the people at the bottom of the pyramid in Bangladesh. It has added multidimensional effects to the material cultures of financial inclusion, the most efficient frontier of the decade-long battle against poverty.

The revolution is nothing other than the Mobile Financial Service (MFS) since 2011 thanks to the proactive role and unique bank led model of Bangladesh Bank (BB). The MFS operation has fanned out through 17 operators; thanks to the wide telecommunication coverage across the country from skyscraper capital city to village slums rendered by 5 telecom service providers.

More than 10 million people are now using this unique payment service in Bangladesh and these people transact over Taka 10 billion a day through thousands of MFS agents across the country who are also poor. The unbanked population comprising 85% adults of Bangladesh have lovingly embraced MFS as a unique platform for easy and quick payment methods.

The impact was immediate. Such a huge velocity and



amount of money flow is indicative of reshaping of the economic pyramid. Poverty rate has dropped more than 13% after the MFS maiden journey in 2011 as the impact was particularly strong for households led by women. Both economists and beneficiaries say the MFS is now a game changer for poor people of Bangladesh.

### The question is: How MFS revolutionise the lives of the poor?

In developing countries, 2.5 billion people are 'unbanked' and have to rely on cash or informal financial services which are typically unsafe, inconvenient and expensive. Traditional "bricks and mortar" banking infrastructure struggles to make the business model work to serve low-income customers, particularly in rural areas.

However, over one billion of these people have access to a mobile phone, which can provide the basis for extending the reach of financial services such as payments, transfers, insurance, savings, and credit. So, the digital payment system has made a dint in the banking landscape of Bangladesh where more than 4.5 million adults are unbanked people and living under the poverty level.

The impact of mobile banking in developing countries, is most pronounced as the number of adults with a mobile money account has increased by ten percentage points, from 24% in 2011 to 34% in 2014. In 2015, according to GSMA, 19 markets have more mobile banking accounts than bank accounts. Bangladesh adopted this unique digital tool to thwart poverty.

Realising the potentiality, Bangladesh Bank has provided approval to 28 banks for running mobile banking services- but only 17 banks have launched mobile financial services up to January 2016. The MFS operation turned into a revolution after the launch of bKash, a specialist service provider of Brac Bank for its impressive performance that has made the bKash, as the global leader in MFS market and named as an innovation that is changing the world by the global rating agency Fortune. At present only 13 banks are offering MFS services.



The impact is impressive. Bangladesh, which once was called a bottomless basket, is now a striking success story in the fight against global poverty and a role model for the rest of the world, according to The World Bank. What drives Bangladesh to achieve such global recognition?

World Bank President Jim Kim has given the answer fingering the MFS revolution for its positive impact on the poverty alleviation effort of Bangladesh. "I'm very much looking forward to seeing firsthand Bangladesh's progress in improving the livelihoods of tens of millions, empowering women, and enhancing the quality of education.

In 2016, during his Bangladesh visit, President Jim Kim visited bKash office and felt assured of the steady growth of MFS in Bangladesh. He termed the bKash as the most successful service for its "low fee-based business model" and "enabling the millions of unbanked to access financial services" and lauded it for its overwhelming success in advancing the financial inclusion vision into a reality.

The impact of MFS revolution has also been reflected in a BIDS study. It shows that the country's rural economy has shown surprising resilience over the years mainly for "the growing share of non-farm activities like trade, transport and processing, which now account for 46 percent of rural income compared to 37 percent in 1987". And this was "because of the better access to capital, credit and capacity to invest in skill-building available for the non-farm sector.

**How does MFS impact on poor?**

MFS is not the micro-lending with which developing and emerging markets are associated, or an economic programme that spends foreign aid to improve their living standard with. So, the obvious question was: Why do poor and low income people love this payment system?

The study gives the answers as: it has multidimensional impact on poor people. It allows the poor and

unbanked people to make financial transactions and money transfers in real time at their affordable cost from the comfort of their homes. It supports them in their needs: to withstand financial shocks and save money to address their medical requirements. It helps safest domestic remittance that allows millions of garment workers, rickshaw pullers and employees of low scale jobs to send their earnings to their dependents in most affordable, convenient and secured manner.



Economists say poverty results from the lack of access to markets, to emergency health services, access to education, ability to take advantage of government services and so on. Because of unequal distribution of income, income gap is getting wider between rich and poor. Oxford economist Paul Collier in his book -The Bottom Billion has laid out a bold, compassionate plan for closing the gap between rich and poor with a mild criticism of a micro-credit programme based on foreign donations, which was supported by other economists and development thought leaders.

There are many other reasons behind the poverty and one of the reasons is top down approach of economy. Bangladesh showed an impressive growth trends over the years but poor people are yet to eat its fruits because of trickle-down-effect, which is a problem of ensuring equitable income, individual development or inclusive growth and raises large income gap between owners and labourers of industries. Besides, unemployment and women empowerment are two major cases for poverty, though slowly, in Bangladesh.





With its multidimensional effects, the MFS is helping the economy reduce income gap through enabling poor people to crawl up from bottom of the economic ladder? It is bringing more women to earn more through business, giving them power to support their families, enables youth to earn money through MFS business and add extra money to their existing shops.

Several researchers conducted in developing countries to find the impacts of MFS on poverty reduction have found that MFS can help reduce income inequality by increasing opportunities for the poorest segments of society to experience the benefits of financial services, and hence mitigate income and expenditure volatility. In addition to a reduction in measured inequality, MFS brings many other important benefits within reach, in particular, education and healthcare, for example, by providing access to insurance to help mitigate the impact of unexpected shocks. These will in turn have critical long-term impacts on development, especially rural development.

MFS not only helps people reduce poverty but also helps the poor prepare for and respond to shocks, including natural disasters. In Pakistan, EasyPaisa launched a relief payment distribution system. During floods, EasyPaisa used its platform to solicit donations and distribute donations. The same concept was used in Haiti to provide earthquake relief. Another example is Kenya MPesa's UAP Insurance, which insures poor farmers through mobile phones against weather-induced crop failures. Claims are disbursed as soon as weather information is verified.

### Actions speak louder than words

Necessity compels. People living in remote rural areas where bank branch is yet to reach know this well. "Needs must when the devil drives", but rural people like Ruma Akhter who are outside the formal banking and dependent on remittance money sent from abroad had little option to meet the urgent needs when the devil drove them.

Here goes the story - Ruma Akhter (35), a housewife living in village Uddomdi of Upazila South Matlab under Chandpur district, couple of years back, was in dire need of money for her child's emergency medical treatment. She managed to inform her husband Mejbah

Uddin working in Saudi Arabia to send money urgently. Mejbah Uddin sensing the urgency, tried his best to send remittance immediately through the banking channel but it took the usual time and his wife had to travel to the nearest bank branch to collect the money. The process was slow and Ruma Akhter had to go through anxiety and accept delayed treatment of her child, most painful experience of any mother.

But things are changing after the introduction of MFS revolution. Today, Ruma Akhter and many like her can convey their needs to their near ones working abroad and receive foreign remittance through Western Union (WU) to their respective bKash account, the leading Mobile Financial Service (MFS) with the widest network coverage across the country. Besides, BRAC Saajan, the partnership between WU, MasterCard, BRAC Bank and bKash has the provision of receiving formal remittance into bKash account.

Millions of rural people, who are outside the banking channel now use bKash and other MFS to meet their financial needs. They use MFS as a technological platform to send and receive money, pay for essential goods and utility bills, buy airtime as well as save money for their future needs. Besides, they can receive remittance sent by their relatives through BRAC Saajan and WU.

"We prefer it, because, it is quick, convenient and cost-effective for us to receive remittance and we can ask our relatives to send money instantly to meet urgent needs", said Anjuman Ara, a house wife living in Fatehpur village in Upazila North Matlab.



"Sometime, we face difficulties to collect remittance money from bank branches as those are far away from our homes, mostly in Sadar Upazila and bank officials remain too much busy with many other clients", said Ismail Hossain (57), resident at Bisnupur village under Chandpur Upazila.

Like Hossain, many rural people are dependent on remittance money sent by their relatives which has generated chain economic activities and helped change the rural face with gradual reduction of poverty. Remittance contributes not only 13 per cent of Bangladesh's gross national product, it also has an important role in macro-economic impact on poverty

reduction. bKash, the largest MFS provider in Bangladesh and the second largest mobile-money giant in the world introduced remittance service in 2016 in collaboration with MasterCard, WU and BRAC Bank.

According to World Bank data, Bangladesh is the eighth largest receiver of international remittances in the world. Industry experts say the high cost of migration and high cost of remittance delivery service through the existing Money Transfer Operators (MTOs) are one of the main reasons for the recent unofficial remittance flow. The major cost of remittance service is associated with banking operations and last mile collection expenses.



The MFS revolution has opened window of opportunities for unemployed youths to work as MFS agents

with limited amount of capital to provide the service and earn sufficiently to attend basic needs for living. Mostafa Molla (30), an unemployed graduate youth of village Uddomdi under Matlab South is one of them.

"After the death of my father, my family fell into a poverty trap. I was too frustrated as I had no job. It was at that time, I saw bKash as an opportunity. Today, I earn nearly Tk-4000/ per month and my income is increasing as the demand is growing", Mostofa Molla said. Besides providing bKash services, Molla is willing to include few more commodities in his outlet to enhance the dividend.

Like Mostafa Molla, many youths are now engaged in MFS business and earning money through this unique payment business as MFS agents. Bangladesh Bank data shows more than 700,000 MFS agents are working across the country who receive a handful portion a service charge from MFS operators for the service they provide. Most of the agents are roadside small shop owners, unemployed youths, and part-time office and industry workers running a parallel MFS outlet.

The 'Jobs Diagnostic' prepared jointly by The World Bank and the ILO showed the annual growth rate of employment fell to 1.8 percent in 2010-15 in Bangladesh after growing 2.7 percent annually between 2003 and 2010.

## The study: Chandpur to Chapainababgong

**C**an MFS really transform the lives of poor people in Bangladesh? How much it helps the poor to fight poverty? Can it really revolutionise the lives of the poor?

With these questions, The Bangladesh Express conducted a study in different corners of the country from Chandpur to Chapainababgong in June and July 2016 on 301 poor people mostly who are MFS agents and users of different stratum to examine the MFS impact on poverty reduction.

The main objective of the study was to realize the real impact of MFS revolution on poverty reduction in Bangladesh. Why poor people use the MFS service and how much actually they get benefit from this revolution. So, it covered all segments of people using MFS service at least once in a week such as unemployed youths, producers and traders of goods like mangos and milks and professionals like bus drivers, rickshaw-pullers, MFS agents, women entrepreneurs, female garment workers and housewives living in villages.

Of the total respondents, 249 are male and 52 are female. Of them, 145 are agents, 69 unemployed youths, 52 are women, 139 are shop keepers, 26 female



*Monir, a landless small shop keeper of village road in Matlab North upzila under Chandpur district is happy with bKash as it has given him the opportunity to earn Tk 200 to Tk 300 daily- enough to maintain his small family.*

garment workers, 12 women entrepreneurs.

The interviews were taken on the spot suddenly selected randomly on the way to Chapainababgonj from Chandpur through a private car. The respondents who could not produce valid documents regarding their income statements were exempted from the study.



# The study: Chandpur to Chapainababgong

## The study findings

The study shows, the findings show the multiple transitional impacts of MFS on their lives that are helping them to get rid of poverty. For example, most respondents said MFS has pushed up their household income ranging from 10 per cent to 30 per cent, created new jobs for unemployed youths, added extra income to businesses and strengthened women empowerment that led to poverty reduction over the years.

More than 98 per cent respondents said the MFS has helped them to improve their living standard that they never thought before. Of them, 70.52 per cent respondents are doing MFS business as an additional income while the rest users said the MFS business is their main business to survive.

More than 70 per cent respondents mostly who live in town areas said their monthly income through MFS business ranges between Tk 5000.00 to Tk 6000.00, while others said this income ranges between Tk 3000.00 and Tk 4000.00. Students are increasingly.

More than 90 per cent unemployed youths said the MFS tool has given them to support their family and the opportunity to travel for facing interviews for secured jobs. Of them, 40 per cent unemployed youths have completed Masters Degree from universities,

The study has founded that businessmen and small firm owners who once gave up businesses for scarcity of potential buyers and intervention of middlemen, now doing good business as the MFS payment facilitates them to deliver goods to potential buyers living far away receiving cash in advance through MFS. Because, it helps them to sale products mangos without



*A mango trader at Banessor of Rajshahi is happy with brisk business from cash sale thanks to mobile financial services. He can sell mango to buyers living far away from his shop taking advance cash through this innovative payment tool.*

middlemen as they receive advance payment through MFS from customers before delivery good through courier services to the customers living in different towns and areas far away from the sale points.

Women entrepreneurs said the MFS has reduced their business risks enabling them to sale products taking cash instantly through MFS. Housewives expressed satisfactions over the MFS as it helps them to receive remittance quickly sent by their relatives.

Out of 52 female, 26 respondents of the study were garment workers who said they use MFS particularly bKash to meet their urgent needs and send money to their relatives at lower cost. And thus it helps them to save money for their future.

The RMG and textile industries have been important means of economic security for women in Bangladesh, which is fundamentally necessary for poverty reduction and economic growth. MFS has enabled large segment of RMG workers especially the women workers to send money to their families in real time, with convenience and at low cost. To facilitate the workers to operate through mobile accounts, many factories are now disbursing salaries to their entire workers through MFS.



*A university post graduate unemployed youth is earning Tk 12000 per month on an average through mobile banking business at a small shop at Banessor bazaar under Rajshahi.*

# The study: Chandpur to Chapainababgong

## Bkash leads the peak

Bangladesh Bank has given license to 28 banks to open MFS, but only 19 banks are active in operations leaving the lion market share with bKash. More than 23 million people across the country are transacting more than Tk 4 billion a day on an average through bKash.

bKash is a joint venture between BRAC Bank and a fintech formed by US-based Money in Motion, Bill & Melinda Gates Foundation and International Finance Corporation (IFC). For its impressive growth rate compared to its global and local peers, bKash is a global success story in mobile banking and as well as the unique symbol of success of Digital Bangladesh. Most other countries now follow this revolution and use as a case study and a role model.

According to the study, bKash holds majority market share due its popularity and wide spread agent network across the country. More than 80 per cent of transactions made by the respondents are done with bKash. Only 20 per cent respondents said they use Rocket of Dutch Bangle Bank and only 5 per cent said they use Sure Cash of Rupali Bank.

More than 98 percent bKash agents under the study expressed satisfactions over the business management of bKash and hoped to see the service grow. "Without bKash we can't think to live now", said Nujahan, a garment worker at Malibagh Chowdhury para in Dhaka city.

"It's like a gift for us", said Nazmul Alam, a small shop owner at Sirajganj Main Bus Terminal who provide MFS as an additional business. "Most of my customers are bus drivers and passengers, so my daily income



*A small shop owner at the roadside of Ramchandrapur in Rajshahi is smiling as MFS business enables him to earn Tk 6000 per month.*

reaches Tk-300/ threshold. I am happy with this, because, it has provided solvency to my family which I found to be difficult prior to becoming a bKash agent."

"Teknaf to Tetulia, you will find bKash and other MFS everywhere. Because, it helps people to meet urgent needs", said Tazul Islam, another MFS agent at the same bus terminal. Even in a remote corner of village Dhonagoda under Matlab North upzila, Monir, a landless youth now earns at least Tk 3000.00 per month through MFS service in his shop. "This earning helps me to survive as I have no lands to cultivate", he said.

"Most service holders and businessmen living in Dhaka, Chittagong and elsewhere send money to their homes through bKash", Monir said. In every corners of each villages, markets across the country, bKash presence is visible and spells the truth.





## MARKET UPDATE

# Monthly MFS transactions surpass TK 1 lakh crore for second time

RIMA SARDAR

The monthly transactions through mobile financial services (MFS), such as bKash, Nagad and Rocket, surpassed Tk1 lakh crore in January this year for the second time since the launch of the services in 2011, according to the latest Bangladesh Bank data.

The transactions amounted to Tk1,00,593 crore in the month, which is 4.64% higher compared to that of the previous month and 18.65% higher than the same month a year ago.

Apart from the record in amount, the mobile financial service sector also witnessed the highest transactions, 46.30 crore in number, in January 2023. The number is 3.5 crore higher than the previous month.

The country saw the first record of crossing Tk1 lakh crore-mark in MFS transactions in April 2022, centring the biggest religious festival Eid-ul-Fitr. Sector insiders believe that MFS transactions will register new records before this year's Eid as well.

"People are becoming used to digital transactions day by day. The number of our clients has already reached 6.7 crore, which is a testimony to that," Shamsuddin Haider Dalim, head of corporate communications at bKash, told The Business Standard.

"Mobile financial services have made life much easier by offering a number of convenient services. Moreover, we are trying to add new products on a regular basis."

"In our observation, people continue to transact and use different services after they use bKash for the first time, which

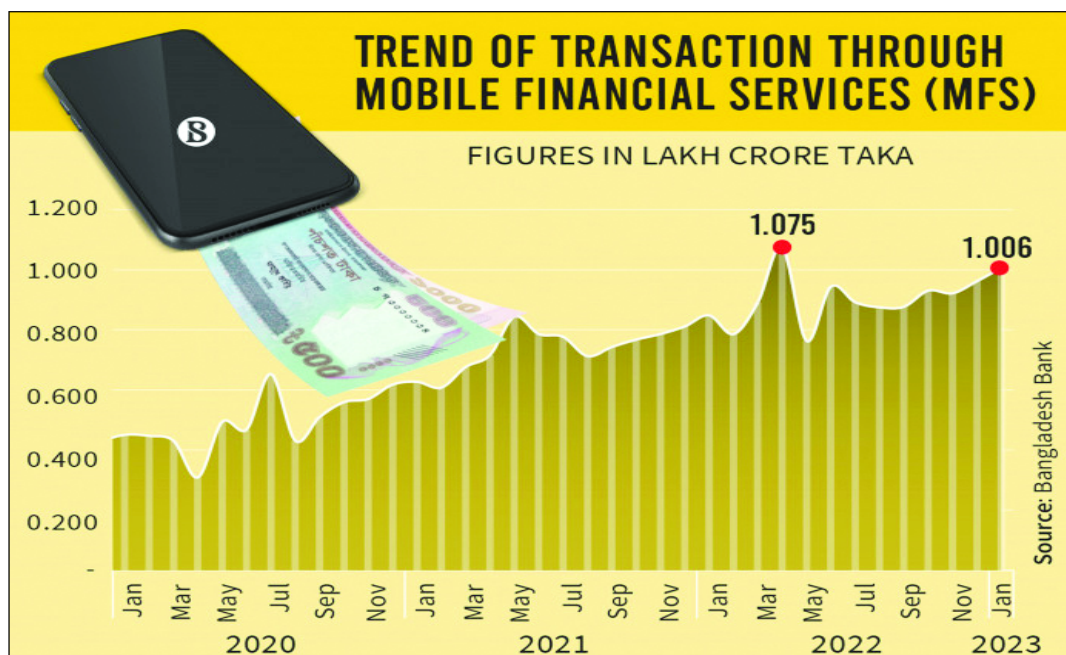
means that they trust bKash," Shamsuddin Haider said, adding that the transactions have been on the rise in such ways.

Besides, the use of MFS by the governments for distributing different allowances also contributed to the surge in transaction amounts, he noted.

An analysis of January data shows that transactions in all areas including cash-in, cash-out, person-to-person balance transfer, and salary distribution have increased substantially. The most significant growth, 14% year-on-year, was seen in merchant payments to reach Tk3,373 crore.

The total number of MFS accounts stood at 19.41 crore at the end of December last year, according to the central bank, while some 2.1 crore accounts were added in that year alone.

The Bangladesh Bank permitted mobile banking in 2010. It came into operation early next year with the launch of Rocket, an initiative of Dutch-Bangla Bank. Currently, 13 banks provide such services in the country under different names such as bKash, UKash, MyCash and SureCash.



# BASIC Bank launches 'Magpie' app



## DF report

State-owned BASIC Bank Limited launched its "Magpie" app and customer onboarding platform "BASIC i-Account," a digital platform of banking services in order to make the financial system more inclusive and accessible to the people.

Sheikh Mohammad Salim Ullah, secretary, Financial Institutions Division, Ministry of Finance, inaugurated the services as chief guest in a ceremony on Tuesday (14 March) at the bank's head office in Dhaka, reads a press release.

Professor Dr Abul Hashem, chairman of the bank presided over the program. While Md Anisur Rahman, MD and CEO of the bank, delivered the welcome speech.

Md Razib Pervez, Dr Nahid Hossain, Dr Md. Abdul Khaleque Khan, Shamim Ahammed, directors of the bank and Md Mezbaul Haque, executive director and coordinator of BASIC Bank were present as special guests.

Md Abdur Rahim, Abu Md Mofazzal and Md Abul Kalam Azad, deputy managing directors, Ahmed

Hossain, ASM Rowshanul Haque, Md Ismail, Md Momenul Hoque, general managers, Md Helal Uddin, DGM and head of ICT division, senior officials of vendors and other senior bank officials, staffs were also present on the occasion.

The app has all other financial services including banking. e-KYC based bank account opening without branch support, direct fund transfer to other banks through EFT, RTGS and NPSB, add money, e-commerce/merchant payment, credit card bill Payment, utility bill payment, ticketing and remittance service and other banking services are available on Magpie App.

The app has also the facility of adding any card, account and mobile banking services account, funds transfer from any VISA or MasterCard, shopping through QR code, mobile recharge, instant balance inquiry and instant card/account statement.

The "Magpie" app also features services like payment and receipt of school, college, and university tuition fees and MFS transfer. The Apps will be available shortly on Google's Play Store.



# BB starts programme to promote 'Cashless Bangladesh' initiative

## DF Report

Bangladesh Bank Governor Abdur Rauf Talukder inaugurated the expansion programme of 'Cashless Bangladesh' initiative in a virtual ceremony on 20 March.

The programme was simultaneously introduced in Dhaka University area and four upazilas each from Rangpur, Gopalganj, Natore and Gazipur district in order to expand cashless transactions nationwide, reads a Bangladesh Bank press release.

In the opening ceremony, Dhaka University Vice-Chancellor Professor Dr Md Akhtaruzzaman was present virtually and ICT State Minister Junaid Ahmed



Palak delivered the welcome address.

Besides, Deputy Governors of Bangladesh Bank, Deputy Commissioners of four districts, Managing Directors of Banks, MFS, PSP, International Card Schemes attended the event virtually.

Governor, Deputy Commissioner of four districts, Treasurer of Dhaka University purchase products by making payment through Bangla QR in

their respective areas.

The release noted that if transactions are done digitally, financial institutions will be able to create new services and new credit products using the transaction data received by individuals/businessmen.

## Daily transaction of MFS crosses Tk 32b

### DF Report

The average daily transaction of mobile financial service (MFS) has crossed Tk32 billion and its volume shows a growing trend, said the latest report of Bangladesh Bank (BB).

Analysing the data of 13 MFS in the country the BB report said that MFS gets popular in Bangladesh due to convenient transaction opportunities and payment facilities.

The BB has released the updated statistics of MFS with information on 13 service providers. It has been seen that in the first month of this year January, customers transacted Tk1.05 trillion. This figure is the second-highest recorded transaction on mobile so far.

"There is no fee to open an account. Money can be sent everywhere instantly. At the same time, many new services have been added including payment of shopping bills, and loan facilities. These are contributing to an increase in the number of users," said Dr Salehuddin Ahmed, former governor of the BB.

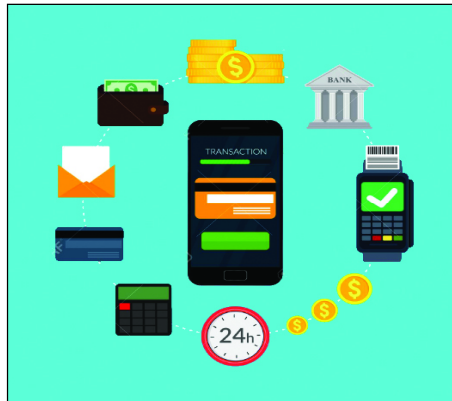
The central bank officials say inward remittances are also coming through MFS. As a result, people's interest

and dependence on MFS are increasing. The volume of transactions with customers is also increasing because of multifold uses of this service.

According to the BB, in January on average daily transactions through MFS was Tk32.45 billion, excluding Nagad mobile finance operator as this MFS provider is not included under the BB financial report.

If the Nagad transaction is added, then the MFS' daily transaction volume would cross Tk42 billion.

The BB report revealed that 60 per cent of the transaction was money deposit and windrowing while 40 per cent was digital payment in January 2023.



The number of customers is increasing day by day with transactions in mobile banking.

Currently, 13 banks are providing mobile banking services under different names including Bkash, Rocket, U Cash, My Cash, and Sure Cash.

At the end of January 2023, the number of customers registered in mobile banking stood at 194.1 million. And the number of mobile banking agents has reached 1.57 million till January.

# Brac Bank, SME Foundation launch programme for Rangamati women entrepreneurs

## DF REPORT

Brac Bank and SME Foundation have announced on 20 March they are launching a unique capacity-building and awareness programme for women entrepreneurs in Rangamati.

The programme aims to hone the managerial and entrepreneurial skills of 100 promising women entrepreneurs in the region, and help them expand their businesses beyond their district, said a press release.

The initiative marks the first time that a bank has initiated a capacity development programme for women entrepreneurs in the hill tracts region. The programme is designed to ensure financial and digital inclusion for long-term business sustainability, by providing grassroots women entrepreneurs with access to facilities and financial knowledge.

The training programme was announced at a press conference held at Parjatan Hotel in Rangamati, which was attended by officials from both Brac Bank and SME Foundation. At the press conference, Selim R. F. Hussain, Managing Director & CEO, Brac Bank; Syed Abdul Momen, Deputy Managing Director & Head of SME Banking, Brac Bank; and Md. Masudur Rahman, Assistant General Manager, SME Foundation, addressed queries of the journalists. Khadija Mariam,



Head of Women Entrepreneur Cell, Brac Bank, was also present.

Selim RF Hussain, managing director & CEO of Brac Bank, expressed his enthusiasm for the programme, saying, "We are delighted to initiate this training programme in the hill tracts region, where women hold immense potential for entrepreneurship. This training shows our strong commitment to grassroots entrepreneurship development in the country."

SME Foundation has been a long-standing partner of Brac Bank in capacity building of SME entrepreneurs. In 2022, the two organizations organized an intensive grooming programme for up-and-coming women entrepreneurs in five districts. Together, they are committed to expanding this training to other parts of the country, and helping women entrepreneurs realize their full potential.

# Beximco Industrial Park workers can now buy affordable products through bKash payment at Apon Bazar

## Df REPORT

Workers of Beximco Industrial Park, receiving salary through bKash, can now purchase daily necessities at cheaper price than regular from the shop at the factory premises.

Around 40,000 workers of the industrial park can avail this facility through bKash payment at 'Apon Bazar'- a fair price shop installed at the factory premises with the initiative of Beximco, bKash and Apon Wellbeing, reads a press release.

In addition to purchasing products through bKash payment, workers can also enjoy a 5% cashback till 31 March, 2023. They can avail a maximum of Tk50 dur-

ing this campaign.

The outlet of 'Apon Bazar' was inaugurated at the premises of Beximco Industrial Park on Sunday. KM Akram Hossain, senior general manager of Finance & Accounts, and Khalid Shahrir, head of HR & Compliance of Beximco Industrial Park; ATM Mahbub Alam, head of Payroll Business of bKash; and Saif Rashid, managing director of AponTech Ltd, were present at the event.

For the benefits of the workers, fair price shops have been installed at the premises of different garments with the initiative of bKash in recent years. Under this initiative, around 30 fair price shops have been set up in different garment factories.





## Rangamati Police, bKash holds workshop on prevention of MFS abuse

### DF Report

bKash in collaboration with Rangamati District Police has recently organised a day-long coordination workshop to raise awareness against the abuse of Mobile Financial Services (MFS).

Around 120 investigation officers of the District Police participated in this workshop titled "Investigating and Preventing Abuse of Mobile Financial Services" at the auditorium of Polwel Park & Cottage in Rangamati, reads a press release.

The workshop discussed in detail how to utilise information related to illegal activities to apprehend criminals and bring them to justice.

Mir Abu Tauhid, BPM (Bar), superintendent of police

of Rangamati District was present as the chief guest in the workshop.

Maruf Ahmed, ASP (Administration & Finance); Md Jahedul Islam, ASP (Sadar Circle); Shahnewaz Raju, BPM, PPM, additional superintendent of police (DSB); and FM Tonmoy Khan, VP of External Affairs department of bKash were also present at the event.

As per the release, bKash conducts all its activities with strict adherence to compliance, as guided by relevant laws to keep its platform safe.

Besides, bKash automatically monitors all activities of agents through the AML360 app and takes appropriate action in case of any irregularities. The company conducts awareness activities throughout the year to make its stakeholders aware of such issues.

# Banglalink outshines GP, Robi in revenue, subscriber growths

## DF REPORT

Banglalink, the third largest telecommunication operator in the country, has outshined two other big operators - Grameenphone and Robi Axiata - in terms of year-on-year revenue and subscriber growths.

While market leader Grameenphone failed to register even 4% year-on-year revenue growth in Q4 2022 and the second largest operator Robi reported 10%, Banglalink recorded a 16.9% revenue growth.

Banglalink officials said the growth was significant in its history and resulted from the continuous investment in network expansion and digital services that enhanced its network speed.

The mobile network operator is far ahead of its competitors in acquiring new subscribers as it has reported 7.1% growth in subscriber base at the end of fourth quarter of 2022 compared to the same period of previous year.

During the time, Grameenphone reported around 5% negative growth while Robi was able to stay in the positive trend with merely 1.4% growth in subscriber base.

At the end of February this year, Banglalink's subscriber base reached to 4 crore, making Bangladesh the second largest market for Netherland-based multinational telecommunication services company Veon Ltd, the parent company of Banglalink, said Kaan Terzioglu, chairman of Banglalink Board and Group Chief Executive Officer of Veon, at a press conference held in Banglalink's head office in Dhaka on Monday.

Apart from Bangladesh, Veon has telecom operations in Ukraine, Pakistan, Kazakhstan, Uzbekistan, Georgia

and Kyrgyzstan.

According to the 2022 earnings report recently published by Veon Ltd, Banglalink's revenue in the final quarter of that year was Tk1,437 crore which was 16.9% higher than that of the final quarter of 2021.

"It is great to see Veon's consistent investment in Bangladesh yielding pronounced results. Banglalink's double-digit revenue growth for three consecutive quarters is a testament to its success in strengthening

customers' trust," said Kaan Terzioglu.

He said, "As a part of our Digital Operator Strategy, Banglalink is on track to enhance its growth whilst contributing to the realisation of a Smart Bangladesh through consistent delivery of high-quality digital services to the thriving digital market of Bangladesh."



Presenting the financial results, Banglalink Chief Executive Officer Erik Aas, said Banglalink, as a "national operator", embarked on a new era of growth as a digital powerhouse in 2022, delivering exceptional results across all segments.

"Our growth rate surpassed that of the industry by a two-fold margin, and by extending our fastest 4G network and delivering superior digital services to every corner of the nation, we have achieved the status of a true national operator. Armed with our unparalleled speed and nationwide reach, we are poised to serve our customers with top of the line connectivity in the coming years," he added.

Among others, Banglalink Chief Financial Officer Cem Velipasaoglu, Chief Commercial Officer Upanga Dutta, and Chief Corporate and Regulatory Affairs Officer Taimur Rahman were present at the event.



# Bangla QR - cashless payment made easy for small traders

Central bank initiates "scan to pay" solution to bring micro-merchants into digital payment ecosystem

## DF Report

Has it ever happened to you that you have had fuchka at a food cart at a tourist spot only to discover you forgot your bag or wallet? Or you took a rickshaw ride home but you have a Tk500 or Tk1,000 note and the paddler does not have change for it?

It is hard to find anyone who has not landed in an odd situation like this sometimes. Well, worry no more, the Bangladesh Bank has initiated a Bangla QR payment system to offer you a safe and affordable solution.

Vendors can easily avail a Bangla QR unique code if they have a bank account or a mobile financial service (MFS) personal retail account.

They do not even have to have a smartphone to accept payments through this mode of transactions but customers need to have a compatible MFS application or bank app installed on their smartphone with an Internet connection to make a payment.

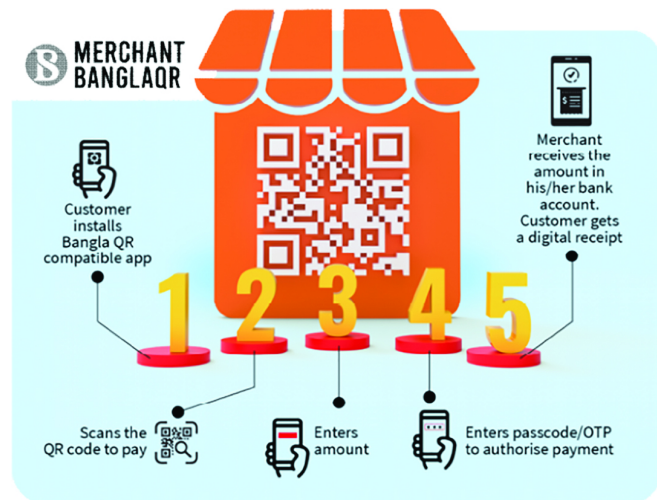
A QR (Quick Response) code is a type of matrix barcode. It is a machine-readable optical label that contains information about the item to which it is attached. To speed up the countries' financial inclusion, the central bank's Payment Systems Department has recently come up with this interoperable "scan to pay" initiative.

This alternative to expensive Point of Sales (POS) devices, the payment acceptance solution focuses on bringing more micro-merchants under the digital payment ecosystem, with a view to advancing the nation's progress towards becoming a "less cash society".

Md Serajul Islam, executive director and spokesperson at the Bangladesh Bank, told The Business Standard, "It will strengthen digital business presence in the micro-merchant arena, where most sellers are out of the formal banking system. We are trying to accommodate them in the formal channel through this initiative."

"We are working not only on the payment system but also on easing other banking activities through digital services countrywide and are also looking forward to the comprehensive development of financial inclusion at the rural level," he added.

The Bangladesh Bank strictly advised Bangla QR adopters to make sure that the cost of Merchant



Discount Rate (MDR) shall not be passed on to customers.

The MDR is charged to a merchant for the payment processing transactions through credit and debit cards and MFS.

Fees and charges for transactions processed through Bangladesh Bank's network will be as per its directives, while the fees for other processors will be based on their policy.

However, processors are encouraged to reshuffle their fee structure in line with the fees of Bangladesh Bank's network as much as possible, which is still under negotiation.

"If this system is realised, our financial ecosystem will benefit a lot. But for this, stakeholders such as banks and MFS service providers have to come up with initial investments to popularise the code-based payment method", said Chairperson of SME foundation Prof Dr Md Masudur Rahman.

The regulator should also oversee it regularly to ensure security of such micro-level vendors' money, he said, adding that banks can also initially relieve merchants of processing charges to attract them to the digital payment system.

Earlier, on 6 January this year, the central bank published guidelines on Bangla QR for building a safe, affordable, and efficient payment and settlement system at the retail level.

According to the guidelines, an individual can transact up to Tk20,000 daily in case of static Bangla QR based transactions.

Merchants will be able to accept funds by using this method from various payment instruments, including all types of cards and bank, MFS and e-wallet accounts.

Central bank sources said all banks and MFS providers will be under the transaction channel and 8-10 financial institutions, which will facilitate QR payments from its customers' accounts, are already working on issuing Bangla QR, while another 4-5 institutions are acquiring merchant accounts.

Islami Bank Bangladesh Limited and Pubali Bank Limited have already completed piloting Bangla QR usability. Mutual Trust Bank Limited and Eastern Bank limited have also incorporated Bangla QR in skybanking apps.

Managing Director and CEO of Pubali Bank Limited Safiul Alam Khan Chowdhury said, "We are thrilled to collaborate with the Bangladesh Bank on this revolutionary initiative."

Shamsuddin Haider Dalim, head of Corporate Communications at bKash, said, "bKash has already deployed QR code for customer convenience. Now, we are working on the feasibility of technological integration to bring commonality with Bangla QR code for the convenience of our customers."

SSLCOMMERZ, a payment gateway aggregator, is working to acquire merchant accounts for Bangla QR in collaboration with banks and card network partners after taking approval from the central bank. SSL has already acquired more than 50,000 merchant accounts.

At a virtual programme held recently, SSLCOMMERZ Managing Director Sayeeful Islam said, "The QR payment service will directly benefit millions of small and medium entrepreneurs, suppliers, distributors, and factory owners from all across the country. We hope to turn this dream into reality, not just in Dhaka but across the entire country very soon."

Mastercard Bangladesh is also giving access to Bangla QR to make payments in collaboration with banks such as Mutual Trust Bank Limited.

At a virtual launching ceremony held recently, Syed Mohammad Kamal, country manager of Mastercard

Bangladesh, said, "Mastercard will continue to introduce technology-driven solutions and simple, smart and secure contactless payment options. We would like to incorporate this service for foreign Mastercard holders in the future."

Experts said it would be tough to convince a micro-merchant to open an account with Bangla QR access. This is because, they said, they are not used to such activities. Many of them are also apprehensive of the taxation regime under formal banking channels.

It is also very important to ensure merchants that they will get other banking facilities, such as loans, in the future if they register for Bangla QR, they added.

In this connection, BB spokesperson Md Serajul Islam said the banking system will offer more exclusive products in the future. Time will determine whether micro-merchants will get a loan opportunity against Bangla QR or not.

However, stakeholders are also expecting a positive impression from small vendors as most people in the country have smartphones.

People are also preferring contactless digital payment modes during the pandemic where Bangla QR can be a game-changer in the country's digital transaction system.

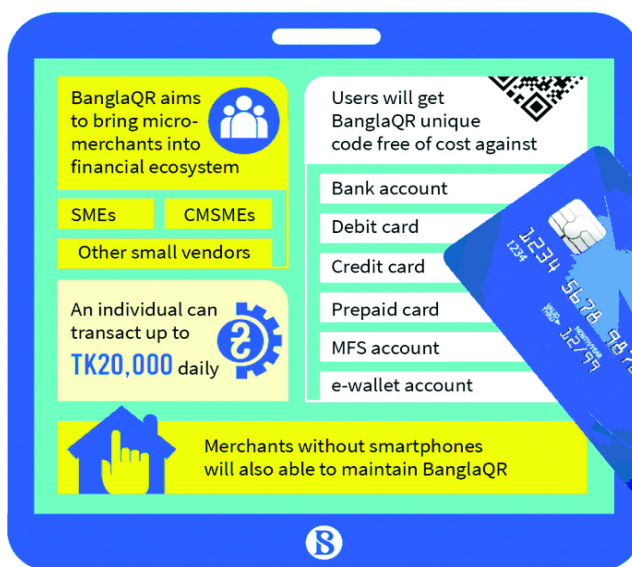
Endra Mohan Sutradhar, deputy general manager and head of Software Development Division at Pubali Bank Limited, said, "Technologically, the method is almost free of complexity and customers can access it through the app easily. So no need to carry cards in the future."

If the code-based payment is accepted by all, it will reduce banking costs to a great extent, he added.

"We have initially incorporated this system into our PIBanking app and are looking forward to working in a greater aspect within two weeks or more," he also said.

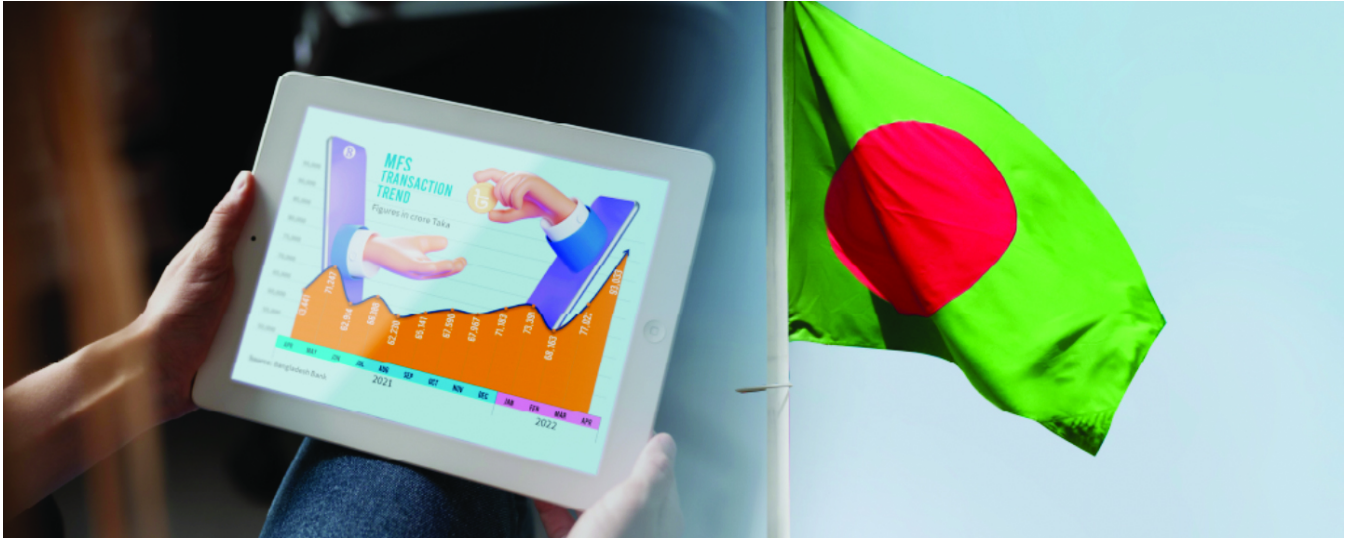
The BB guidelines on Bangla QR mentioned that some banks, payment schemes, MFSs, PSPs, and PSOs have already prepared their own standards and infrastructures for facilitating closed-loop QR code-based payments. This, however, has increased inefficiency in the overall payment systems.

In this backdrop, the Bangladesh Bank in consultation with the stakeholders has developed a National QR Code Standard for Bangla QR for open-loop interoperable QR code-based payments.





# Can Fintech in Bangladesh Catch Up with its South Asian Neighbours?



by Rebecca Oi

In recent years, Bangladesh has seen rapid growth in its fintech sector, fueled by the widespread adoption of mobile technology. This has enabled financial services to reach millions of previously unbanked citizens, leading to a remarkable rise in financial inclusion over the last five years.

According to the SDG Cell at the Bangladesh Bureau of Statistics, 79 percent of adults in the country now have access to formal financial services, and one of every five financial transactions is conducted digitally.

Not only has the fintech sector in Bangladesh experienced growth in the mobile payments industry, but the personal finance and remittance segments have also seen significant progress. Mobile-based remittance services have emerged as a more accessible and cost-effective means of transferring money domestically and internationally, benefiting migrant workers and their families.

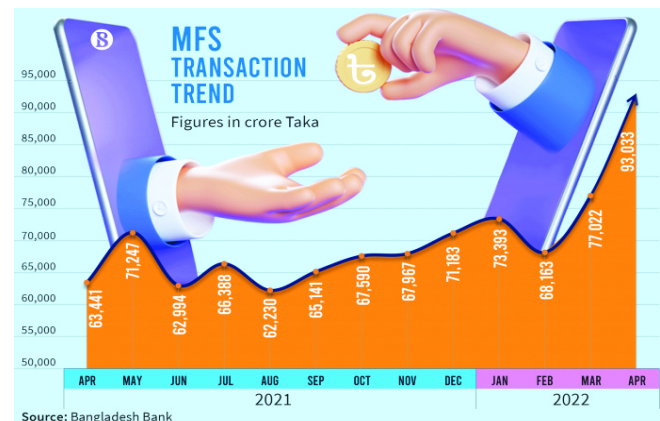
Additionally, digital personal finance platforms have made managing finances, accessing credit, and making investments easier and more secure for users. These platforms have significantly contributed to the financial inclusion of the unbanked population in Bangladesh, allowing them to improve their financial well-being.

## The backbone of Bangladesh's fintech sector

The fintech landscape in Bangladesh is primarily driven by Mobile Financial Services (MFS). This strategic

approach enables consumers in remote areas to access banking services via mobile phones without needing a physical bank visit.

During the Covid-19 pandemic, MFS experienced a notable increase in utilization in Bangladesh. As a result, the country registered 85 million MFS accounts. By July 2022, the number of MFS accounts had surged to over 181 million, with 13 MFS providers currently operating in the country.



This figure represents a 16 percent rise from the previous year, with bKash, Nagad, Rocket, and SureCash leading the way with market shares of 39.9 percent, 18.1 percent, and 11.7 percent, respectively.

In Bangladesh, unlike more advanced economies, banks spearhead the fintech revolution. The central bank has played a crucial role in facilitating this transformation by issuing guidelines and granting permits to

28 financial institutions, all aimed at bolstering financial inclusion by providing mobile financial services.

Bangladeshi fintech companies also offer various services, encompassing digital payments, peer-to-peer lending, wealth management, and insurance. Additionally, there is a burgeoning demand for fintech solutions tailored to the agricultural sector and small to medium-sized enterprises (SMEs).

**Bangladesh's digital payments segment**

The digitalization of government payment streams has been instrumental in propelling the shift toward digital payments in Bangladesh. In an effort to enhance financial inclusion and reduce transaction costs, the government has actively promoted the adoption of digital payments across various income groups and geographical locations, making them more accessible to a broader population.

Market projections indicate that the digital payments segment in Bangladesh is poised to experience a substantial growth rate of 18.78 percent between 2023 and 2027, with digital investment anticipated to reach US\$77.87 billion in the next five years.

BRAC Bank's subsidiary, bKash, dominates the digital payments industry, commanding a market share of 80 percent. As Bangladesh's pioneer unicorn, bKash has secured a valuation of US\$2 billion and garnered investments from the likes of Softbank and Ant Group. By providing a straightforward, reliable, and cost-effective platform to transfer and receive money, pay bills, and buy mobile phones, bKash has contributed to financial inclusivity in Bangladesh.

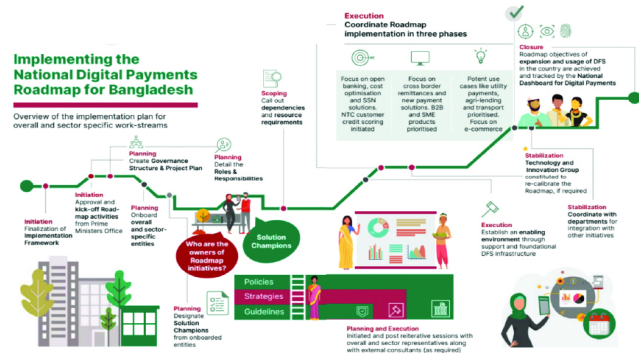
Launched in 2018, Nagad is another prominent mobile financial services provider and digital wallet in Bangladesh. As an initiative of the Bangladesh Post Office (BPO), Nagad provides various services, including mobile banking, digital wallets, money transfers, bill payments, and remittances.

**Bangladesh Digital Payments Roadmap**

Over the past decade, the government of Bangladesh has prioritized investment in the nation's digital infrastructure, launching the Digital Bangladesh vision. Currently, Bangladesh holds the 78th ranking on The Global Fintech Index.

A roadmap has been developed to guide the expansion of digital payments in the country, called the National Digital Payments Roadmap 2022 to 2025. This roadmap emphasizes the responsible and inclusive growth of digital payments adoption, aiming to create an enabling environment by fortifying the digital infrastructure, enhancing financial literacy, and fostering innovation in the fintech sector.

The roadmap outlines several vital initiatives to achieve these objectives, such as developing digital



payments standards and guidelines and expanding digital payments acceptance infrastructure.

These initiatives are intended to address the challenges that have impeded the growth of digital payments in Bangladesh, including the lack of digital infrastructure in rural areas, the need for increased cybersecurity measures, and creation of a more conducive regulatory environment.

**Challenges for fintech growth in Bangladesh**

Despite the significant growth of the fintech sector in Bangladesh, several challenges still need to be addressed to ensure its sustained growth.

Firstly, the lack of digital infrastructure in rural areas significantly hinders the reach of mobile financial services. Inadequate internet connectivity and limited access to digital services can limit the expansion of fintech solutions, leaving a large portion of the population underserved.

Secondly, the lack of financial literacy among the population can impede the adoption of fintech services. Many potential users may be unfamiliar with digital financial products and services, leading to slower uptake and a limited impact on financial inclusion.

Moreover, there is a need for increased cybersecurity measures to ensure the safety and security of transactions. Protecting consumer data and maintaining the integrity of digital financial systems is paramount, but the current state of cybersecurity in Bangladesh remains inadequate to address these concerns.

Lastly, there is a need for a more conducive regulatory environment to encourage innovation and investment in the sector. The absence of clear, consistent, and comprehensive regulations can create uncertainties, hindering the entry of new players and the adoption of innovative solutions. The regulatory framework needs to be optimized to support the rapid evolution of fintech in Bangladesh fully.

Addressing these challenges requires a collaborative effort from stakeholders across the industry. By overcoming these challenges, Bangladesh can harness the full potential of fintech to enhance financial inclusion and drive economic growth.