



# **CASE STUDY: MOBILE PHONE CASH TRANSFERS IN BANGLADESH**

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# TALKING POINTS

- Background: Financial Inclusion in Bangladesh
- Digitization of Financial Services
- The Mobile Financial Service Revolution (MFS)
- MFS: The Challenges
- Looking Ahead

“Cross the river by feeling the stones.”  
- Deng Xiaoping



This in a way sums up our approach to MFS-

- We have moved forward in a new direction,
- But we have remained grounded, incremental,
- And have always felt our way forward even amidst uncertainty.
- We never went for a sprint but moved

The background features a series of overlapping, wavy, semi-transparent lines in shades of light green, teal, and pale blue. These lines create a sense of movement and depth, particularly on the left side where they are more densely packed and layered. The overall effect is a modern, clean, and professional aesthetic.

# **BACKGROUND: FINANCIAL INCLUSION IN BANGLADESH**

# INCLUSIVENESS EMBEDDED IN NATIONAL SPIRIT

- In 1971, Bangladesh grew out of a strong national aspiration for equity.
- The dream of Bangladesh always embedded inclusiveness in it.
- Bangladesh's journey started in a difficult global environment in the 1970s and amid natural shocks.
- Out of these challenges emerged the early inclusion efforts through microfinance, health, and other home-grown social innovations.
- The entrepreneurs, particularly small and medium ones, were in the fore-fronts.



# FOCUS ON FINANCIAL INCLUSION

- In recent years, we have leveraged the financial system to innovate and deepen empowerment initiatives, for example
  - Agriculture, MSME, Women Entrepreneurship, Green Financing, CSR.
- These initiatives boosted domestic demand, improve the quality of growth, navigate the external shocks, especially following the recent GFC.
- GoB and BB have taken an active, participatory, and learning-by-doing approach towards financial inclusion (“Crossing-the-river-by feeling-the-stones” approach).

# FINANCIAL INCLUSION: OUR STRATEGY

## Financial Inclusion

- Social Cohesion
- Empowerment

## Our Approach

- Stakeholder Consultation
- Prioritization, Coordination & Leveraging Synergies
- Partnership with MFIs

## Digitization

- Democratization & Enhancement of Efficiency and Inclusion
- Expands Inclusion from financial to social services

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# **DIGITIZATION OF FINANCIAL SERVICES**



# PAYMENT & SETTLEMENT SYSTEMS PLATFORMS



**Bangladesh Automated Cheque Processing Systems (BACPS)**  
Started in 2010; Clears 98 thousand cheque transactions per day



**Bangladesh Electronic Funds Transfer Network (BEFTN)**  
Started in 2011, clears 67 thousand instructions per day



**National Payment Switch Bangladesh (NPSB)**  
Total 9,019 ATMs and 32,953 POS in operation currently

# PAYMENT & SETTLEMENT SYSTEMS PLATFORMS



## Real Time Gross Settlement (RTGS)

Launched in 2015; average daily number of transaction is about 2,000



## Mobile Financial Services (MFS)

Launched in 2011, has over 40 million registered account holders.

# LEGAL & REGULATORY FRAMEWORK

- Bangladesh Payment and Settlement Systems Regulation, 2014
- Electronic Fund Transfer Regulation, 2014.
- Guidelines on Mobile Financial Services for the Banks, 2011
- BEFTN Operating Rules, 2010
- BACPS Operating Rules and Procedures, 2010
- Enactment of National Payment Systems Act is under process.

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# THE MOBILE FINANCIAL SERVICE REVOLUTION

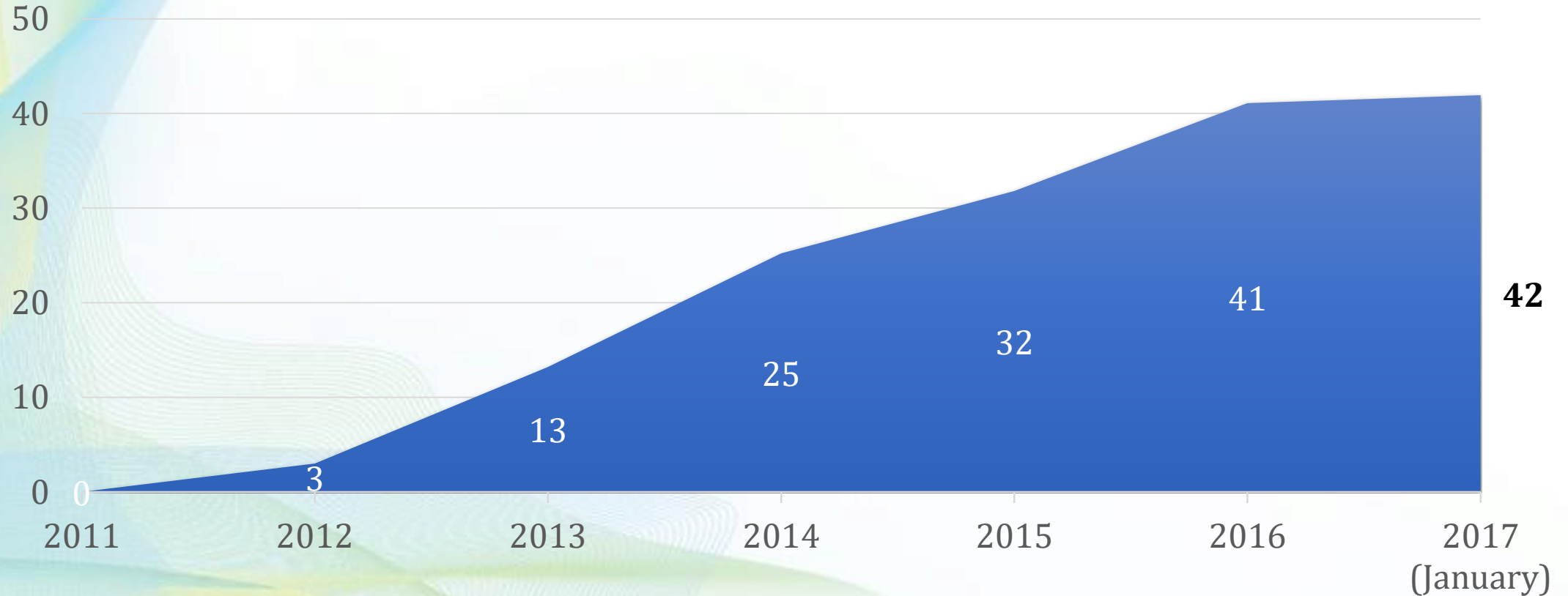
# EMBRACING THE INNOVATION EARLY ON

- Bangladesh Bank embraced MFS, a cost efficient off-branch financial service delivery mode early on.
- Spearheaded a bank-led model with rapid gains (over 40 million registered customers & over 0.7 million agents)
- Reached virtually all population segments including those in the remotest location within only 3-4 years.



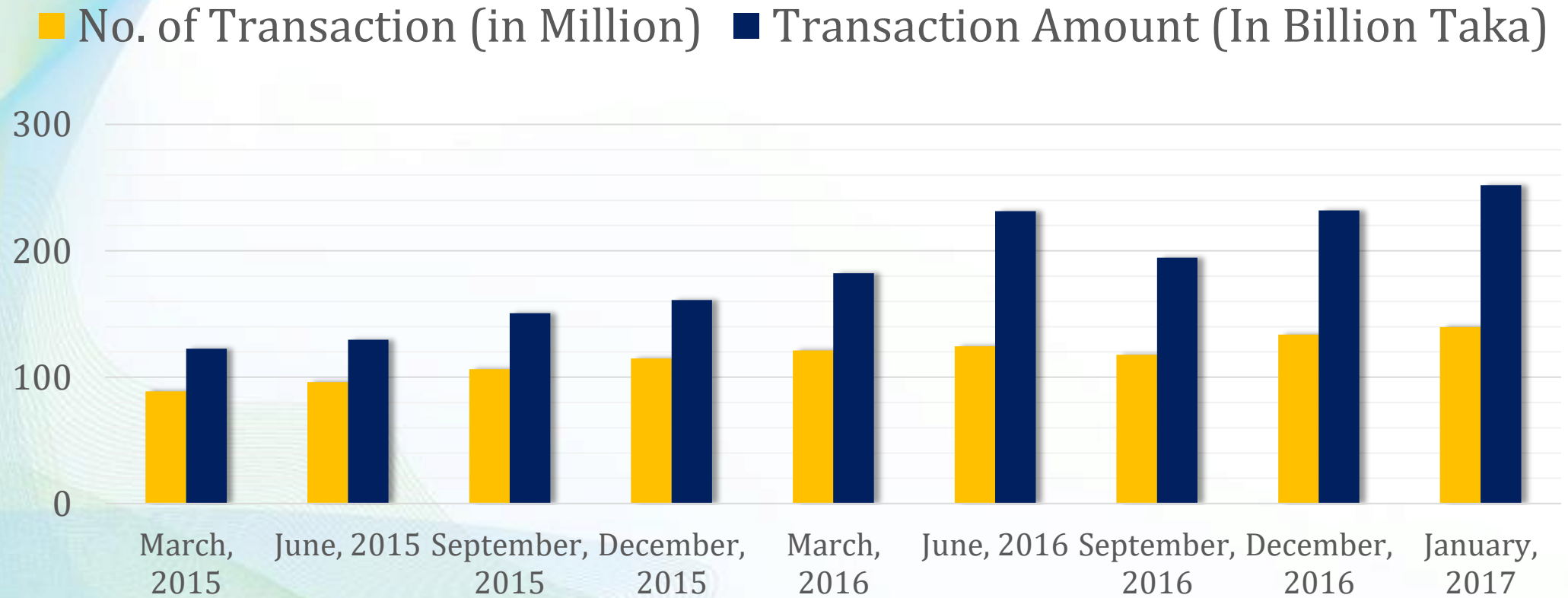
# OUR ACHIEVEMENTS

MFS Clients (in million)



Number of clients grew rapidly; 30 percent during Dec '15- Dec '16

# OUR ACHIEVEMENTS



Number of transactions as well their sizes increased.

# OUR ACHIEVEMENTS

Poor and marginal people in Bangladesh face numerous psychological and cultural barriers to access formal finance. For example, An IMF report published in 2013 shows-

- Among the RMG workers 64% are not properly aware about banking
- 50% perceive opening and operating an account to be difficult
- 20% feel uncomfortable to access a commercial bank

MFS has opened a new window to easy access financial service for RMG workers as well as other people belonging to the vast working class. In addition, Agent Banking using biometric KYC has become an agent of change providing friendly access to the RMG workers beyond their working hours.



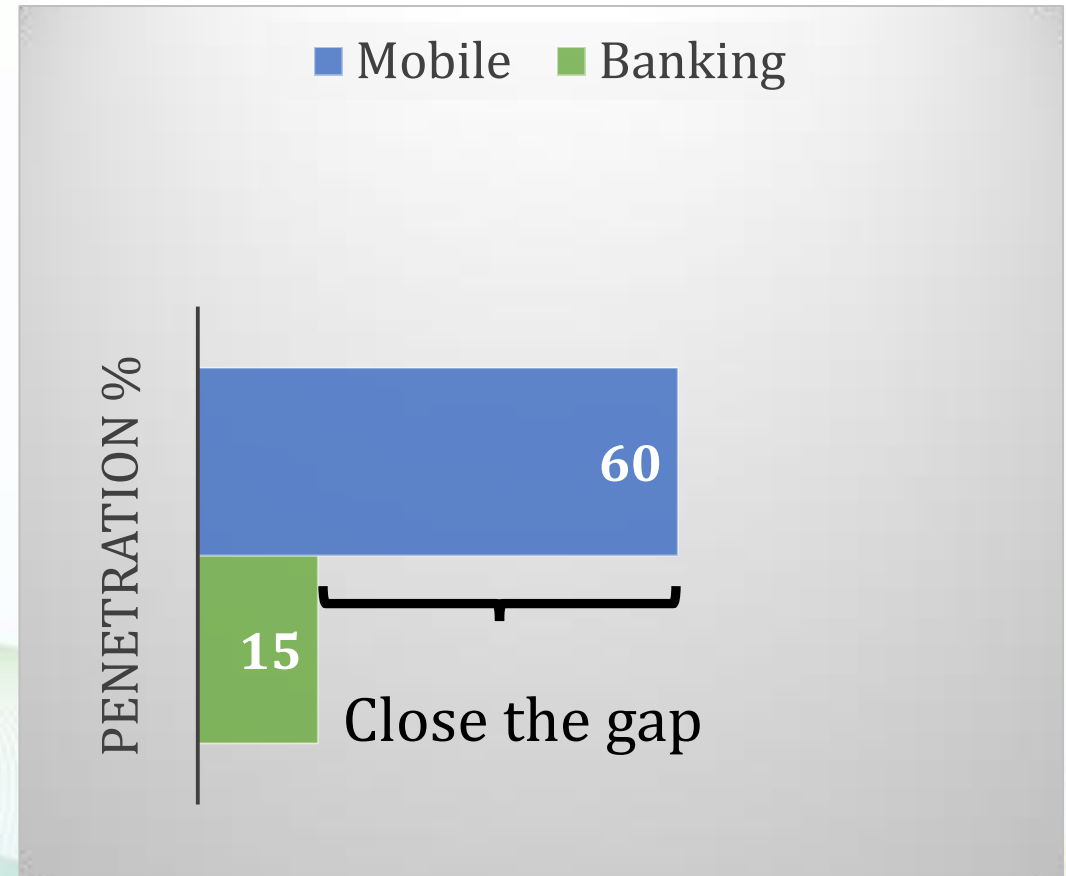
# OUR ACHIEVEMENTS

- Service charges of MFS in Bangladesh are the lowest in the world.
- Services are now available at the doorsteps of customers all over the country-
  - This achievement is of special significance considering there are customers located in hard to reach areas (*Char, Haor* and hilly parts of the country).
- It is now working as a vital instrument of poverty alleviation-
  - Ensured new bloodstream for economic activities across the country.
- We now have a model that is being globally acclaimed.

# HUGE MARKET POTENTIAL

- Payment services available to hitherto excluded population segments.
- MFS can help deliver a wider range of banking, insurance and other financial services.

Gap between no. of mobile phone users & no. of MFS users



# HUGE MARKET POTENTIAL

- Salaries of Primary School teachers and Stipends for students may be disbursed through MFS( An experimentation is going on with Agrani Bank, bKash and Ministry of Primary Education).
  - MoPME is already disbursing some stipend money through MFS to mothers of stipend receiving students('maer hanshi' program of Sure Cash).
- The honorarium of *Union Parishad* (local government) members and employees may also be disbursed through MFS
  - DBBL is piloting a project in some districts of Sylhet Division.
- MFS may also be used as an efficient medium of disbursing SSNP money to the intended beneficiaries. Some experimentations are going on with WB support.

# FACTORS WORKING BEHIND THE SUCCESS



Ours is a cash-based economy



Significant remittance inflows, both domestic and cross-border.



Rapid urbanization and industrialization.



Defined regulatory structure (Bank-led Model)



Omnipresent mobile telephone network

# FACTORS WORKING BEHIND THE SUCCESS



The 'Cash Out' service has attracted customers (not available in many other countries)



Interest (2 to 4%) on deposit benefits the customers



Customers perceiving bank-led model to be more reliable



Low cost service for hitherto unbanked segments of the society

# LESSONS FROM EXPERIENCE

A bank-led model ensures better service delivery

- Full oversight of financial sector regulatory authorities is important.

MFS worked well with a bank-led subsidiary structure

- Otherwise, there is risk of losing attention amid other tasks of the banks

Multibank equity participation is a much more viable option

- Given investment scale and the size of customer base.

Non-bank equity partners should be taken up by the MFS subsidiaries

- They can bring useful technological and business model innovations.

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# **MFS: THE CHALLENGES**

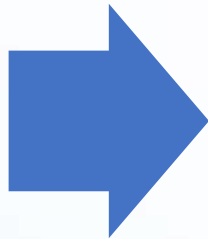
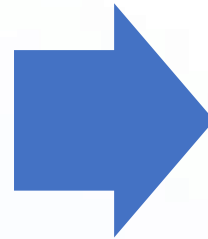
# CHALLENGES & WAYS FORWARD

## CHALLENGES

Limiting disguised OTC

USSD Connections and Prices

Security risks from password sharing and social phishing



## WAYS FORWARD

- Official barrier on OTC
- Encouraging users to use own accounts

- BTRC has to ensure uniform USSD fees

- Mass media campaign for customer awareness



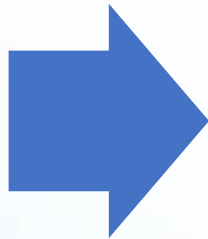
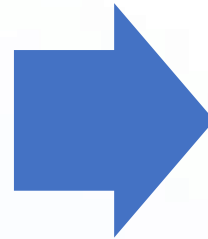
# CHALLENGES & WAYS FORWARD

## CHALLENGES

Uniform SIM & KYC verification

Inter-operability of different service providers

Use of MFS to settle the local leg of 'Hundi'



## WAYS FORWARD

- Biometric SIM registration & access to NID data base opened

- Establishment of inter-operability is under consideration

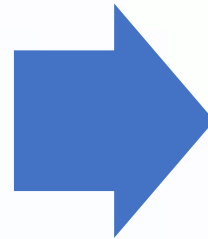
- A special committee has been formed to resolve this

# CHALLENGES & WAYS FORWARD

## CHALLENGES

Tendency to handover the lead to MNOs

BTRC pushing for 'session based' revenue collection



## WAYS FORWARD

- Strategic benefits of the bank-led model must be understood and communicated to policy level

- Prevailing 'revenue-based' model is more viable

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**LOOKING AHEAD**

# TRANSFORMING THE CONSUMER LANDSCAPE THROUGH 4G MOBILE SERVICES



- Taking full advantage of the ongoing telecommunication revolution towards 4G mobile services.
- For example: a 5 megabyte file can be transferred in 20 seconds using 4G (compared to 8 minutes for 2G)
- All businesses may be encouraged to adopt a “mobile-first” strategy.

# TRANSFORMING THE CONSUMER LANDSCAPE THROUGH 4G MOBILE SERVICES

- **Education:** use of mobile video technology in education and skill building.
- **Healthcare:** Introducing two way video on a 4G platform for enabling patients (both urban and rural) to take full advantage of evolving telemedicine.
- **Media:** Extensive use of mobile devices for conventional media (TV, radio, newspaper, magazines, billboards etc.) and social media.

# TRANSFORMING THE CONSUMER LANDSCAPE THROUGH 4G MOBILE SERVICES

- **e-Services:** Significant opportunities can be created for emerging app-based e-services (similar to Uber) such as kitchen services, cleaning clothes, hiring a temporary driver etc.
- **Online Shopping:** Massive transforming conventional brick and mortar shops into e-shops like “Amazon”, “Ali baba”, “Food Panda”, “ChalDal” etc.
- **Banking:** Further transforming our MFS using ‘smart cards’ (with higher security features) for extensive payment plus other financial services (credit, savings, insurance etc.) leading to further boost in cashless businesses.

# CONCLUDING REMARKS

- In Bangladesh, echoing our national aspirations we have worked towards making our financial access universal
- Higher priority on digitization to democratize the inclusion..
- MFS is pushing out the frontiers of all service deliveries.





**THANK YOU ...**