

# DIGITISATION AND INCLUSIVITY: TAKING EVERYONE ALONG

DHAKA TUESDAY FEBRUARY 18, 2020, FALGUN 5, 1426 BS

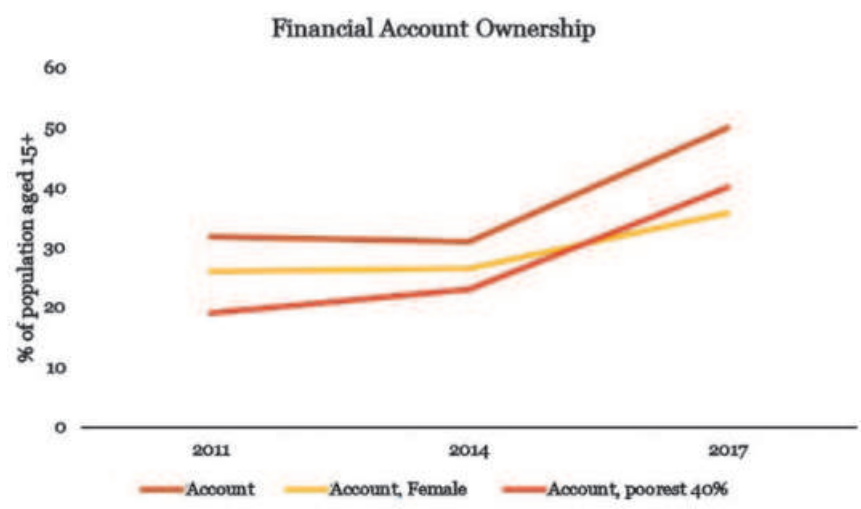
## Financial inclusion: Banking going beyond banks



MAMUN RASHID

Despite a lot of loud discussions regarding financial inclusion, a large number of people in Bangladesh are far from being granted access to basic financial services, making financial inclusion development an essential project in the country. Women, marginal farmers and informal sector enterprises are affected the most in this case. Studies argue that supply-side initiatives must be accompanied by financial literacy to attain the main objectives of financial inclusivity.

According to the World Bank, "Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs—transactions, payments, savings, credit and insurance—delivered in a responsible and sustainable way." However, less inclusive financial systems lead to income inequality and slower economic growth. Therefore, financial inclusion is crucial for a country's economy and in enhancing welfare and ensuring consumption levelling amongst underprivileged people. Bangladesh Bank and the government have been extensively trying to expand financial services for disadvantaged groups for the past few years, but it has been challenging to implement. This is due to low literacy amongst rural dwellers, large population and high-interest rates.



From the first graph, we observe a notable increase of financial account ownership, jumping from 31.74 percent in 2011 to 50.05 percent in 2017. Financial accounts may be a bank account, Microfinance Institution (MFI) membership or Mobile Finance Services (MFS) account (World Bank Group, 2018). Out of the total financial inclusion figure, 25 percent are through banks, 23 percent through Non-Bank Financial Institutions (NBFI's), and an impressive 17 percent through mobile money (Bangladesh Bank, 2019). **AGENT BANKING** Commercial banks operate agent banking systems. This system offers a limited scale of financial services through engaged agents in rural areas. It allows the disbursement of inward

foreign remittance, collection of cash deposits and withdrawals, utility bill payments, loan disbursement and more. Bangladesh Bank recently reported that, although, Tk 5,248 crores worth of savings have been collected through agent banking in Bangladesh in the past year, only about Tk 237 crores have been disbursed in the form of loans. That is only 4.48 percent of the total amount. Moreover, as of June 2019, out of the total amount of bank loans, only 10 percent have been given about in rural areas. This failure to comprise the rural population into the financial system indicates a foremost loophole in the system which may be solved through the wide-scale advent of fintech. **NON-TRADITIONAL BANKING** The introduction of microfinance

programmes in rural Bangladesh led to the initial jump to a financially inclusive economy. Millions of people, especially rural dwellers, were granted access to credit, saving schemes and more. Afterwards, the development of Financial Technology (FinTech) in Bangladesh contributed towards the project of achieving a financially inclusive economy further. FinTech is an evolving global sector which utilises technology to revamp financial services for both consumers and businesses, resulting in a remarkable influence on economic activities. It offers innovative platforms for savings and borrowings

such as agent banking. This takes out the bank branches out of the equation. Bangladesh Bank believes these activities may help alleviate liquidity and credit risks and, therefore, improve financial stability. **MOBILE FINANCIAL SERVICES (MFS)** Digital Finance Services (DFS), a FinTech platform, allows individuals and businesses to have more hold over their personal finances and make timely decisions and transactions. This platform consists of a range of financial services which are accessed through digital channels like

CONTINUED ON PAGE 31

Details	Amount in October, 2015	Amount in October, 2019
No. of Banks currently providing the Services	20	16
No. of agents	547,813	954,290
No. of registered clients in Lac	302.38	773.75
No. of active accounts in Lac*	120.57	290.11
No. of total transaction	107,374,681	227,246,774
Total transaction in taka (in crore BDT)	13,041.22	37,762.54
No. of daily average transaction	3,579,156	7330,541
Average daily transaction (in crore BDT)	434.70	1218.15

Year	Made digital payments in the past year (percentage 15+)	Made digital payments in the past year, female (percentage 15+)	Made digital payments in the past year, income, poorest 40 percent (percentage 15+)
2014	5.94	2.96	3.21
2017	30.13	17.28	22.52

# One Card One World

Experience New Life Style With  
**Southeast Bank**  
**VISA Dual Currency Debit Card**

Grab your **VISA Dual Currency Debit Card** against your Local Current, Savings, Short Notice Deposit Accounts and transact anywhere from your account.

- Retail purchase and cash withdrawal across the globe
- EMV Chip and PIN based secured transaction
- 3-D Secure E-commerce transaction
- Attractive discount on purchase

Southeast Bank  
a bank with vision

1234 0000 0000 0000

12/25

CARD HOLDER'S NAME

VISA Debit

**Southeast Bank**  
a bank with vision