

Financial inclusion forging ahead

STAR BUSINESS REPORT

Bangladesh has made significant progress in financial inclusion over the past eight years, with as much as 45 percent of the adult population now under the banking umbrella.

In 2013, only 20 percent of Bangladesh's adult population was under the umbrella of formal financial services. Mobile banking services, which made fund transfer a child's play, had a big part to play. About Tk 1,000 crore is transacted through the platform each day on average, a figure that surprises many bankers.

After MFS came agent banking, which took the cause forward. Agent banking refers to providing limited scale banking and financial services to the underserved population through agents rather than tellers or cashiers.

Rural people can make deposits and borrow from the agents, a move that will expand banking services widely across the country.

"The central bank's nods to MFS and agent banking have changed the scenario of financial inclusion in Bangladesh," said Ahmed Kamal Khan Chowdhury, managing director of Prime Bank.

In addition, the Bangladesh Bank has taken a number of moves, such as refinancing scheme for women and SME entrepreneurs and green funds, for equitable and sustainable economic growth.

Yet, there are many things to do as the majority of the population still remains out of any formal financial services.

Rural market and people are still out of major banking services, which bankers blamed on a lack of financial infrastructure.

Quoting a survey, Mashrur Arefin, additional managing director of City Bank, said there are at least 17 lakh shops across the country with turnover of at least Tk 5,000 a day that can be brought under the digital transaction process.

"It means there will be 17 lakh point-of-sales machines. But, in reality, there are less than one lakh machines."

City Bank is working hard to tap into this huge market, he added.

Financial inclusion can be done through two ways -- opening of rural bank branches and the use of financial technologies, according to Chowdhury of Prime Bank.

But there is another way to deepen financial inclusion: agriculture financing through NGOs, which have presence across the country, he said.

The central bank can also relax its policies on agent banking to encourage more banks to launch the service.

"A bank has to invest a lot in infrastructure for doing agent banking, verification of KYC (know your customer) is a tough job. If we can verify KYC through national ID, it would help us a lot," he said, while referring to India's Aadhar Card as a case in point.

Also, India has offered banks a rebate on digital transactions, a move that has encouraged banks to push for this channel.

He, however, said Bangladesh is on the right track to financial inclusion and the next two to three years will bring in many innovations.

Atur Rahman, a former governor of the BB who is widely believed to be the architect of financial inclusion, said MFS and agent banking have built a strong financial connectivity.

"But a small mistake can derail you from the benefits," he said.

For example, if the telecom regulator increases the charge for the Unstructured Supplementary Service Data that allows banking services from one's basic feature phone without the need for internet connection, it would cause a dent to the financial inclusion drive.

The Bangladesh Telecommunication Regulatory Commission has recently proposed a charge of Tk 0.85 for a 90-second session, which will include the cost for two text messages, from existing Tk 0.2.

"If the new pricing is introduced, it will road off the five crore customers from the MFS platform," Rahman added.

AGENT BANKING

A boon for rural people

JEBUN NESA ALO

Banks are witnessing a faster growth in the number of female customer accounts than those of males under the agent banking network as the new channel is taking services to people's doorsteps in remote areas.

The number of accounts of females increased 99 percent to 316,916 in September from 159,149 in December last year while those of males grew 87 percent to 722,015 from 385,387.

About 5 lakh agent banking accounts were opened in the first nine months of the year, reflecting the growing popularity of this new form of banking service.

At the end of September, the number stood at 10.38 lakh, up from 5.45 lakh at the end of December last year, according to Bangladesh Bank data.

As of September this year, the agent banking accountholders deposited Tk 922 crore against which three banks lent Tk 78.72 crore through the mini banking channel.

Agent banking is a system of providing banking and financial services on a limited scale to the underserved population by way of agents under an agreement rather than a teller.

The central bank decided to promote this complimentary channel to extend a range of banking services to the unbanked and underserved segments of society, especially in geographically dispersed locations, as well as existing bank customers.

The number of female customer accounts was growing faster under agent banking networks compared to the regular banking channel, said Md Arfan Ali, president and managing director of Bank Asia.

The convenience of agent banking outlets and various kinds of products and services such as loans, deposits, bill payments and foreign remittance disbursement encouraged female customers to open accounts with agent banking outlets, he said.

He said women living in remote areas feel shy to go to banks due to a lack of literacy.

Bangladesh Bank in a new guideline has increased the agent banking transaction limit as part of efforts to accelerate the growth of this new form of banking.

In the first six months of the year, seven banks signed up for agent banking licence.



A man walks out of an agent banking outlet of Bank Asia at Mithapukur in Rangpur. The central bank promotes the complimentary channel to extend a range of banking services to the underserved segments of the population.

BANK ASIA

taking the tally to 17.

Of them, 13 are already running agent banking operations while one is working to roll out the service.

Bank Asia is the leader in terms of establishing an agent banking network across the country.

Bank Asia has the highest number of agents, which was 1,192 as of June this year. The bank disbursed the highest amount of remittance through the agent banking channel -- Tk 359 crore in June.

Dutch-Bangla leads in another way -- having the highest number of accounts. As of June this year, it had 575,185 agent banking accounts, which is 66 percent of the whole industry. In comparison, Bank Asia has 201,111 accounts.

The popularity is growing fast in remote areas due to the convenience it offers, said Anis A Khan, managing director and CEO of Mutual Trust Bank.

Instead of opening a branch, Mutual Trust has opened 32 agent banking outlets across the country this year, he said.

The agent banking service became popular mostly among expatriates as they can send money home easily free of cost whereas it costs a lot through other channels, he said.

Earlier in September this year, Bangladesh Bank bumped up the daily cash deposit limit for agent banking accounts to Tk 6 lakh from Tk 1 lakh to promote the service across the country.

In the new guideline, the cash withdrawal limit for business accounts has been set at Tk 5 lakh and fund transfer limit at Tk 15 lakh.

Agents must have a minimum capital of Tk 2 lakh and cannot enter into contract with more than one bank.

Moreover, defaulters, bankrupts, convicts or anyone being investigated over criminal charges cannot provide agent banking service.

The agent banking activities currently encompass 13 kinds of services that include deposit, withdrawal, fund transfer, collection of loan application forms, credit and debit card applications, and monitoring and recovery of loans and advances sanctioned by banks.

Banks come to the rescue of poor kids



Street children can open a bank account with Tk 10 only with the guarantee of an NGO.

AKM ZAMIR UDDIN

Street children are progressively taking to the idea of keeping their hard-earned income in a bank, with the deposits in their accounts soaring more than 20 percent in the past.

As of June, the accounts held by street children had balance of Tk 26.48 lakh, up from Tk 22.01 lakh a year earlier, according to data from the Bangladesh Bank.

The total number of accounts held by street children expanded 25.97 percent during the period to 4,365.

In 2014, Save the Children, the international non-governmental organisation that promotes children's rights, and the BB rolled out a bank account programme for street and working children under the central bank's financial inclusion drive.

The account needs to be opened under the guarantee of a non-governmental organisation and enjoys a good compound interest rate with an initial deposit of only Tk 10. Street children do not bear any fees for maintaining the accounts. Accountholders do not get the online banking facility and are not given debit cards.

"The NGOs take the overall responsibility for operating the accounts until the street children and child workers reach the age of 18," said Md Abul Bashar, general manager of the financial inclusion department of the BB.

The interested banks and NGOs need to sign agreements to operate the accounts in line with the central bank directive.

The NGOs nominate at least two of their staff to take care of the financial inclusion programme. One of the nominated workers must come from the accounts department and the other from field-level operations.

Forteen NGOs have so far tied up with banks to open bank accounts for street children.

The NGOs are: Uddipan, EBCR Project, Manab Seba Manabik O Samajik Unnayan Sangstha, Social Upliftment Foundation, Brac, Aparajeyo Bangladesh, Aid Bangladesh, Assistance for Slum Dwellers, Community Participation and Development, Shakti Vidyalaya, Sajida Foundation, Nari Maitree, Proddipan, and Porborton.

Seventeen banks have signed up for the programme: Sonali, Janata, Rupali, Agrani, Krishi, Bangladesh Development, Bank Asia,

Mercantile, Mutual Trust, National, Social Islami, ONE, Pubali, City, Trust, Al-Arafah Islami and Uttara.

Ghashful, a Chittagong-based NGO, has recently sought cooperation from the central bank so that it can open accounts for street children. The BB has already asked the concerned banks to extend their support to the NGOs so that street children in Chittagong city could be brought under the banking service, according to Bashar.

He said the central bank has recently taken some initiatives to give a boost to the programme and bring more street children under banking services.

Thanks to the savings habit it instils, the financial inclusion programme would help street children set themselves up for future, said Md Arfan Ali, managing director of Bank Asia.

"We have no intention to make a profit from the savings accounts of street children. We are supporting the children so they can enjoy banking service," he added.

Shafiqul Alam, managing director of Jamuna Bank, said allowing street children to open bank accounts will hopefully lead to a higher level of social security and safety of their hard-earned money.

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