



ILLUSTRATION: ADRIEN SARWAR

TOWARDS A CASHLESS ECONOMY: A new lifeline for financial inclusion



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In a recent conversation at the Policy Research Institute, we asked a junior office assistant earning roughly USD 200 a month where he would turn for a loan to meet an urgent economic need. His response was stark. Formal retail banks were never an option; they do not exist in his economic reality. His choices were limited to high-interest borrowing from informal cooperatives or microfinance institutions; mechanisms that provide access, but often deepen vulnerability.

This is not an anecdote about individual exclusion. It is evidence of institutional failure and embedded financial exclusion. When a formally employed, salaried worker cannot access bank credit, the problem lies not in financial literacy or creditworthiness, but in the design of the financial system itself.

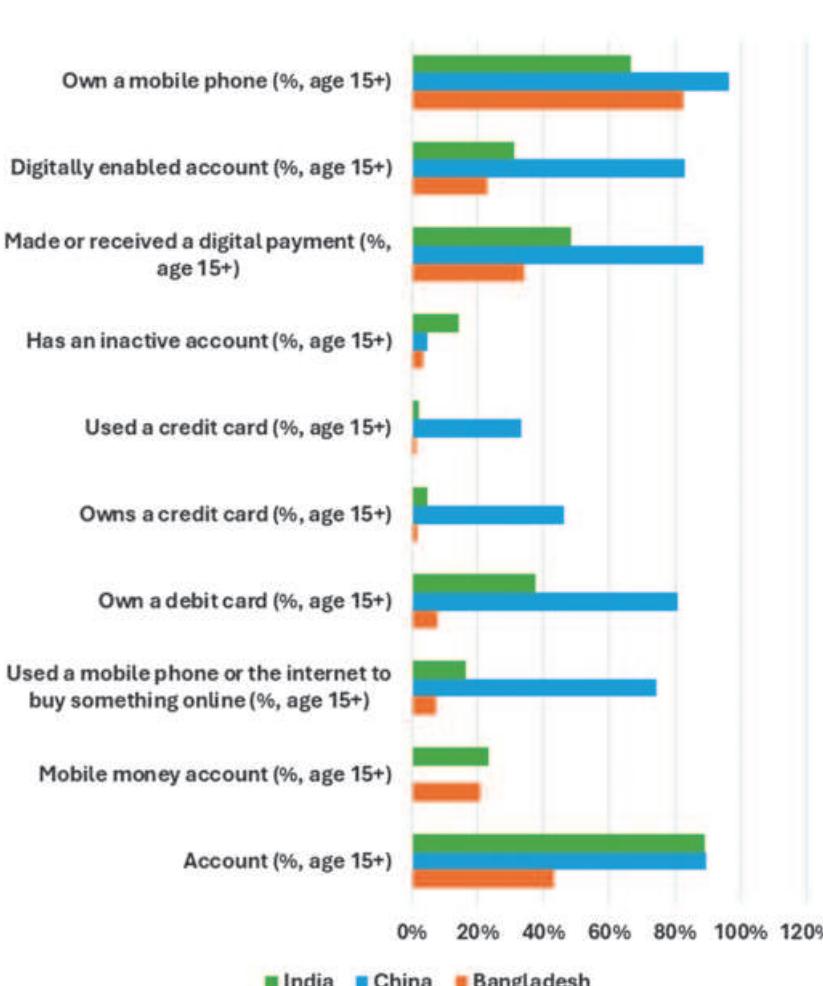
Almost as an afterthought, he showed his mobile phone. Based solely on transaction history, bKash had extended him a Tk 1,000 digital credit facility. The amount is small, but the signal is profound. A cashless platform, operating without branches, collateral, or paperwork, has recognised economic behaviour that traditional banks have ignored. The issue is no longer whether digital finance can reach the underserved, but whether cashless economic transformation can receive the necessary public policy support to emerge as a new lifeline for financial inclusion.

CASHLESS SYSTEMS AS A TOOL FOR INCLUSION

Bangladesh has made notable progress in few avenues of the cashless economic space. Mobile financial services (MFS), introduced in 2011 under a central bank-led regulatory framework, have fundamentally changed how people transfer money. More specifically, if the current monthly trend prevails, MFS will process transactions of around

shaped by technology, demographics, and development priorities. India's Unified Payments Interface (UPI) now accounts for nearly 49 per cent of all global real-time digital transactions, while mobile money platforms process over \$4.6 billion in daily value worldwide. Brazil has pioneered branchless banking models through institutions like Nubank, which now serves over 80 million users, while Indonesia has leveraged digital platforms to scale nano-loans and expand access to credit for the underserved. Empirical evidence suggests such transitions not only enhance financial inclusion and reduce transaction costs but also contribute to economic formalisation.

For Bangladesh, the imperative is clear: a well sequenced cashless transformation must be viewed not merely as a technological upgrade, but as a strategic lever for inclusive development. Done right, a cashless transition can be transformative. Done poorly, it risks deepening existing inequities.



Regional Variation in Financial Account Ownership and Usage 2024 Global Findex

broader ecosystem supporting wages, remittances, government transfers, and merchant payments. With a nationwide agent network reaching deep into rural areas, digital finance has proven cheaper, faster, and less constrained by geography than traditional banking.

BANGLADESH'S UNEVEN PROGRESS TOWARD CASHLESS FINANCE

However, accomplishments on other notable avenues of the cashless space have been far limited. Bangladesh's experience with QR-Code based transactions is far less impressive than countries such as Cambodia, Vietnam, India or China. Moreover, recent data underline both progress and enduring gaps. The 2024 Global Findex data for Bangladesh shows that only 43 per

cent of adults (age 15+) have a financial account, whether through a bank, another financial institution, or mobile money, indicating that a majority of the population remains outside the formal financial system. While 21 per cent of adults hold a mobile money account and 23 per cent have a digitally enabled account, nearly half the adult population remains outside the formal financial system altogether. Card ownership is particularly low: just 8 per cent of adults have a debit card and only 2 per cent a credit card, limiting the growth of card-based payments. By comparison, China and India project a much more impressive performance, demonstrating what is possible when infrastructure, regulation, and consumer trust align.

Of late, Bangladesh is also entering the age of digital banks and has started disbursing nano loans through mobile financial service, but these new instruments are still in their nascent stage and are in need for public policy support to effectively deliver.

Nonetheless, in spite of the notable attainments and visible weakness within the cashless economic space, the dynamism and prospects only in still hope. For Bangladesh, moving toward a cashless economy is not simply about replacing banknotes with apps or payment cards. It is about unlocking financial inclusion, lowering transaction costs and strengthening economic governance, without leaving anyone behind. This is especially pertinent when traditional banking system has experienced significant expansion without promoting real financial inclusion.

STRUCTURAL BIAS IN THE FINANCIAL SYSTEM

For instance, our recent research for International Growth Centre (IGC) reveals that Bangladesh's financial system remains highly unequal in its geographic reach and impact. Our findings uncover an uncomfortable truth: a mere 1.2 per cent of loan accounts command over 75 per cent of total lending in the country, reflecting an extreme concentration of credit access. Spatially, Dhaka and Chattogram dominate the system, holding approximately 65 per cent of all deposits and 78 per cent of total disbursed loans in 2024. These patterns are not merely the result of economic agglomeration; they point to a structurally skewed financial architecture that fails to intermediate capital effectively across Bangladesh's geographic and economic peripheries.

In this specific context, microfinance has been traditionally seen as the fallback option to reach the unbanked or underbanked segment of the population, especially women. Yet, its existing operating model has not fully replaced informal markets, nor can it meet the diverse financial needs of a growing, urbanising economy.

Consequently, serious and carefully calibrated public policy commitment

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SNAPSHOT

Mobile financial services have scaled rapidly, but broader cashless adoption remains uneven.

1. Financial access in Bangladesh is highly concentrated by income and geography.
2. Digital finance offers inclusion gains but carries risks for women, rural users, and informal workers.
3. A coordinated policy approach is essential to ensure equity, trust, and consumer protection.

WHEN FORMAL BANKING FAILS THE WORKING POOR

Globally, the shift toward cashless economies is no longer a distant aspiration; it is an active policy choice

\$120 billion annually reflecting both its scale and growth with around 90 million active accounts. What began as a tool for simple person-to-person (P2P) payments has evolved into a