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## “INCREASING THE UPTAKE OF FORMAL FINANCIAL SERVICES THROUGH A CLIENT-CENTRIC APPROACH” EVENT HIGHLIGHTS

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*Opening Remarks of the event. Photo credit: USAID's mSTAR project*

[USAID's Mobile Solutions Technical Assistance and Research \(mSTAR\) project](#), implemented by FHI 360, hosted “**Increasing the Uptake of Formal Financial Services through a Client-Centric Approach**” on October 19, 2016 to discuss driving financial inclusion in Bangladesh through client-centered digital financial services. Financial Inclusion Week in Bangladesh provides an opportunity for a global conversation around the need for individuals and businesses to have access to a range of quality financial services at affordable prices, with convenience, dignity, and consumer protections, delivered by a range of providers in a stable, competitive market. This year's Financial Inclusion Week theme was keeping clients, end users and corporate users of financial services, first in a digital world. mSTAR/Bangladesh took part in this global conversation with organizations like BRAC and EcoBank Foundation.

The event included participation by over 35 professionals representing Bangladesh Bank, International Finance Corporation (IFC), member of The World Bank Group, United Nations Capital Development Fund (UNCDF), USAID's Rice Value Chain project, WorldFish, BRAC, MasterCard Foundation, Bank Asia Limited, SureCash, bKash, Dutch-Bangla Bank Limited, The City Bank Limited, IFIC Bank Limited,

GrameenPhone, Robi Axiata Limited, USAID's Agro-Input Project (AIP), USAID's Rice and Diversified Crop (RDC) project, USAID's Agricultural Extension Support Activity (AESAs), MicroEnsure, Business for Poor – Bangladesh (BFP-B) funded by DFID, Shasthonet, CDF, SAJIDA Foundation, Change Associates, The Daily Star and The Financial Express. Details of the participants are provided in Annex – I.

### **Introductory Session**

As part of Financial Inclusion Week, mSTAR/Bangladesh hosted an event focused on driving financial inclusion in Bangladesh through client-centered digital financial services. mSTAR/Bangladesh technical lead,

Mr. Md. Majidul Haque in his opening remarks for Financial Inclusion week shared that in Bangladesh, efforts to enroll people into formal financial systems are crucial, as more than two-thirds of adults lack access to a formal financial account. He discussed the importance of a multi-sectoral and inclusive approach to accelerate financial inclusion in Bangladesh. He also mentioned that [USAID's mSTAR project](#) in Bangladesh is working with



USAID's implementing partners to digitize their payments and recently has begun focusing on helping digital financial services providers to customize their products and services to serve the needs of development projects. Mr. Haque introduced the mSTAR/Bangladesh team to the participants and thanked all participants for participating in the event despite their busy schedule.

### **Financial Inclusion & Bangladesh Context**

In this session, Mr. Md. Ashrafal Alam, Deputy General Manager – Financial Inclusion Department of Bangladesh Bank, gave a presentation on the steps taken by the government of Bangladesh and the central bank of Bangladesh (Bangladesh Bank) to accelerate financial inclusion in Bangladesh. There is no national definition of financial inclusion and as such the term is used in various ways. He discussed how use of financial services is different in the urban areas than in rural areas and further said that an individual may have multiple financial accounts in urban areas whereas an individual living in a rural area may not have a single account. Additionally the demand of the financial services also varies between urban and rural areas.

In his presentation, Mr. Alam mentioned that the Bangladesh Bank had opened **10 Taka Account** for rural farmers to enroll them into formal financial systems. He shared that seeing the high penetration of mobile phones in Bangladesh, the government provided licenses to banks to offer mobile financial services (MFS) and agent banking to bring formal financial services to the doorstep of rural users. He shared that there are over 37 million MFS users in addition to over 80% over-the-counter transactions, and 1200 agent banking outlets serving more than 0.3 million clients. Mr. Alam urged the banking system to continue digitizing to keep up with government initiatives to digitize the country. He further mentioned that Bangladesh Bank had formulated an MFS regulation and is actively considering to update the regulation to accommodate the needs of people.



**Challenging the Barriers!**

In this session, participants were provided with five development scenarios and they worked in groups to identify challenges and recommend possible ways to enroll the scenario character into formal financial services. The scenarios highlighted key challenges associated with cash faced by different groups of people including rural housewives, people with physical disabilities, couples residing at remote areas, rural schoolgirls and tenant farmers. Participants in five groups identified the challenges faced in these scenarios with using cash and presented their recommendations. The scenarios, challenges identified and the recommendations provided are detailed in Annex – 2.



*Financial Inclusion Week Event Highlights  
Last Updated: January 2017*



### **Paving the Future**

In this session, participants shared their thoughts on financial inclusion and how they intend to accelerate financial inclusion. Participants shared that the key challenges to financial inclusion are the absence of formal financial outlets and lack of financial literacy in rural areas. In terms of access, a representative from BFP-B shared that they are working with select DFS providers to scale up their services at the rural level. Addressing the latter challenge, a representative from BRAC shared that they are working with rural people to increase their knowledge on financial products and enhance numeric and financial literacy. DFS providers including bKash, DBBL (newly branded as ROCKET), Bank Asia Limited and SureCash shared that they are working to increase their coverage by recruiting more agents at the rural areas to tap the financially excluded communities.

The event ended with a call to increase financial literacy to accelerate financial inclusion in Bangladesh. Representatives from Bangladesh Bank, DFS providers and development organizations shared that an inclusive and multi-sectoral approach is required to accelerate financial inclusion in Bangladesh. Participants applauded the good practices initiated by different stakeholders and shared that escalating the agenda to foster financial inclusion is required to increase adoption of digital financial services by rural communities.

#### **DISCLAIMER**

The views expressed in this publication do not necessarily reflect the views of the U.S. Agency for International Development or the U.S. Government.

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This document is made possible by the generous support of the American people through the United States Agency for International Development (USAID). It was written by [Kazi Amit Imran](#). mSTAR offers on-demand technical assistance to support USAID implementing partners in Bangladesh with the transition from cash to mobile and electronic payments. To learn more about technical assistance options, contact Majidul Haque, Technical Lead at [mhaque@fhi360.org](mailto:mhaque@fhi360.org).

Annex – 1  
*Participants List*

SL.	Name	Organization/ Project
1	Khondker Zunaed Rabbani	AIRN of USAID's Agro Inputs Project (AIP), CNFA
2	Nasir Ahmed	USAID's Rice and Diversified Crops activity, ACDI/VOCA
3	Md. Ashraful Alam	Bangladesh Bank
4	Adil Raihan	Bank Asia Ltd
5	Rumana Tulee	Bank Asia Ltd
6	Akhter Hamid	Bank Asia Ltd
7	Rashed Al Hasan	BFP - B
8	Chris August	BFP - B
9	A.T.M Mahbub Alam	bKash Ltd
10	Tanjilut Tasnuba	Social Innovation Lab, BRAC
11	Khairul Bashor	CDF
12	Yasir Arafat	Change Associates Ltd
13	Md. Jahid Islam	DBBL
14	Md. Firoz Kabir	DBBL
15	Dr. Md. Younus Ali	USAID's Agricultural Extension Activity (AESAs), DAM
16	Rasheda Sultana	Grameenphone
17	Takreem Siddiqui	IFC
18	Monirul Islam	IFIC Bank Ltd.
19	Md. Masud Rana	IRRI
20	Syed M Kamal	Mastercard
21	Zakia Sultana	Mastercard
22	Salima Jahan	MicroEnsure
23	Galib Bin Jasim	Robi Axiata Ltd
24	Md. Kawruzzaman	Sajida Foundation
25	Sharif Hasan Khandaker	ShasthoNet
26	M. Zahirul Islam	SureCash
27	M.A Raihan	SureCash
28	Nazmul Karim	The City Bank
29	Sajal	The Daily Star
30	Saif Uddin	The Financial Express
31	Ziaul Hoque Mukta	UNCDF



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32	Murad Ahmed	WorldFish
33	Zillur Rahman	FHI 360
34	Md. Majidul Haque	FHI 360
35	Tajmary Akter	FHI 360
36	Tasnuba Sinha	FHI 360
37	Kazi Amit Imran	FHI 360



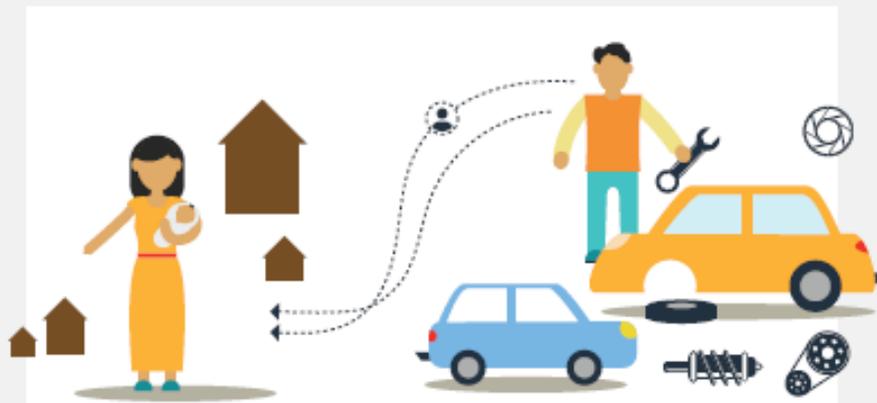
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## Annex – 2

### Summary of Group Work

# Scenario 1 The story of Reshma



Reshma is 21 years old and a mother of a one year old boy. She resides in a village at Sathira with her conservative mother-in-law. Her husband, Rezaul, works in a car workshop in Dhaka and earns about BDT 10,000 monthly. Since Rezaul is the only earning person of the family, he sends a major portion of his income to his family through his own contacts and at times, he hands over the money during his visit to his home.

#### Some Grounded Factors that Cannot Be Changed:

1. Residence location of Reshma is fixed
2. Rezaul is not required to give extra money to his friends to carry the money
3. Social barriers and social taboos cannot be changed overnight
4. Reshma currently cannot enroll for any full time / part time work



### IDENTIFYING THE CHALLENGES:

SL	Title	Description
01	Conservative family	The group shared that as Reshma resides in the countryside and belongs to a conservative family, it is difficult for her to travel to far locations to collect cash.
02	Lack of control over timely fund transfer	The group shared that as Rezaul needs to depend on others to transfer the money to his wife Reshma, timely delivery in every occasion is not possible. This dependency in transferring money is a challenge for the couple.
03	Location of Reshma	The group shared that since Reshma resides in a remote area it is difficult for her to travel to other locations to collect cash because of the poor physical infrastructure. Moreover, the group also mentioned that it is also difficult for her to travel to the bank branch as bank branch is located in the city hub. Travelling for Reshma is not only troublesome but it also incurs costs which the couple needs to pay.
04	Risk of losing money	The group mentioned that since Rezaul sends the money through other people, there is a chance of losing the money risk of potential theft as the money is physically carried to his village. In addition, since Reshma also needs to travel to collect the cash, additional risk of theft exists.
05	Cost of transferring fund	The group shared that Rezaul and Reshma frequently use this self-tailored channel to transact among themselves. Though the actual fund transferred is not very high but the cost associated with it in making the transfer is quite high.

### POSSIBLE SOLUTIONS:

SL	Title	Description
01	Increase literacy of the couple on MFS	The group mentioned that both Rezaul and Reshma require hands on training to increase their competency to use mobile financial services. The group also shared that the MFSPs should create an enabling environment so that the couple residing at the rural area can learn about different products and services offered by the MFSPs.

02	Lack of control over timely fund transfer	The group recommended that the couple can use the MFS channel to transfer fund as per their need. This will give them privacy and more control over their money. Additionally, since funds can be transferred instantly over the MFS channel, the couple will not need to rely on others.
03	Location of Reshma	The group shared that once the couple starts to make financial transaction over MFS channel, Reshma will no longer need to travel to other locations to collect cash which will save both her time and money. Moreover, this will encourage Reshma to save some money in her MFS account for deal with unexpected expenses.
04	Risk of losing money	The group shared that once the couple start to transact money using MFS channel, the risk associated with losing money will be eliminated.
05	Cost of transferring fund	The group shared that Rezaul and Reshma frequently use this self-tailored channel to transact among themselves. Though the actual fund transferred is not very high but the cost associated with it in making the transfer is quite high. The group shared that transferring money over MFS channel will incur some cost during P2P transfer and cash out for the couple, however, it is relatively low and taking associated costs into account this process of transferring money will be less costly.

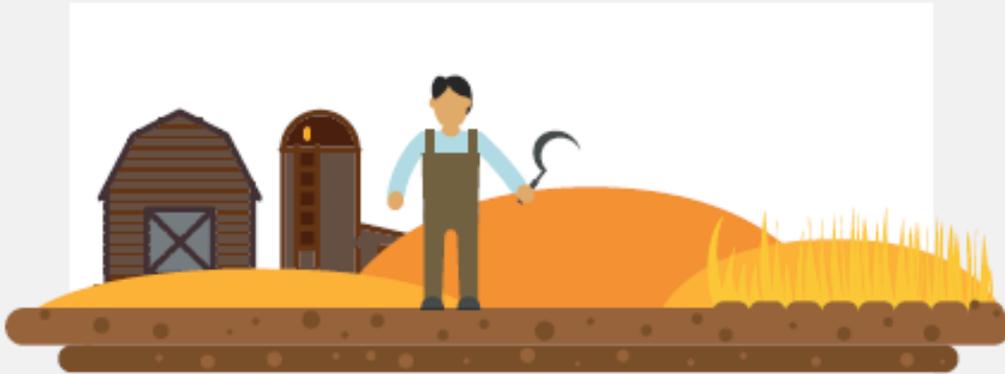


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## Scenario 2

### The story of Karim



Karim, 26, resides at the outskirts of Jessore. He attended primary school, and ended his studies at the eighth grade level to help his father in farming crops. For the last five years, Karim and his father have been working as tenant farmers. Karim purchases inputs from local input retailers on partial credit and settles the payment after selling their harvest. Karim also takes loans from local microfinance institutions, at an interest rate of 30% per annum, to buy pesticides and to pay their day to day living expenses. Karim dreams that his family's condition will become better someday.

#### Some Grounded Factors that Cannot Be Changed:

1. Karim cannot move to a profession other than farming.
2. Karim currently does not have enough money to buy agricultural land.



### IDENTIFYING THE CHALLENGES:

SL	Title	Description
01	Accessibility to formal financial services	The group shared that as Karim resides at the outskirts of Jessore, he has little access to formal financial services outlets. The presence of microcredit providers near his residence reduces his urge to seek formal financial services from bank branches which are located at city hubs.
02	High debt burden ratio	The group shared that the debt burden ratio of Karim is high as he has an existing loan from local MFI. As such having access to low interest credit from banks is difficult for him.
03	Negotiation power	The group shared that as Karim farms with financial support of a local MFI, he has less negotiating power as he needs to sell off his harvest as quickly as possible to settle his debts.
04	Unsecured livelihood	The group shared that Karim's farming and earning is dependent on the loan from an MFI and he has no option to switch his profession. As such he leads a vulnerable livelihood as one financial shock will collapse his earning source.
05	Low level of financial literacy	The group mentioned that though Karim has reflective knowledge on managing finances but he lacks the formal financial literacy which leads him to make poor financial decisions.

### POSSIBLE SOLUTIONS:

SL	Title	Description
01	Accessibility to formal financial services	The group mentioned that agent banking and mobile financial services can play a crucial role in introducing Karim to formal financial system. The group shared that once he learns more about formal financial services, he will be able to make better financial decisions.
02	High debt burden ratio	The group shared that the high DBR is mostly because of Karim taking loans at a high interest rate. The group mentioned that if he can settle the existing loans and take a loan from a bank, his DBR will slowly come down as he will need to pay back less amount.

03	Increased control over harvest	The group shared that once he is enrolled with formal financial services, his urgency to repay loans will be lower and thus he will have more negotiating power over selling his harvest. In addition, as Karim will not be tagged with any MFI, he will have more flexibility in selecting his input retailers.
04	Increase literacy of the couple on MFS	The group mentioned that both Karim and his wife require hands on training to increase their competency to use mobile financial services. The group also shared that the MFSPs should create an enabling environment so that the couple residing at the rural area can learn about different products and services offered by the MFSPs.



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## Scenario 3 The story of Kalam



Kalam is 35 years old and lost a leg in a train accident when he was a kid. He has been working at his father's grocery store for the last 10 years. He is married and has one child. The three generations of the family share a two room house in Kushtia and, although he works long hours, the family still struggles to get by. He has been wanting to take a loan for years to expand his business, but is scared of all the hassle associated with taking loans and is worried about defaulting on the loan. In addition, Kalam receives a disability stipend from the government.

### **Some Grounded Factors that Cannot Be Changed:**

1. Kalam is not comfortable taking other jobs.
2. Kalam's father owns the house and the retail outlet so there's no point in moving as it will increase his cost of living.



### IDENTIFYING THE CHALLENGES:

SL	Title	Description
01	Mobility	It was mentioned by the group that the mobility of Kalam is a key factor. As he is differently-abled he is skeptic to undertake other challenging tasks.
02	Financial procedural concern	The group shared that one of the reasons of why Kalam is skeptical about taking loans is the existing lack of awareness regarding how the financial system and institutions operate. They also mentioned that he may have heard about a bad experience from his network which induced him to be skeptical about taking loans.
03	Location of Kalam	The group shared that as Kalam resides in a rural area where formal financial institutions outlets are less frequent or are located at distant places, it is inconvenient for him to travel to the outlet. In addition, as he does not travel to the bank branches frequently and is unaware of the formal financial system and procedures, it is hard for Kalam to get acquainted with the existing system.
04	Lack of awareness on micro-credit and bank loans	The group shared that the fear that Kalam has regarding loan repayments is because of his lack of awareness and knowledge on micro-credit and bank loan processes or because of past experience or reflective experience. The group mentioned that increasing his understanding on loans will eliminate his pessimism over loans.
05	No communication with DFSPs	The group shared that Kalam has little to no communication with any of the digital financial services providers, part of which is partly because of his difficulty with moving around and partly because of his pessimism over DFS.
06	Lack of collateral	The group identified that the shop which Kalam runs and the home where he stays are not owned by him. Therefore, getting loans is difficult due to lack of collateral assets. Because of his physical condition and variation in income it is hard for him to get unsecured loans.

**POSSIBLE SOLUTIONS:**

SL	Title	Description
01	Mobility	The group shared that since Kalam is unable to easily move to different locations to learn about financial systems and procedures, MFS and Agent Banking can be a good way to reduce his hassle. This will enable him to learn about financial systems without having to travel long distances.
02	Financial procedural concern	The group shared that it is important for Kalam to understand the financial procedures before applying for loans. The group suggested that providing financial literacy training to both Kalam and his wife will be beneficial since his wife can travel to places if required. Additionally, she will also be able to contribute to financial decisions for the family.
03	Tagging stipend payment to collateral income	The group shared that since Kalam receives a fixed amount from the government as a stipend because of his existing condition, the stipend amount can be used as a collateral to show a fixed amount of income for Kalam. This will also enable DFSPs to provide loans to Kalam as they will know the amount and the day when Kalam will be receiving his stipend.
04	Digitizing bill payment	The group shared that Kalam may ask his input retailers to accept payment made through MFS channels which will reduce Kalam's travel to input retailers to buy groceries at wholesale markets. Additionally, if the government starts to disburse the stipend through an MFS channel, then Kalam can easily use that money to pay for his groceries and also save money in his MFS account for future use.
05	No communication with DFSPs	The group shared that DFSPs should increase their activities at the rural level so that rural people are also aware of their products and services. Additionally, they recommended DFSPs recruit agents from the community which will reduce communication barriers.



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## Scenario 4

### The story of Rasheda & Yousuf



Rasheda & Yousuf are newly married and lives in a remote area near the Cox's Bazar and working as health workers for a local NGO They both are very active in their community and have been born and brought up there. They both have finished their HSC examination and are somewhat familiar with the banking system. Despite all that, they still transact using cash as there are no bank branch or ATM nearby.

**Some Grounded Factors that Cannot Be Changed:**

1. Their job location cannot be changed
2. The probability of opening a bank branch in that area is unlikely.



### IDENTIFYING THE CHALLENGES:

SL	Title	Description
01	Location	The group mentioned that as Rasheda and Yousuf reside in a remote area, it is difficult for the couple to travel to formal financial services outlets located in city hubs.
02	Communication	The group shared that it is difficult for both Rasheda and Yousuf to travel to bank branches during banking hours since they are working for a local NGO. In addition to time consumption, travelling to bank branches also incurs travel costs. Since the couple do not earn a lot of money, the travel costs can be a significant percentage of their income.
03	Physical infrastructure	The group mentioned that as the couple resides in a remote area, they have difficulty in accessing required amenities including access to consistent mobile network, electricity and access to local transports.
04	Financial literacy	The group shared that though the couple has partial knowledge on financial literacy, they are unaware about different financial products and services.
05	Language barrier	The group shared that Rasheda and Yousuf reside in an area which has its own dialect and language. As such, the couple may face difficulty in accessing financial services and making financial transactions.

### POSSIBLE SOLUTIONS:

SL	Title	Description
01	Location	The group mentioned that while the location of Rasheda and Yousuf cannot be changed, mobile financial services and agent banking services can be introduced locally.
02	Communication	The group shared that if MFS and/or agent banking is introduced and if the couple use the channels to make financial transactions, the commute time be will reduced.
03	Physical infrastructure	The group mentioned that improving the physical infrastructure by development projects and DFS providers is a long term process with them having less control over



		it. However, the introduction of MFS and/or agent banking will reduce the consumption of some of the amenities.
04	Financial literacy	The group shared that though the couple has partial knowledge on financial literacy, they are unaware about different financial products and services. Therefore, hands on training on financial services by DFS providers can increase the knowledge of the couple on financial services and products.

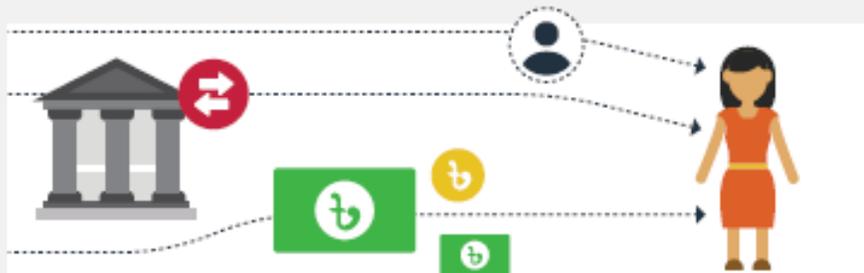


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## Scenario 5

### The story of Nayem and Nia



Nayem is the 45-year-old father of Nia, age 15. Nayem lives in Dhaka and works in the RMG factory. After his wife's death, Nayem sent Nia to his village so that her grandparents could take care of her. Nayem sends Nia her pocket money and college fee every month. Nayem opened a bank account for Nia at the nearby bank, but seeing the hassle associated with transferring money, he prefers to send the money in cash through his friends or relatives. Nia collects the money and keeps it in her room. Additionally, Nia receives a monthly education allowance from a local civil society organization to continue her studies. The nearest bank branch is 5 km away from Nia and travelling to and from the branch would take her 3-4 hours. After going through the hassle a few times, Nia has started to believe that banks are only for the well-off families.

**Some Grounded Factors that Cannot Be Changed:**

1. Location of Nia and Nayem is fixed.
2. Nia continues to feel frustrated about the bank branch's services and therefore will not be using it.
3. Nia will continue her studies.



### IDENTIFYING THE CHALLENGES:

SL	Title	Description
01	Location of bank branch	The group shared that the local bank branch is located about 5 kilometers from Nia's house and as such it takes her about half a day to travel to and from the bank branch.
02	Insecurity in securing money	Since Nia does not use the bank account, she saves the money in her house. The group shared that it is risky and unsecured to save the money at her house.
03	Fund transfer	The group shared that since Nia does not use a bank account, it is difficult for Nayeem to transfer money to her, as he needs to send her cash through another person. Using this mode to transfer money is risky and can cause financial loss.
04	Perception on DFS providers' service delivery	The group shared that Nia has a negative perception on the service delivery of DFS providers because of her bad experience with the local bank branch. The group mentioned that this perception can keep Nia from adopting formal financial services.

### POSSIBLE SOLUTIONS:

SL	Title	Description
01	Location of bank branch	The group mentioned that changing the bank branch location is virtually impossible and therefore mobile financial services and agent banking channels can play a crucial role. Both MFS and agent banking will reduce travel time and costs for Nia.
02	Insecurity in securing money	The group mentioned that saving money in MFS and/or an agent banking account will eliminate physical risks associated with saving money in the home.
03	Fund transfer	The group shared that if Nia and Nayeem use MFS and/or agent banking channels to transfer funds, it will be more convenient for both of them. The dependency on others for fund transfer will be eliminated and financial information will stay confidential. Moreover, the introduction to formal



		financial services will increase financial literacy for both of them.
04	Perception on DFS providers' service delivery	The group shared that once Nia feels the benefits of DFS and its positive impact in her life through the introduction of MFS and agent banking, her perception on DFSPs will change.

## Annex – 3

### Event Agenda

#### **“Increasing the Uptake of Formal Financial Services through a Client-Centric Approach”**

Time	Session Title
9.00AM	<b>Registration</b>
9.30AM	<b>Introductory Session</b> <i>This session will provide an overview of what we mean by financial inclusion really, as well as providing additional information on the theme for Financial Inclusion Week 2016. The session will also discuss on the current status of financial inclusion in Bangladesh along with recent trends and the importance of a client-centered approach and why it is important.</i>
9.50AM	<b>Financial Inclusion &amp; Bangladesh Context</b> <i>This session will provide an overview on the financial inclusion status of Bangladesh and discuss on the steps that have been taken by the government and development organizations to accelerate financial inclusion and serve the unbanked population.</i>
10.30AM	<b>Challenging the barriers!</b> <i>In this session, participants will explore scenarios reflecting existing needs, barriers to accessing formal financial services in Bangladesh, including both social and economic barriers. It shall also focus on what actions could be taken to link each individual to formal financial services in ways that are appropriate to the reality in which they live.</i>
12.00PM	<b>Paving the future</b> <i>This session will discuss what actions and steps development organizations and DFS providers has taken already and further steps can be taken to accelerate financial inclusion, We will try to collectively identify gaps that exist that may need to be addressed.</i>
12.30PM	<b>Lunch &amp; Networking</b>