



MOBILE SOLUTIONS TECHNICAL ASSISTANCE & RESEARCH PROGRAM (mSTAR) BANGLADESH

TECHNICAL ASSISTANCE REPORT

TA RECIPIENT: BANK ASIA LIMITED, AGENT BANKING DIVISION

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Photo 1: An agent outlet of Bank Asia. Photo credit: M. Ataur Rahman, mSTAR/Bangladesh

Background

In early 2016, the mSTAR/B team visited a Bank Asia agent outlet to understand their business operations at the district and Upazila level. After that visit and observation, mSTAR/B came up with the idea to integrate agent banking services in the payment streams among agricultural value chain actors with interested implementing partners. From this idea, mSTAR/B found that the USAID Agro-Input Project (AIP) had an initial interest to introduce suitable DFS channels for their selective agro-input retailer's transaction. Before this initial

interest was discussed, mSTAR/B had previously worked with AIP to conduct a [mobile money integration assessment](#) to understand the opportunities available for integrating MFS. That report found that the transaction value of retailers was unlikely to match the MFS transaction limit. Keeping that in mind, investing in an agent banking platform seemed to be the best option for harnessing the potential of DFS for retailers. Additionally, another USAID-funded Agricultural Extension Support Activity (AESA) requested mSTAR/B for technical assistance to pilot a customized financial product using a DFS platform. In that project, mSTAR/B facilitated the integration of a digital financial product for AESA farmers connecting those selective Agro-Input Retailers Network (AIRN) retailers using Bank Asia's agent banking platform. To learn more about the DFS product launched between Bank Asia and AESA, please see the resource linked [here](#).

For further acceleration of agent banking services in the Bangladesh context, Bank Asia and AIRN showed a common interest in continuing the services offered in the pilot with AESA, as well as potentially further expanding upon them by offering new products and features. Drawing from the AESA pilot, it was observed that one of major constraints of DFS adoption for retailers was the limitations around transacting digitally with input companies. Based on this finding, it was assumed that more value chain actors should be brought under the DFS umbrella to develop a suitable DFS ecosystem. Driven by that understanding Bank Asia, NAAFCO and AIRN showed their common interest in initiating a pilot to better understand the DFS landscape and explore further opportunities for using DFS in their business transactions.

Overview of Technical Assistance Request

In December 2016, mSTAR/Bangladesh received a technical assistance request from Bank Asia Limited. The primary objective of that request was to create market identification, product innovation and testing categories for the pilot planning with USAID's AIRN of Agro-Inputs Project (AIP) implemented by CNFA.

Bank Asia Limited required the following support:

- Providing technical and knowledge support about various payment streams made by the development sector and particularly those related to the AIP project.
- Addressing the needs, capacity and aspirations of the target segments in order to design products or services specifically for the project.
- Facilitating partnerships, with AIP working with the target segments to test pilot the aforementioned products and services.
- Capturing outcomes and lessons learned from these projects, with a focus on sustainable and successful scale up services



TA request letter from Bank Asia

Support Provided by mSTAR/B (through August 2017)

- mSTAR/B facilitated the triparty partnership development. In this regard, mSTAR/B communicated with AIRN retailers, NAAFCO and Bank Asia Limited about the potential of the pilots. NAAFCO developed an understanding to receive payments through digital channels—in this case through Bank Asia’s agent banking from the selected AIRN retailers. AIRN retailers, some of whom already received payments through the NFC-enabled card system, will place their payments through private companies using the agent banking channel. Finally, Bank Asia perceived this partnership as an opportunity to scale up their agent banking services. mSTAR/B also shared different learnings and resources with relevant stakeholders to help increase their understanding of how DFS could work properly in this case.
- mSTAR/B facilitated the signing of the MoU among NAAFCO, one of Bangladesh’s largest agricultural input manufacturers, AIRN and Bank Asia Limited. Under this MoU, a pilot group of input retailers, who are part of AIRN and carry NAAFCO products, will receive SME loans from Bank Asia’s agent banking channel. A portion of those retailers will also accept merchant payments via NFC-enabled debit cards from any Bank Asia agent banking clients. Select input retailers, input dealers and NAAFCO, will also use Bank Asia's B2B transfer service providing them with a more convenient and a efficient way to settle payments digitally.
- mSTAR/B helped Bank Asia define the operating model of this pilot, including a recommendation on what products and features should be used and what service delivery channel would be the most suitable.
- mSTAR/B also facilitated an MoU signing between Bank Asia Limited, and CloudWell Limited. Under this MoU, a test pilot program of payment digitization shall be implemented for dairy farmers through Bank Asia’s agent banking channel. mSTAR/B and CloudWell worked together on developing this payment digitization concept and developed a step-by-step process on how this digitization will be implemented.

References

- i. Chowdhury, Muhymin; Parvez, Jaheed (2015); Mobile-Money Integration Assessment for Agro-Inputs Project, FHI360. Weblink: <https://www.microlinks.org/library/mobile-money-integration-assessment-agro-inputs-project>
- ii. Haque, Majidul, MD and Woodard, Josh (2016); Digital Financial Service Product Innovation #1 - Bank Asia; FHI360, Weblink: <https://www.microlinks.org/library/digital-financial-service-product-innovation-1-bank-asia>