

MAKING THE CASE

# Bangladesh

Case Studies on Inclusive  
Economic Development



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UNIVERSITY OF  
TORONTO

Afsana Islam, Kudzaishe Gondora, Lara Brooks,  
Sarah Quibria, Tasneem Tahrin



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1.0

# Background





### 1.1 Private-public partnership in addressing financial inclusion in Bangladesh

Home to over 165 million people, Bangladesh reigns as one of the most densely populated countries in the world. In the last thirty years Bangladesh has seen a significant rise in life expectancy, accompanied by rising scores across key development indicators such as gross domestic product (GDP) and the Human Development Index (HDI).<sup>1</sup> This can be attributed to strong domestic demand, growing female participation in the labour market, private sector investment, foreign direct investment (FDI) and public sector investment.<sup>2</sup> Despite a growing economy, in 2010 more than 60% of Bangladesh's population remained unbanked.<sup>3</sup> The growing divide between rural and urban communities is reflected in the distribution of banks across Bangladesh, with the majority of bank branches located in cities such as Dhaka. On top of that, there are limited financial products available for low-income workers, further driving financial exclusion.<sup>4</sup> Alternative options such as sending money via the post office or informal channels are risky, expensive and time consuming.

However, Kamal Quadir, a local entrepreneur, recognized both the struggle and the opportunity for Bangladesh's unbanked. Though unable to access formal financial institutions, over 60% of citizens had access to a mobile phone, resulting from the growing expansion of the telecom networks<sup>5</sup> and providing the perfect landscape for bKash's mobile payment solution. bKash is a mobile financial service (MFS) regulated by Bangladesh's Central Bank, as a subsidiary of BRAC Bank, a local bank supporting the growth of small businesses.<sup>6</sup> bKash operates using a USSD interface technology which allows users to send and receive money from their mobile, using phone signals, and users can apply for bKash with little to no hassle, with limited cashing and transfer fees. Since its inception, bKash has revolutionised Bangladesh's fiscal landscape, driving financial inclusion at an unprecedented rate. One study found that every 1 billion Taka (USD11.76 million) increase in mobile money transactions via the bKash system correlates positively with a 0.71% reduction in the poverty rate in Bangladesh.<sup>7</sup>





2.0

# Built for All: Applied





## 2.1 Pillar One: Access to finance

One aspect of economic inclusion in the Built for All framework is to ensure equitable access to resources and opportunities<sup>8</sup> for all members of society. In particular, from the civic sector perspective, one outcome of economic inclusion is to make financial systems more accessible, safe and affordable for everyone. bKash was founded on this very principle, to provide user-friendly, reliable and accessible financial services to millions of unbanked Bangladeshis, primarily those in rural areas. People in rural areas lack access to formal financial services and end up using more expensive informal services, either for receiving funds from family in distant locations or to access financial tools to improve their economic condition. Despite over 68% of Bangladeshis owning mobile phones, less than 15% were connected to any formal banking systems when bKash was set up in 2011.<sup>9</sup>

In addition to facilitating ease of cash transfers, bKash also introduced a savings product for customers to save money in their e-wallets, earning interest rates between 1.5 and 4 percent on account balances,<sup>10</sup> which was not available to them. This increased access to financial services for unbanked and low-income customers, and for many, it was their first formal opportunity to save and earn interest.

Moreover, bKash also helps to bridge the gaps in Bangladesh's financial service infrastructure, making it more equitable. Customers, especially in rural areas, are averse to trying new services, have limited purchasing power, and have low financial-technology literacy. bKash overcomes these challenges by offering services that low-income customers are most likely to use and simplifying the process to set up bKash accounts, educating customers about mobile financial services, and offering low-cost transaction fees.<sup>11</sup>



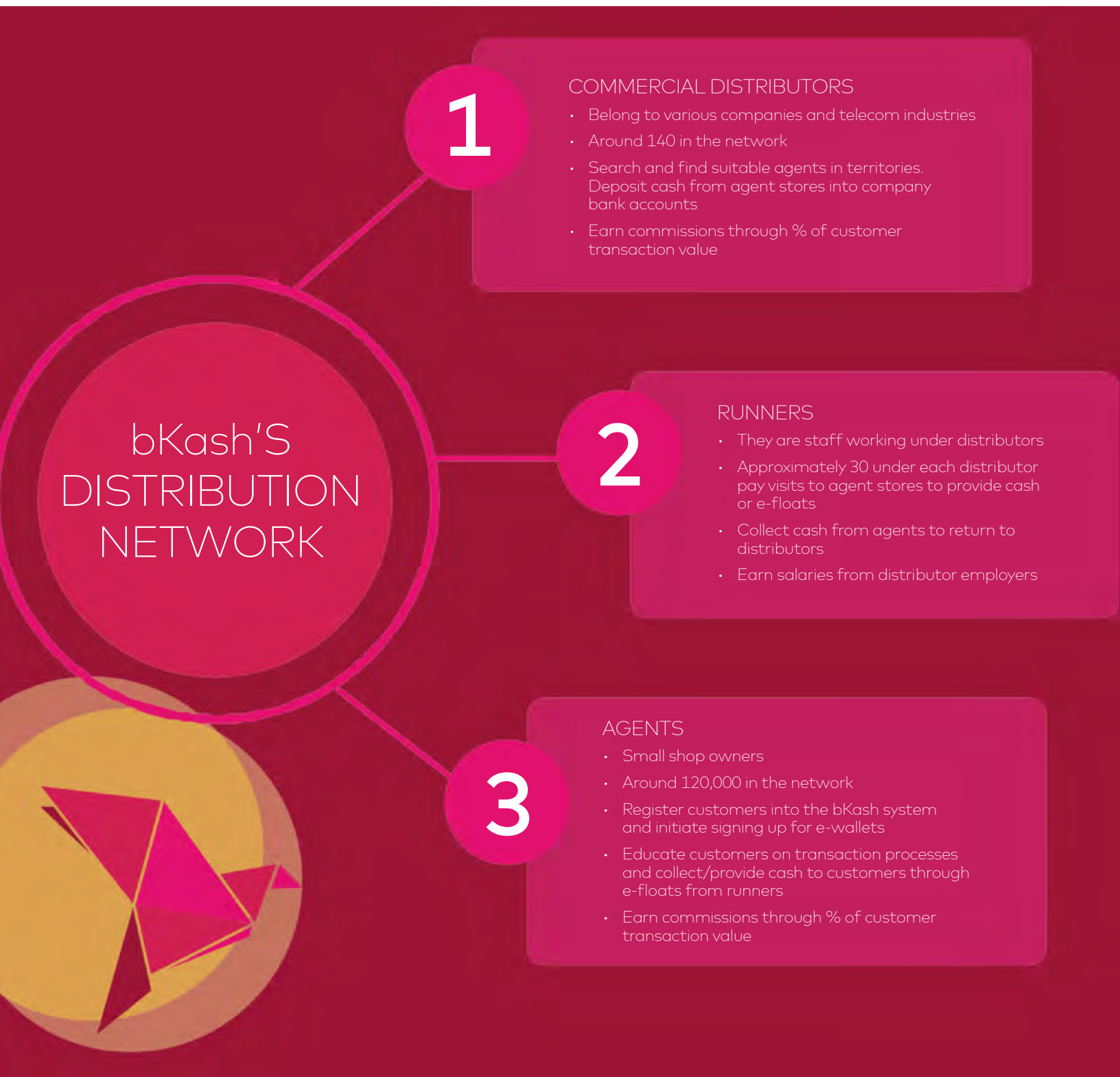


## 2.2 Pillar Two: Job creation through agent distribution network

As Bangladesh is a predominantly cash-based society, bKash's transaction model that allowed customers to withdraw cash from e-wallets on demand anywhere across the country was a great advantage for the company to build customer confidence. bKash gave the opportunity to consumers to withdraw cash from their e-wallets from an agent store<sup>12</sup> located at corner shops all across the country. Bangladesh is divided into 64 districts and 495 sub-districts for administrative purposes, and bKash has set up its agent network in all of these locations. The agent points of bKash were set up at every local market of every community, which made bKash synonymous with mobile-money.

These authorised agents, or 'human ATMs',<sup>13</sup> facilitate transactions for customers, such as opening accounts and enabling cash in and out, and in return, they receive an opportunity to earn revenue in the form of commissions.<sup>14</sup> bKash also organises workshops and skills development programmes for its agents to improve their quality of service and has recently launched life insurance and health insurance coverage for its agents.<sup>15</sup>





As shown above, through a widespread distribution network, bKash has contributed in creating a substantial number of jobs. There are about 200,000 agents of bKash across Bangladesh.<sup>16</sup> Owners of corner shops also serve as bKash agents; thus bKash contributes in increasing the revenues of these businesses and helping to make them sustainable. This aspect of the business aligns strongly with the Built for All pillar associated with advocating for the creation and enforcement of anti-discriminatory policies for hiring, training and promotions.



## 2.3 Pillar Three: Public-private partnerships and bKash

Public-private partnerships lend their convenience to service delivery through the private sector's ability to expedite otherwise arduous processes of service provision and delivery. Such partnerships can overcome barriers such as capital constraints, labour shortages, and technical defects.<sup>17</sup> As such, with the expansion of bKash usage in Bangladesh, there has been an associated increase in the trust of bKash's ability to execute service delivery, resulting in bKash's now growing partnership with the Government of Bangladesh (GoB) in the provision of numerous services across different industries.

As of 2022, bKash partnered with the Ministry of Labour and Employment (MoLE) of GoB in dispersing stipends to children at risk of child labour, and this was delivered concurrently to the related anti-child-labour educational programmes.<sup>18</sup> In partnership with the World Bank's Employment Generation for the Poorest Program (EGPP),<sup>19</sup> bKash dispersed wages to approximately 65,000 government workers leveraging the strength of its network.<sup>20</sup> Beyond this, bKash is also facilitating the tax payments of several jurisdictions, including 50,000 households in Rangpur City and Dhaka North, among others.

Overall, bKash has provided the technical and industry expertise as well as the innovative frameworks that are needed to support the GoB in service delivery provision and in simplifying processes,<sup>21</sup> facilitating transactions through tax collection, stipend dispersion and wage delivery. bKash is currently a partner of GoB in delivering social protection programmes or government-to-person (G2P) payments for strengthening women's participation in economic activities, old age allowance, allowance for widows/deserted/destitute women and allowance for financially insolvent disabled people.<sup>22</sup> Overall, bKash is contributing to several tenets of Bangladesh's welfare and upholding the premise of economic financial inclusion in tandem with the Build for All framework.





## 2.4 Conclusion

Bangladesh is the second largest producer of apparels products with about 6.5% global market share and the sector accounts for 83% of the exports of the country and about 16% of the GDP. The sector accounts for 4.5 million jobs including economic opportunities for 2.5 million women. It is estimated that another 20 million people indirectly depend on the sector, which has contributed to the socio-economic development of Bangladesh. Most of these workers receive their wages through cash, and in early 2020, only about 200,000 workers were receiving wages through bKash.<sup>23</sup> At the wake of the pandemic in early 2020, the sector faced a critical challenge as approximately USD 3.15 billion worth of orders were either cancelled or remained unpaid from western buyers.<sup>24</sup> With a monthly minimum wage of BDT 8,000 (USD 95), the sector requires USD 470 million, at a minimum, to pay wages every month to the workers.<sup>25</sup> To support the factories with wage payments, the GoB announced a stimulus package of about USD 588 million<sup>26</sup> but the condition was that the payment has to reach the workers through formal channels, including MFS platforms.

bKash played a key role in opening up a large part of these accounts: it mobilised its agent network during the countrywide lockdown, and it set up e-registration points across the country and waived the cash out fee payment for the RMG workers' accounts.<sup>27</sup> This helped in opening an additional 1.92 million MFS accounts between April 4 and 18, 2020, of which 970,000 accounts were opened by bKash. A survey conducted in May 2020<sup>28</sup> reported that 82% of workers were paid wages through some sort of digital channel, compared to 28% in April 2020. The government and factories leveraged bKash's countrywide network to reach the workers when the economy was going through a shock.

bKash has been instrumental in opening up a new branch of financial service that is equally accessible by all irrespective of gender, wealth and location divides. Bangladesh has an economy of over USD 400 billion,<sup>29</sup> with 57 commercial banks, yet it was able to reach only 35% of its bankable population, mostly in urban areas. bKash has changed the landscape of financial services for the poor and contributed in increasing Bangladesh's financial inclusion from 35% to 49% between 2011 and 2020. It has created a new stream of jobs through its agent and distribution network as well as facilitated the boom of home-based female entrepreneur led businesses. The GoB has partnered with bKash to improve the quality of G2P services, and at present 2 million beneficiaries are receiving G2P payments through bKash.<sup>31</sup> This is helping in catalysing the financial inclusion of the millions who are still unbanked and supporting the economic inclusion of the extremely poor through a public-private partnership.





3.0

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