

Digital Finance for Inclusive Growth

BANGLADESH DIGITAL FINANCIAL INCLUSION CONFERENCE 2018



Supported by



In Association with



Organized by





Digital Finance for Inclusive Growth

BANGLADESH DIGITAL FINANCIAL INCLUSION CONFERENCE

November 20, 2018

Bangabandhu International Conference Center (BICC), Dhaka

CONFERENCE BACKGROUND

Bangladesh is emphasizing on accelerating digital financial inclusion to achieve the Perspective Plan 2021. This broad commitment to inclusive sustainable growth also coincides with the Sustainable Development Goals (SDGs). Bangladesh Digital Financial Inclusion Conference 2018 brought policy makers, regulators and the private sector stakeholders in one platform to reflect on the country's journey in the last decade in accelerating financial inclusion and discuss the way forward for promoting digital financial inclusion.

Bangladesh has been the center of global innovations for promoting access to finance in last couple of decades. Despite the remarkable growth in promoting microfinance and other innovative means of reaching out to the last mile, the evolving DFS ecosystem needs to address some critical emerging issues to accelerate digital financial inclusion. The issues are, interoperability, risk proportionate user friendly and digital KYC alias eKYC (Know Your Customer) procedures, technical infrastructure development, promoting innovation while maintaining financial sector sustainability through risk based, data driven supervision and risk mitigation for creating a more enabling ecosystem. To reduce the persisting gender gap in account ownership and usage through developing targeted products and services through collective and dedicated efforts is another major issue to focus on. Diminishing gender gap will enable women to have access to resources for increasing income and generating employment.

Bangladesh Digital Financial Inclusion Conference 2018 brought together the stakeholders to celebrate the achievements made in promoting financial inclusion in the country and facilitated structured thematic discussion to-

- Outline a comprehensive vision for fostering growth of DFS in Bangladesh and immediate next steps to achieve Vision 2021 accelerating financial inclusion through digital pathways.
- Facilitate investors' avenues to explore the ongoing innovations and potential high volume driver sectors for DFS.
- Convene knowledge sharing sessions with local and international peers on regulatory sandbox and DFS data related best practices.
- Elicit call for actions from regulators, policy makers and a diverse range of private sector stakeholders to synergize efforts.

The conference was a daylong arrangement, held on November 20, 2018. Seven thematic consultative sessions were arranged along with a first of its kind digital finance innovation fair participated by 25 local organizations showcasing products, services and digital finance innovations.

UNCDF hosted the conference in association with Access to Information programme (a2i), BRAC and Business Finance for the Poor in Bangladesh (BFP-B) programme. The initiative has been supported by the Bill & Melinda Gates Foundation and the European Union.

CONFERENCE SESSIONS AT A GLANCE

<p>Opening Plenary Session Accelerating Digital Financial Inclusion by 2021: Emerging Frontiers for Bangladesh</p>	<p>Chief Guest Md. Abul Kalam Azad, Principal Coordinator (SDG Affairs) Honorable Prime Minister's Office, GoB</p> <p>Panel Speakers Md. Rashadul Islam, Additional Secretary, ICT Division, GoB Arijit Chowdhury, Additional Secretary, Financial Institutions Division, Ministry of Finance, GoB Syed Mahbubur Rahman, Chairman, Association of Bankers, Bangladesh and MD & CEO, Dhaka Bank Ltd Rajeev Kumar Gupta, Programme Manager, SHIFT ASEAN & SAARC, UNCDF</p>
<p>Discussion Session: 01 Digital Finance for Agro based Micro and Small Enterprises</p> <p>Session Organizer: Business Finance for the Poor in Bangladesh (BFP-B)</p>	<p>Moderator Md. Eunusur Rahman, Senior Policy Adviser, Business Finance for the Poor in Bangladesh</p> <p>Panel Speakers Md. Arfan Ali, President and Managing Director, Bank Asia Ltd. Syed Moinuddin Ahmed, Additional Managing Director and Company Secretary, Green Delta Insurance Sharawwat Islam, Managing Director, Truvalu Group Dr. Mustafa K. Mujeri, Executive Director, Institute for Inclusive Finance and Development (InM)</p>
<p>Discussion Session: 02 The future of Microfinance in the era of digital disruptions: How Bangladesh should respond?</p> <p>Session Organizer: BRAC Social Innovation Lab</p>	<p>Moderator Dr. Ananya Raihan, PhD, Chief Executive Officer, iSocial</p> <p>Panel Speakers Shameran Abed, Senior Director, Microfinance and Ultra Poor Graduation Programmes, BRAC Main Uddin Ahmed, Director, Microcredit Regulatory Authority (MRA) Imran Ahmed, Senior Director, Programs & Initiatives, Shakti Foundation</p>
<p>Discussion Session: 03 Closing the gender gap in DFS: Innovations and Solutions</p> <p>Session Organizer: UN Capital Development Fund</p>	<p>Moderator Ana Klincic Andrews, PhD, Financial Inclusion Expert, UNCDF</p> <p>Panel Speakers Ayesha Hossain, Chief Operating Officer, iSocial Dilruba Haider, Programme Specialist, UN Women Bangladesh Farzana Chowdhury, Managing Director & CEO, Green Delta Insurance Rahul Chatterjee, Research Expert, MicroSave</p>

CONFERENCE SESSIONS AT A GLANCE

<p>Discussion Session: 04 Rise of the micro-merchant economy: The business case for digitizing supply chains</p> <p>Session Organizer: UN Capital Development Fund</p>	<p>Moderator Rajeev Kumar Gupta, Programme Manager, SHIFT SAARC & SHIFT ASEAN, UNCDF</p> <p>Panel Speakers Mominul Islam, MD and CEO, IPDC Finance Khandaker Samina Afrin, Commercial Leader, The Nielsen Company (Bangladesh) Limited Mir Haque, Founder & CEO, Fairbanc</p>
<p>Discussion Session: 05 Remittance for real economic growth: Formalization and digital use cases</p> <p>Session Organizer: UN Capital Development Fund</p>	<p>Moderator Md. Ashrafal Alam, Country Project Coordinator, UNCDF</p> <p>Panel Speakers Md. Shariful Islam Hasan, Programme Head, Migration at Brac Mohammed Masud Parvez, Vice President, Dutch Bangla Bank Ltd. Mr. Abul Bashar, General Manager, Financial Inclusion Department, Bangladesh Bank</p>
<p>Promoting Digital Finance Innovations: Way Forward</p> <p>Session Organizer: Access to Information (a2i)</p>	<p>Moderator Md. Tohurul Hasan, Programme Manager, Digital Financial Service Lab, a2i</p> <p>Panel Speakers Rajeev Kumar Gupta, Programme Manager, SHIFT SAARC & SHIFT ASEAN, UNCDF Md. Rashed, Joint Director, Bangladesh Financial Intelligence Unit (BFIU), Bangladesh Bank Farmina Hossain, Deputy Director Program, Buro Bangladesh Professor M Harunur Rashid, Chairperson, Healthcare Information System Ltd. Kazi Mahfuz Mamtazur Rahman, Team Leader, Sarathi, Swisscontact Rezwanul Haque Jami, EM Solutions Architect & e-Commerce Team Lead, a2i</p>

INTRODUCTION OF THE CONFERENCE

PARTNERS AND ORGANIZER

A2i

Access to information in Bangladesh (a2i) is a special programme of the Government of Bangladesh that catalyzes citizen-friendly public service innovations simplifying government and bringing it closer to people. Their primary goal is to ensure easy, affordable and reliable access to quality public services for all citizens of Bangladesh. A2i is promoting innovations and solutions in accelerating digital financial inclusion in the country, through taking services dynamic services at the rural doorsteps making them more accessible and affordable.

BFP-B

Business Finance for the Poor in Bangladesh is a £25m facility to create economic opportunities for small businesses by changing the behavior of market actors in the financial sector. They are improving the policy and regulatory environment for financial institutions, inducing private sector investment in expanding the frontiers of finance, and enhancing the credit worthiness of small businesses. It is catalysing private sector investment in developing new prototypes and scaling viable business models that serve small businesses based on understanding challenges small businesses face in accessing and using financial services.

BRAC

BRAC is one of the largest development organizations based in the global south that operates worldwide. Founded in Bangladesh in 1972 and today active in 11 countries, BRAC is promoting interventions and innovations in diverse aspect of human capital development and financial inclusion.

UNCDF

UNCDF makes public and private finance work for the poor in the world's 47 least developed countries. With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's financing models work through two channels: financial inclusion that expands the opportunities for individuals, households and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and by showing how localized investments — through fiscal decentralization, innovative municipal finance and structured project finance — can drive public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise and local infrastructure levels, UNCDF contributes to the Sustainable Development Goals (SDGs), particularly Goal 1 on eradicating poverty and Goal 17 on the means of implementation.

The Shaping Inclusive Finance Transformations (SHIFT) programme framework for the South Asian Association for Regional Cooperation (SAARC) countries is a regional market-facilitation initiative by UNCDF aiming to improve livelihoods and reduce poverty in SAARC countries by 2021.

SHIFT SAARC is currently implemented in Bangladesh where it has two major streams of work: accelerating the uptake and usage of digital financial services (DFS) to respond to the needs for greater digital financial inclusion; and enhancing the growth and competitiveness of retail micro-merchants through the "Merchants Development Driving Rural Markets" project. SHIFT SAARC does this through growing the awareness and demand for DFS through communication, advocacy and industry research. SHIFT SAARC also stimulates expansion of digital technologies for micro-merchant segments by encouraging innovation and linkages between retail and financial services industries.



Opening Plenary Session

Accelerating Digital Financial Inclusion by 2021: The Emerging Frontiers

The opening plenary session of the Bangladesh Digital Financial Inclusion Conference 2018 intended to reflect on Bangladesh's journey of financial inclusion in the last decade highlighting key achievements and challenges. The dialogue also highlighted the next course of actions aligning with country's sustainable development goals for facilitating further growth of the digital finance ecosystem.

The session was moderated by Mr. KAM Morshed, Director, Advocacy for Social Change, BRAC. Md. Abul Kalam Azad, Principal Coordinator (SDG Affairs) Honorable Prime Minister's Office, GoB attended the session as Chief Guest. Md. Rashadul Islam, Additional Secretary, ICT Division, GoB. Mr. Arijit Chowdhury, Additional Secretary, Financial Institutions Division, Ministry of Finance, GoB and Mr. Rajeev Kumar Gupta, Programme Manager, SHIFT ASEAN & SAARC, UN Capital Development Fund (UNCDF) participated in the discussion as panelists.

At the beginning, the session set the context of the overall conference highlighting the relevance of chosen high volume driver sectors for digital financial services (DFS). Through presenting the overview of Bangladesh's current financial inclusion data and indicators, the moderator initiated discussion reflecting on the progress made in the last decade. Leveraging on the success achieved, the session also illustrated the potential of emerging high volume driving sectors and frontiers where digital finance stakeholders have to invest efforts and resources in near future.

On this note, Mr Arijit Chowdhury, Additional Secretary, Ministry of Finance elaborated on the Government's initiative of formulating the National Financial Inclusion Strategy (NFIS) for accelerating financial inclusion. He emphasized on the importance of recognizing digital finance as the key pillar of NFIS implementation.

Md. Rashadul Islam, Additional Secretary, ICT Division, suggested that the government has been focusing on country's Vision 2021 which incorporates successful implementation of NFIS based on four pillars- (i) Area connectivity, (ii) e-governance, (iii) Information Technology (IT) based skill enhancement and (iv) Infrastructure development for further growth of IT based sectors.

Chief Guest of the session Md. Abul Kalam Azad, Principal Coordinator (SDG Affairs), Honorable Prime Minister's Office, GoB has referred to the government's efforts for achieving the Sustainable Development Goals (SDGs) ensuring 'no one left behind' through accelerating digital financial inclusion for the last mile.

Introduce digital KYC through e-KYC:

Despite remarkable achievement in the expanding access and usage of financial services onboarding customers through complying with the complex Know Your Customer (KYC) processes is still a challenge. This also acts as an entry barrier for the last mile customers and small businesses to access affordable financial services. FSPs and other stakeholders have not been able to introduce an eKYC in a more user-friendly interface.

Mr. Arijit Chowdhury explained about Bangladesh Bank initiatives for introducing e-KYC linked with digitized National Identity Database. He also mentioned that Bangladesh Bank is currently working on draft policy guideline for introducing e-KYC in collaboration with UNCDF, Access to Information Program (a2i) of ICT Division and concerned private sector financial service providers. The final policy guideline is expected to be designed and issued by 2019 which will streamline the e-KYC processes integrating all platforms.

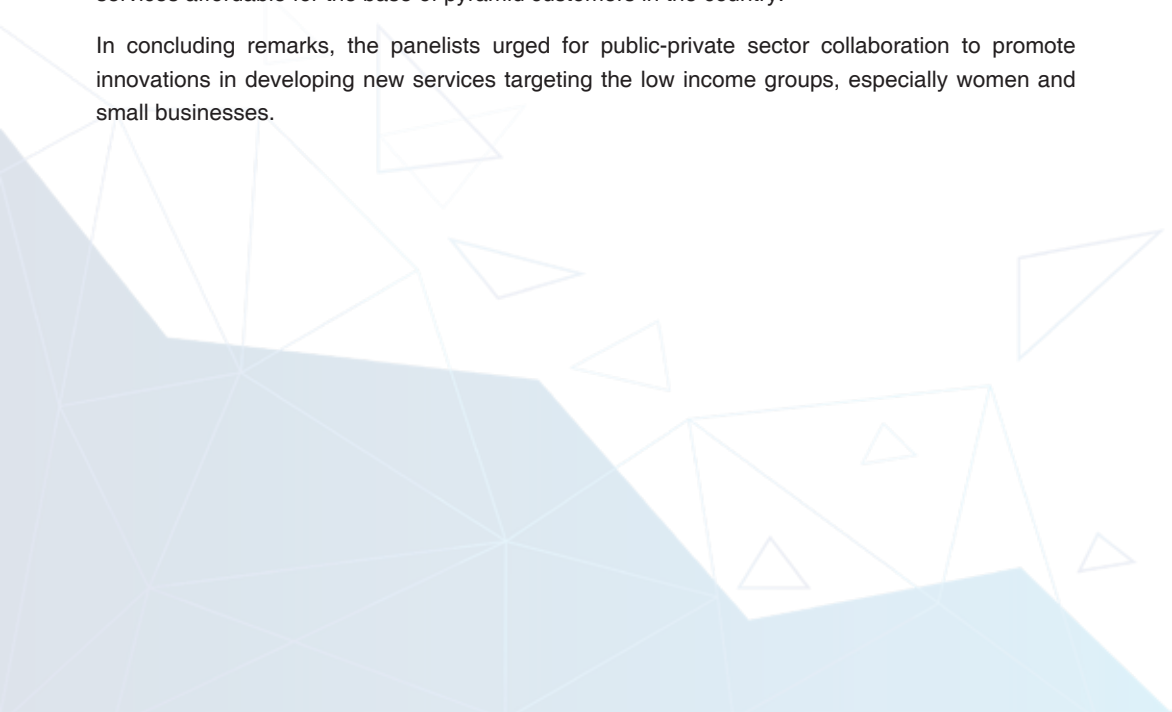
Technical Infrastructure Development for Digital Finance Ecosystem:

Though Bangladesh has a strong penetration in mobile phone ownership and usage, however, internet connectivity is not smooth for all, in particular, in rural areas. Responding to the issue Mr Md. Rashadul Islam, Additional Secretary, ICT Division highlighted that GoB has been consistently investing in developing technical infrastructure across Bangladesh to ensure access to internet and mobile network for all. He stressed on the government's commitment for strengthening technical infrastructure enabling wider expansion of digital financial services in all regions of the country.

Making Digital Financial Services Affordable for Low Income Groups:

Discussants acknowledged that there are scopes of further lowering costs of various digital services to make them affordable and accessible for low income groups. Growth and expansion of an enabling ecosystem fostering competition will contribute to lowering costs for the customers, panelists suggested. Regulators and policy makers are consistently working to encourage innovation and expansion of service offerings which will help to make digital finance products and services affordable for the base of pyramid customers in the country.

In concluding remarks, the panelists urged for public-private sector collaboration to promote innovations in developing new services targeting the low income groups, especially women and small businesses.





Discussion Session 01

Digital Finance for Agro-based Micro and Small Enterprises

Business Finance for the poor in Bangladesh (BFP-B) has partnered with UNCDF to facilitate the session on 'Digital Finance for Agro-based Micro and Small Enterprises'. The session intended to look into the current landscape of agro-based micro and small enterprises, reviewing available products and services offered by financial service providers and the unmet demands across the value chain. Based on evidence and learnings from recent pilot projects and innovations, the panel discussion highlighted the potentials of developing innovative products and services through digital channels to broaden the range of services currently offered for the sector.

The session was moderated by Md. Eunusur Rahman, Senior Policy Advisor, BFP-B. Dr Mustafa K. Mujeri, Executive Director, Institute for Inclusive Finance and Development (InM), Mr. Arfan Ali, Managing Director, Bank Asia, Sharawat Islam, Managing Director, Truvalu Enterprises Ltd. and Syed Moinuddin Ahmed, Additional Managing Director and Company Secretary, Green Delta Insurance Company participated in the panel discussion.

Narrating the context, the discussion began with highlighting some significant transitions in the Bangladesh economy. Over the past few years, in contrast to the progressive growth in industrialization and urbanization, contribution to agriculture in country's GDP has fallen down to 15% excluding livestock and fisheries. Despite this transition, agriculture still accommodates the country's highest portion of labour force, contributing as a major source of income for the rural households. In this context, the next level of transformation can be facilitated through promoting innovative digital financial services for agro-based micro and small enterprises.

Panel speakers emphasized on designing a new approach for agriculture, e-agriculture which will enable, firstly, access to financial services through digital finance channels for diverse value chain actors in the agro-based micro and small enterprises (MSEs); secondly, generate market data and provide access to information so farmers and other value chain actors can make more informed decisions; and, thirdly, design sector-specific products and services such as agriculture insurance for farmers and households to protect them from climate risk and unfavourable weather conditions

Panel speakers emphasized on designing a new approach for agriculture, e-agriculture which will enable, firstly, access to financial services through digital finance channels for diverse value chain actors in the agro-based micro and small enterprises (MSEs); secondly, generate market data and provide access to information so farmers and other value chain actors can make more informed decisions; and, thirdly, design sector-specific products and services such as agriculture insurance for farmers and households to protect them from climate risk and unfavourable weather conditions

The panelists agreed that generating market data and incorporation of digital use cases in agriculture will open up new opportunities for this sector to flourish; however, they have highlighted the following challenges of promoting digital finance innovations in the sector:

- Limited digital awareness and literacy
- Limited financial literacy and access to products and services
- Limited availability of sector-specific services offered
- Limited dynamic partnership and collaboration among stakeholders

Syed Moinuddin Ahmed proposed to build a digital capacity building platform to train the farmers regarding the use of technology for improved access to information and services. He referred to the private sector initiatives facilitating access to information for farmers through SMS alerts, call centre supports etc. He stressed on importance of building strong infrastructure, in particular, ensuring smooth internet connectivity in rural Bangladesh with uniform and cost-effective user packages. He also suggested to utilize satellite-based technology for gathering weather data and promoting digital insurance products for farmers to provide them support in response to vulnerable climate conditions.

Arfan Ali, President and CEO, Bank Asia shared his experience of promoting agent banking services in the rural level. Agents banking services and digital financial services have enabled us to reach the underserved and promote access to formal credit which not only meets farmers' needs, but also facilitate supports for MSEs in agro-based business.

Dr. Mustafa K. Mujeri recommended developing a regulatory sandbox for digital finance innovations which could also promote innovations for the agriculture sector. Though many organizations are working on digital finance innovations for agro-based SMEs, their efforts are highly fragmented and they are facing some regulatory barriers as well. This needs to be addressed in a cohesive manner in order to help agro-businesses upscale. He has urged a comprehensive policy guideline and amendments of existing policies to support innovation and attract startups in modern agro sector.

The panelists urged for cross-sector exchange and collaboration in promoting digital finance innovations for agro-MSEs. The discussion concluded with the call for concerned government departments working on agriculture to co-design strategies and policies with digital finance regulators enabling scaling up of new innovations.



Discussion Session 02

The future microfinance in the era of digital disruption.
How Bangladesh should respond?

The tremendous growth of DFS and innovation of disruptive digital channels are largely transforming the financial services landscape globally and Bangladesh is no exception. In this context, the session intended to discuss the future of microfinance sector transformation in Bangladesh in this era of digital innovations and disruptions. Moderated by Dr. Ananya Raihan, Chief Executive Officer, iSocial the panel discussion was attended by Main Uddin Ahmed, Director, Microcredit Regulatory Authority, Shameran Abed, Senior Director of Microfinance and Ultra Poor Graduation Programme, BRAC & BRAC International and Imran Ahmed, Senior Director, Head of Programs & Initiatives, Shakti Foundation.

The discussants acknowledged the role microfinance played in offering credits and other services for the last mile in last few decades and the next level of transformation in the industry will happen through digitization of services and operations. The discussion highlighted that digitization will enable MFIs operating in remote grass roots make their delivery more efficient in terms of costs and overall management. Therefore, shifting towards digital technology is imperative for MFIs. Also Fintechs and digital innovators are bringing new products and services which will pose MFIs into more competition. As a result, preparing to cope with the digital transition is crucial for local MFIs.

With this advent, very few MFIs in Bangladesh have adopted the digital platform to provide services to their customers while there is enormous potential of embracing digital innovations. The dialogue has come out with the following challenges on the way to the digital transformation of MFIs operating in Bangladesh:

- Digitization is happening whether or not we welcome it. The MFI sector in Bangladesh is NGO-driven, which makes it unique to other country contexts. There is no equity investor or other external pressure to change the long-standing, traditional model of service delivery.

- Digitization of financial services has the potential to alleviate pain points that exist around cash-based operations. With cash, it has historically been more difficult to collect, to reconcile, and to disburse. However, clients may not see much value-addition in adopting mobile money based services if those are just utilized by MFIs for the purposes of loan collection and disbursement. We need to offer diverse usage in the entire digital ecosystem. Sustained adoption of these platforms will not take place if clients are using it for a single monthly transaction only with MFIs.
- The top 20 MFIs in Bangladesh cover 80% of all financial transactions in this space. A rapidly digitizing ecosystem may force smaller players in the industry to consolidate or face competitive elimination.
- Payment processing transactions and arbitrary limits on cash-out remain a huge roadblock for MFIs and a challenge for clients.

In response to the challenges the panel speakers have proposed the following way forward:

- The MFI industry understands that digitization is not a luxury. It is a requisite to survive and thrive into the future. The strategy to this point has been to focus on digitization of internal operational processes before turning to the digitization of service offerings. Large MFIs can cut cost through reduced highest rate below the capital e.g. BRAC AND ASHA voluntarily reduced to 25%.
- There is an opportunity here beyond just cost savings for MFIs themselves in terms of increased efficiency, lower-touch modelling for service delivery. MFIs can now consider partnering with existing and/or emerging businesses to better reach base-of-pyramid clients with a new range of products and services.
- Regulators must support MFIs in transforming the sector. 23% of the audience identified regulatory barriers as the main challenge of digitizing MFI transactions through mobile financial services and other means in a poll during the session. Actors like MRA and Bangladesh Bank will need to step forward to address significant concerns, particularly around high fees and transaction limits.

The session concluded with call for regulatory actions on the challenges identified and enhancing cross sector collaboration between MFIs, DFS providers and other stakeholders in the ecosystem.



Discussion Session 03

Closing the gender gap in digital financial service: innovations and solutions

The persisting gender gap in account ownership, usage and access to finance for all sorts of available financial services need to be addressed through both policy effort and targeted investments. The panel discussion on 'Closing the gender gap in digital financial service: innovations and solutions' briefly reflected on the key lessons of facilitating digital financial inclusion for women identifying major barriers and recommending how to overcome them. The session was moderated by Dr. Ana Klincic Andrews, Financial Inclusion Expert, UN Capital Development Fund. Farzana Chowdhury, Managing Director & Chief Executive Officer, Green Delta Insurance Company Limited, Dilruba Haider, Programme Specialist, Disaster Risk Reduction, Climate Change and Humanitarian Actions, UN Women Bangladesh, Ayesha Hossain, Chief Operating Officer, Infolady Social Enterprise Limited and Rahul Chatterjee, Research Expert, MicroSave attended as panel speakers.

The panel discussion highlighted the importance of incorporating life-cycle approach while developing products, services and interventions for promoting women's financial inclusion. Referring to the key reasons behind the existing gender gap in adoption and usage of DFS, the discussion looked into strategies for enabling financial services providers developing targeted products for women.

Addressing the persisting gender gap in financial inclusion, especially in access and usage of DFS, the panelists recommended the following five actions:

On a need for Digital literacy to improve women's freedom over choices

Technology enables change and offers women new opportunities to build networks, access information and resources. Ms Dilruba Haider has explained providing necessary information and knowledge about digital technologies will enable women to fully benefit from digital technologies, such as Digital Financial Services. Digital literacy interventions will require a tailored approach to address women-specific socioeconomic characteristics needs (e.g. age, education).

On a need to strengthen financial literacy to strengthen women's financial capabilities

Financial literacy improves financial capabilities. Ms Farzana Chowdhury has asserted that financial literacy gives women the necessary knowledge and skills to make informed financial decisions. Greater financial literacy will enable women to better understand the benefits and use financial services.

On a need for greater collaboration to foster innovations and solutions within DFS

Ms Ayesha Hossain has referred that the success of addressing the gender gap in DFS rests on active collaboration among all market actors: the government, private sector, civil society, academics, and development partners. Collaboration among market stakeholders enables each actor to leverage their specific comparative advantage to achieve a common goal of greater gender inclusion in DFS.

On a need for policies promoting gender equality

Ms Farzana Chowdhury has viewed that equality means treating women and men with equal respect and dignity. She has added to achieve equality; there is a need to change our societal attitudes towards women. Across industries, it is important to increase women's participation in decision – making, promote women role models, promote women innovators and entrepreneurs, and hire women in leadership roles. Lastly, we need to empower women's agency - enable women to decide for themselves about their social, financial and economic choices.

On a need for “Women for Women” mindset

Ms Ayesha Hossain has urged for “women for women” mindset where we embrace women's femininity, knowledge, expertise and achievements and, as women, embrace that which makes us uncomfortable often resulting from social and cultural upbringing.

On a need for Gender Disaggregated Data and Gender centric Product Design

Mr Rahul Chatterjee suggested that knowing the personas, behaviour and need of women customers is the first step in developing gender-centric product and services. This can start with gender disaggregated analysis of providers' own customer datasets. Providers and practitioners should also make a conscious effort to collect gender-disaggregated data. Using insights from these analyses and designing user interfaces using principles of orality will be helpful in designing gender-centric products and services. The early movers will get the advantage of capturing the women customer segment.



Discussion Session 04

Rise of the micro-merchant economy: the business case for digitizing supply chains

The session on 'Rise of the micro-merchant economy: the business case for digitizing supply chains' brought practitioners to share insights highlighting existing operational and policy barriers, implementation challenges and recommend the way forward on overall FMCG supply chain digitization. The session was moderated by Rajeev Kumar Gupta, Programme Manager, SHIFT SAARC & SHIFT ASEAN, UN Capital Development Fund. Mominul Islam, MD and CEO, IPDC Finance, Khandaker Samina Afrin, Commercial Leader, The Nielsen Company (Bangladesh) Limited and Mir Haque, Founder & CEO, Fairbank attended the discussion as panel speakers.

Drawing from the evidence of micro-merchant landscape assessment study conducted by UNCDF and other empirical evidences, the session looked into the size, volume and business case for digitizing payments across FMCG retail supply chains. Open floor discussion facilitates sharing of views among the FMCG stakeholders, DFS providers, FSPs and policymakers to identify areas of collaboration and partnerships for piloting innovative business models to accelerate both horizontal and vertical integration of digital technologies and payments across the supply chains which may result in increased income and growth in employment for the retail trade subsector in Bangladesh.

The panel discussion identified following challenges and suggested the way forward:

Access to affordable finance

Micro merchants wish to grow their businesses and earnings but they face significant barriers. Access to affordable finance is their major concern in promoting business growth. To address this issue private sector services providers, government and policymakers need to collaborate through promoting digitization. Digitization of transactions and overall supply chain management will enable banks to assess the credit worthiness of micro-merchants and offer other services which are currently unavailable. An expansion of merchant mobile financial services accounts would create awareness and support them to digitally manage business transactions. Also, agent banking operation is a groundbreaking initiative to reach those underserved micro-merchants, now service providers need to offer targeted products which will enable the merchants to have access to credit and other services at affordable cost.

Financial management skills

Majority of the micro-merchants have limited knowledge regarding financial management. Thus, to improve the finance and business management skills of micro-merchants, a set of financial literacy initiatives are required to be designed. The discussants referred to UNCDF's capacity development initiatives targeting micro-merchants in northern Bangladesh and recommended to design similar interventions at the national level targeting different types of retail merchants, distributor/wholesalers and other value chain actors.

The session recommended that Fast Moving Consumer Goods (FMCG) companies, financial service providers, technology service providers, national and local level business associations and other stakeholders should collectively identify areas of collaboration and adopt digital innovations.



Discussion Session 05

Remittance for real economic growth: Formalization and digital use case

Remittance earners and recipients constitute a significant segment of Bangladesh's economy, contributing to 5.17% of the GDP in FY 2017 (Bangladesh Bank 2017). Digital finance has been recently utilized to facilitate payments to the remittance recipients with lower cost and higher efficiency. Still, formalization of remittance payments through more efficient and low-cost digital channels requires strategic collaboration among the private sector banks; DFS providers and other stakeholders have a strong operational presence in the grassroots. In this context, the session on Remittance for real economic growth: Formalization and digital use case brought together the regulators, private sectors financial service providers and development partners to discuss the way forward for formalizing the remittance payments curbing inflow through unregulated informal channels. The session was moderated by Mr. Ashrafal Alam, Country Project Coordinator, SHIFT SAARC, UN Capital Development Fund. Mr. Abul Bashar, General Manager, Financial Inclusion Department, Bangladesh Bank, Mr. Parvez Mahmud, Dutch-Bangla Bank and Mr Md Shariful Islam Hasan, Programme Head, Migration, BRAC attended the discussion as panel speakers.

The discussion highlighted that remittance serves as a lifeline of Bangladesh economy at both the micro and macro level. More than 45% of the country's forex reserve came from remittance. It also contributes country's economic growth and poverty alleviation effort through lifting the living standard of income receiving households. Digital finance has recently been introduced to channel remittance to the recipients which are more efficient and cost-effective. However, small remitters still prefer informal mode such as Hundi for sending money to their families.

To introduce and formalize digital channels for the low cost and convenient mode of fund transfer, panel discussion emphasized on addressing the existing barriers and recommended for regulatory supports and strategic collaboration from both public and private sector stakeholders. The session also explored innovative products and services targeting remittance earners and recipients introduced in similar other contexts, which can be promoted in the Bangladesh market to incentivize the customers towards sending inward remittances through formal channels. The discussion identified the following challenges and recommended solutions:

- Small remitters look for convenient and cost-effective options to send money to their families. Informal channels such as Hundi are preferred because of convenience and lower cost. Utilizing DFS can make remittance payments more convenient and reduce associated costs for the customers. Hence, DFS adoption in remittance payments can be an effective solution both for providers and the customers. Mr Parvez Mahmud shared the learning of Dutch-Bangla Bank's pilot initiative to encourage remitters using the digital channel. He also urged establishing DFS booth in the countries where majority of Bangladeshi expatriates work.

- Data suggests only 47% of the total remittance is invested directly to income and employment generating activities while the remaining 53% is utilized for other expenses. Increasing the portion of inward remittances invested into income generating activities is the ultimate challenge in facilitating economic growth of the remittance earners and recipients. To encourage remittance earners and recipients investing in income generating activities, financial service providers need to develop tailored products. Digital channels can be utilized to design targeted products to attract remitters to save and invest enabling them grow their income and contributing to national employment generation.

INNOVATION SHOWCASING

Facilitated by a2i, the last session of the conference showcased some ongoing innovations in the digital finance domain of Bangladesh with a follow up discussion on the way forward for incentivizing such innovations. Md. Tohurul Hasan, Programme Manager of Digital Financial Service Lab, a2i moderated the session. Farmina Hossain, Deputy Director Program of Buro Bangladesh, Professor M Harunur Rashid, Chairperson of Healthcare Information System Ltd, Kazi Mahfuz Mamtazur Rahman, Team Leader of Sarathi project implemented by Swisscontact, and Rezwanul Haque Jami, EM Solutions Architect & e-Commerce Team Lead of a2i presented learnings on their ongoing interventions on behalf of respective organizations.

BURO Bangladesh, a national Non-Government Organization (NGO) working for the poor and rural people since 1990, presented their learnings of offering microfinance through Digital Financial Services to its members since 2015. They partnered with bKash, country's one of the major mobile financial services provider to digitize their microfinance transactions with clients. Ms. Farmina Hossain from BURO Bangladesh highlighted some challenges regarding transaction costs, regulatory barriers, limited financial literacy etc. while implementing the project. The discussant urged for introducing interoperability among DFS providers, microfinance providers, banks and other financial service providers to gain more efficiency through digitizing transactions.

Healthcare Information System Ltd presented features of their product branded as 'DaktarBhai', a digital technology enabled platform which bridges healthcare service seekers and providers. They have introduced paperless health insurance solutions, and MFS and online payment based gateways for paying premium. The claims can also be transferred through MFS and other digital means. More awareness among the consumers regarding digital platform based health services are required to enhance coverage of such product offerings, suggested the presenter.

Sarathi Project of Swisscontact will enable to digitize wage payments of 60,000 RMG workers to ensure their access to bank accounts by 2020. This will be done through commercial banks by introducing new payment booths and innovative alternative delivery channels. They are facing challenges regarding product literacy and distribution channels, as mentioned by the discussant Mr. Kazi Mahfuz Mamtazur Rahman. The intervention is planning to expand contact & payment points through both existing alternative channels and also setting up new points for the convenience of the customers.

At the end Md. Rashed, Joint Director of Bangladesh Financial Intelligence Unit (BFIU), Bangladesh Bank talked about government's plan on utilizing NID (National Identity Card) to enable wider digitalization of financial services. He mentioned India's Adhar card based comprehensive mechanism which helped the DFS ecosystem grow rapidly. He insisted to take similar approach through designing a comprehensive National Financial Inclusion Strategy which will enable promoting digital finance solutions to meet the unmet demands of products and services for the last mile.

The session urged for setting up innovation hub facilities through collaboration between regulators, service providers and development partners which will help to ideate, incubate and scale successful digital finance innovations. The discussants also insisted to set up a regulatory sandbox by the Central Bank to accommodate experimentation space for new products and services designed by both local and global service providers.

CONFERENCE

RECOMMENDATIONS

Thematic discussion sessions discussed sector specific emerging issues and recommended following actions as next steps:

1. Improve financial inclusion of semi-literate, marginalized communities, women and reduce gender gap by 30% in financial inclusion.
2. Promote financial literacy and digital (financial) literacy.
Use technology to enable women to access multiple services addressing their needs (finance, education, skilling, information).
3. Digitize microfinance operations to improve lending and offer innovative products
4. Introduce Women's Economic Empowerment Principles in Corporate Social Responsibility Strategies and Sustainability Plans within private sector organizations.
5. Expand women-centric insurance products.
6. Provide gender desegregated data about financial access to increase understanding of the financial inclusion gap between women and men.
7. Work on enabling migrant workers to invest hard earned remittances in productive activities/investments upon return to Bangladesh.
8. Improve understanding of financial needs among agricultural households.
9. Increase digital financial services to retail micro-merchants

MODERATOR AND PANEL SPEAKERS OF THE CONFERENCE

Opening Plenary Session	
Accelerating Digital Financial Inclusion by 2021: Emerging Frontiers for Bangladesh	
Chief Guest	Moderator
 <p>Md. Abul Kalam Azad Principal Coordinator (SDG Affairs) PMO, GoB</p>	 <p>KAM Morshed Director Advocacy for Social Change, BRAC</p>
Panel Speaker	Panel Speaker
 <p>Md. Rashadul Islam Additional Secretary ICT Division, GoB</p>	 <p>Arijit Chowdhury Additional Secretary Financial Institutions Division, Ministry of Finance, GoB</p>
Panel Speaker	Panel Speaker
 <p>Rajeev Kumar Gupta Programme Manager SHIFT ASEAN & SAARC, UNCDF</p>	 <p>Syed Mahbubur Rahman Chairman, Association of Bankers, Bangladesh MD & CEO, Dhaka Bank Ltd</p>
Discussion Session 01	
Digital Finance for Agro based Micro and Small Enterprises	
Moderator	Panel Speaker
 <p>Md. Eunusur Rahman Senior Policy Advisor BFP-B</p>	 <p>Dr. Mustafa K. Mujeri Executive Director, Institute for Inclusive Finance and Development Ltd</p>
Panel Speaker	Panel Speaker
 <p>Md. Arfan Ali President & Managing Director Bank Asia</p>	 <p>Syed Moinuddin Ahmed Additional Managing Director & Company Secretary, Green Delta Insurance Company</p>
Panel Speaker	Panel Speaker
 <p>Ms. Sharawat Islam Managing Director, Truvalue Enterprises</p>	






Discussion Session 02

The future of Microfinance in the era of digital disruptions: How Bangladesh should respond?

Moderator	Panel Speaker
 <p>Ananya Raihan, PhD Chief Executive Officer iSocial</p>	 <p>Shameran Abed Senior Director Microfinance and Ultra Poor Graduation Programmes, BRAC</p>
Panel Speaker	Panel Speaker
 <p>Imran Ahmed Senior Director Programs & Initiatives, Shakti Foundation</p>	 <p>Main Uddin Ahmed Director Microcredit Regulatory Authority (MRA)</p>

Discussion Session 03

Closing the gender gap in DFS: innovations and solutions

Moderator	Panel Speaker
 <p>DrKlincic Andrews Financial Inclusion Expert UN Capital Development Fund</p>	 <p>Farzana Chowdhury MD & CEO Green Delta Insurance Company Limited</p>
Panel Speaker	Panel Speaker
 <p>Dilruba Haider Programme Specialist, Disaster Risk Reduction, Climate Change and Humanitarian Actions, UN Women Bangladesh</p>	 <p>Ayesha Hossain Chief Operating Officer Infolady Social Enterprise Limited</p>
Panel Speaker	
 <p>Rahul Chatterjee Research Expert MicroSave</p>	





Discussion Session 04

Rise of the micro-merchant economy: The business case for digitizing supply chains

Moderator	Panel Speaker
 <p>Rajeev Kumar Gupta Programme Manager SHIFT ASEAN & SAARC, UNCDF</p>	 <p>Mominul Islam MD and CEO IPDC Finance Ltd.</p>
Panel Speaker	Panel Speaker
 <p>Khandaker Samina Afrin Commercial Leader The Nielsen Company (Bangladesh) Limited</p>	 <p>Mir Haque Founder & CEO, Fairbanc</p>

Discussion Session 05

Remittance for real economic growth: Formalization and digital use cases

Moderator	Panel Speaker
 <p>Md Ashrafal Alam Country Project Coordinator SHIFT in Bangladesh, UN Capital Development Fund</p>	 <p>Abul Bashar General Manager Financial Inclusion Department, Bangladesh Bank</p>
Moderator	Panel Speaker
 <p>Parvez Mahmud Dutch-Bangla Bank Ltd.</p>	 <p>Md Shariful Islam Hasan Programme Head, Migration BRAC</p>

Innovation Showcasing

Promoting Digital Finance Innovations: Way Forward

Moderator	Panel Speaker
 <p>Md. Tohurul Hasan Programme Manager Digital Financial Service Lab, a2i</p>	 <p>Md. Rashed Joint Director Bangladesh Financial Intelligence Unit (BFIU), Bangladesh Bank</p>
Moderator	Panel Speaker
 <p>Professor M Harunur Rashid Chairperson Healthcare Information System Ltd</p>	 <p>Kazi Mahfuz Mamta zur Rahman Team Leader, Sarathi Project Swisscontact</p>
Moderator	Panel Speaker
 <p>Rezwanul Haque Jami e-Commerce Team Lead a2i</p>	 <p>Farmina Hossain Deputy Director Program Buro Bangladesh</p>



Digital Financial Services Innovation Fair

This was an opportunity for the organizations to showcase their innovative products, which can help to improve the digital financial system. The fair started right after the opening plenary session of the conference, and was inaugurated by chief guest Md. Abul Kalam Azad, Principal Coordinator (SDG Affairs) Honorable Prime Minister's Office, GoB. It continued until six in the evening. There were banks, MFS providers, fintech, Micro Finance Institutes, NGOs, Non-bank financial institutes as participants. All organizations had their own stall which they decorated and attracted many visitors. Including UNCDF, there were 25 participants in the fair.

"It was a good initiative for the organizations, as they could display their products and services to the interested parties."

- Md Shafiu Alam, Sajida Foundation

"We landed several very good deals for our organization, because of the vast networking the fair offered and we are looking forward to join such initiatives in future as well."

- Musabbir Rahim, Shakti Foundation

Participating Organizations

- A2i
- AjkerDeal.com
- Amar Desh Amar Gram
- Bank Asia
- bKash
- BRAC Bank
- BRAC (Social Innovation Lab)
- Cloudwell
- CMED
- Dnet
- Dutch Bangla Bank Ltd.
- FairBanc
- Health Care Info
- IPDC Finance Ltd.
- mPower
- Nagad
- Pathao
- Shakti Foundation
- Shurjomukhi
- SSD tech
- SSL wireless
- Swisscontact
- Swosti
- Surecash





Unlocking Public and Private Finance for the Poor

UN Capital Development Fund

IDB Bhaban (level-7), Agargaon, Dhaka-1207, Bangladesh

☎ +88-02-9183471-72 ✉ shift.saarc@uncdf.org 📘 [facebook.com/uncdf](https://www.facebook.com/uncdf)

🐦 twitter.com/uncdf 🌐 www.uncdf.org