

## HIGHLIGHTS FROM THE DFCC CONSULTATION ON

# NATIONAL FINANCIAL INCLUSION STRATEGY FOR BANGLADESH: A ROADMAP TOWARDS DIGITAL FINANCIAL INCLUSION

*12 April 2018 in Dhaka*



The Digital Finance Consultative Group (DFCC) consultation workshop on ‘National Financial Inclusion Strategy for Bangladesh: A Roadmap towards Digital Financial Inclusion’ was held on Thursday, 12 April 2018 in Dhaka. UN Capital Development Fund and Business Finance for the Poor in Bangladesh (BFP-B) jointly organized the workshop. Around 100 representatives from the government, private sector, Fintech providers, INGOs, and financial institutions discussed the strategic role of digital financial services in achieving greater financial inclusion in Bangladesh.

The meeting was graced by Mr. Arijit Chowdhury, Additional Secretary, Financial Institutions Division, Ministry of Finance, Government of the People’s Republic of Bangladesh as the Chief Guest and Mr. Manoj Kumar Biswas, General Manager, Sustainable Finance Department, Bangladesh Bank as the Special Guest. Dr. Mustafa K. Mujeri, Team Leader, National Financial Inclusion Strategy for Bangladesh (NFIS-B) presented the draft NFIS for Bangladesh in the workshop.

The objective of the consultative workshop was to share the draft NFIS-B with the digital finance

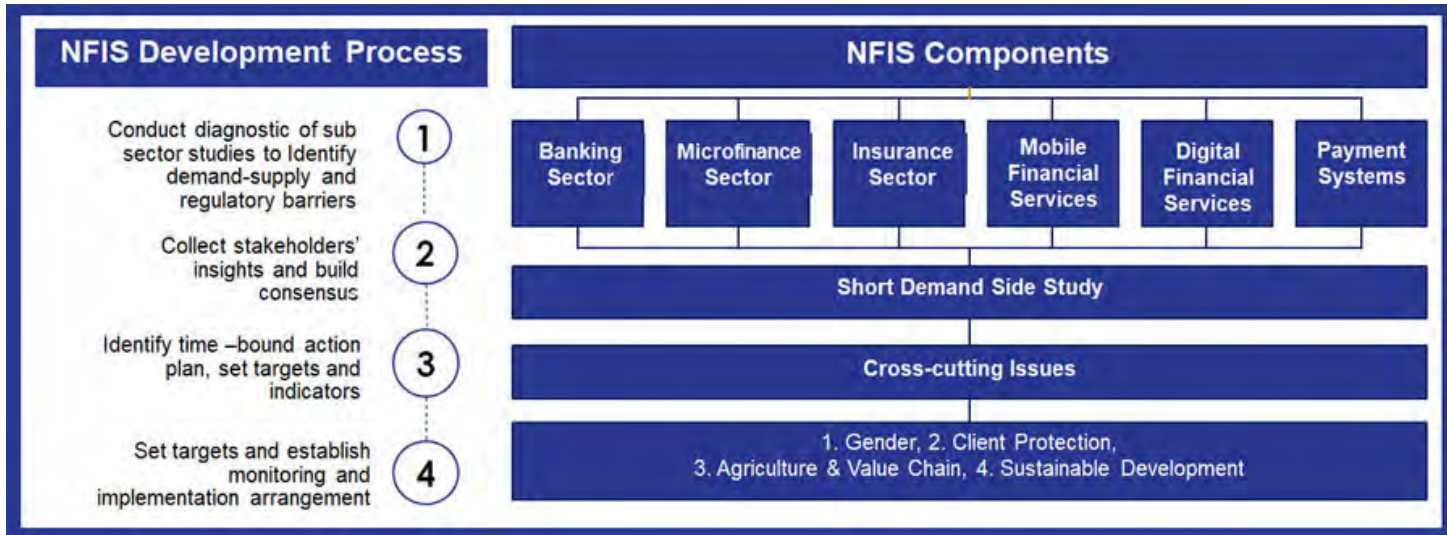
stakeholders for their feedback and strategic inputs. Dr. Mostafa K. Mujeri presented the core findings of the research and explained relevant aspects of digital financial inclusion incorporated in the draft NFISB.

### WHAT THE NFIS STRATEGY CONTAINS?

The government of Bangladesh has undertaken drafting National Financial Inclusion Strategy for Bangladesh (NFIS-B) with the support of DFID through Business Finance for the Poor- Bangladesh (BFP-B) Programme. The National Financial Inclusion Strategy for Bangladesh would be a national roadmap to promote access to financial services for the excluded and unbanked population. NFIS-B would also largely contribute to achieve the long term national goals like ‘Vision 2021’ and a number of Sustainable Development Goals (SDGs) by 2030.

### APPROACH

The NFIS-B draft development team has taken a comprehensive approach in developing the draft strategy. The following approach has been utilized for developing the draft strategy:



**VISION**

The vision for the National Financial Inclusion Strategy (NFIS-B) for Bangladesh 2018-2021 is an integrated and accessible financial system that responds to the needs of the country’s population and enterprises and supports rapid and inclusive development of the country’s real sector.

The draft strategy outlined the perspective of consumers and providers.

**TARGET SEGMENTS**

The draft strategy has identified 3 major target groups: women, youth, and MSMEs. These are the segments of the population where Bangladesh needs to work as they are among the most deprived groups. Bangladesh needs to take the NFIS-B forward not only to ensure equity in the distribution of financial services, but also exploit the opportunities that will be coming up in this country in future years.

**From consumers’ perspective**

- Financial literacy
- Conducive regulatory environment
- Client centric products and services should be emphasized
- Technology based service delivery channel like MFS for reducing cash dependence.
- Customers still feel that access to credit for low income people is the key constraint.

**While highlighting the barriers, consumers suggested the following**

- Lack of perceived use case
- Lack of knowledge
- Lack of technology
- Documentation requirements
- Proximity; and
- Cultural and religious barriers.

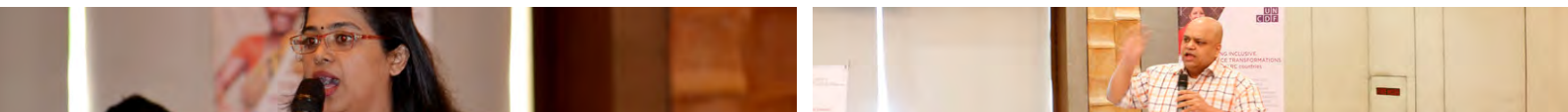
**Providers underscored the following issues**

- Enabling regulatory environment
- Interoperability
- Conducive regulations for inclusive insurance sector
- Promote innovations through regulatory sandbox
- Simplifying and digitizing KYC procedures to facilitate customer acquisition
- Investment in technological capacity and expertise can help to address information asymmetries.

**VITAL ROLE OF DIGITAL FINANCIAL SERVICES**

The draft NFIS-B discussed the vital role of digital financial services in achieving greater financial inclusion in Bangladesh. The draft has identified 6 strategic thrusts for the NFISB 2018-2021. These are:

- Expand consumer choices and convenience with a broader range of financial instruments
- Strengthen interconnections between financial service providers and digital ecosystems
- Build common industry infrastructure fit for the future
- Strengthen customer empowerment and protection
- Prioritize women, youth and MSMEs
- Create enabling core policies and regulations.





## STAKEHOLDERS' REFLECTIONS

After the presentation of the draft NFISB a moderated open discussion and group work was conducted by Mr. Rajeev Kumar Gupta, Programme Manager of SHIFT in SAARC and SHIFT in ASEAN, UNCDF. During the open discussion –participants pointed out some key questions related to the financial inclusion and DFS in NFISB as outlined in the presentation. Participants also provided specific suggestions and remarks to improve the draft. Participants raised the following issues during the open floor discussion.

### QUESTIONS RAISED

- How does NFIS-B approaches use of DFS in the agricultural value chain, and facilitate digital transformations in the sector?
- How NFIS-B has strategized promoting competition and investment in the DFS?
- How do financial inclusion strategists plan to take care of conflicts of interests between industry players and regulators to address evolving policy and competition issues in the market? The strategy should provide more clarity through specifying each stakeholder group's role in implementing the action plan. The current draft seems to have an overlap in the action plan framework in defining who does what..
- How are the women being targeted in the NFIS-B, keeping in mind that this is a very broad category and the strategy needs to facilitate financial inclusion for women from all backgrounds.
- Are we including minorities such as smaller tribal groups in the roadmap when we are promoting access for the 'under served'? How does the strategy promote a demand driven, customer-centric approach to capture the needs of these under served population ? Also, what strategies are proposed to target extreme poor segments?
- How does the strategy incorporate 'Market Systems Approach' in the implementation plan?
- What are the time bound milestones by the strategy aims to achieve throughout the implementation period? ?
- How does the strategy address rural – urban divide, gender gap, gap in access to technology and existing infrastructure gap in the context of Bangladesh?

### SUGGESTIONS AND REMARKS FROM THE DISCUSSANTS

- Financial literacy and capacity building of targeted groups should be considered as the key pillars in the NFIS-B.
- At present, growth of DFS and other emerging technologies are become more dependent on the growth of the Payment System ecosystem. NFIS-B should consider payment system as it's one of the key pillars.
- A knowledge sharing platform with focus on digital finance and technologies should be established to facilitate learning and innovations within the financial sector.
- Technology should be considered as a key pillar of the NFIS-B.
- The strategy should have specific time bound targets and milestones in the areas of basic financial services e.g. savings, credit payments and insurance across access, usage and quality aspects which the country should aim to achieve at the end of the implementation period.

After the open discussion participants divided into eight (08) groups and prioritized the recommendations illustrated in the keynote presentation. A list of 17 recommendations policy makers & regulators and 8 recommendations for financial service providers have been made in the draft. Prioritization was done on the basis of importance in broadening financial access, use and digital aspect of the recommendations. The re-prioritization of these recommendations by the stakeholders are presented.





## RE-PRIORITIZATION OF THE RECOMMENDATIONS

### RECOMMENDATIONS FOR POLICY MAKERS & REGULATORS

PROPOSED RANK	RECOMMENDATIONS	RE-PRIORITIZED RANK
3	Develop the roadmap for interoperability with diverse private and public sector stakeholders and industry associations	1
6	Review and update policies and regulation on MFS and eKYC	2
1	Establish regulatory sandbox to promote innovative DFS	3
2	Expand financial services through digital delivery channels, for example, by enabling MFS providers to provide microloans	4
4	Incentivising providers, particularly MFIs, to integrate DFS into their operations	5
5	Incentivise payments adoption among small businesses to enhance the use case for spending digital money	6
8	Promote usage of digital smartcards/NIDs	7
12	Encourage partnerships between Banks, MNOs, MFIs, insurers, cooperatives and other stakeholders to leverage respective strengths when providing new services	8
15	Work with the private sector to adopt a financial literacy programme that explores the use of mass media and educational systems to spread basic financial literacy and protect consumers from common mistakes and scams	9
14	Work with the private sector to facilitate a greater proportion of G2P and P2G payments via the formal financial sector, with an openness to disbursing funds via a variety of channels	10
7	Establish clear policy on USSD pricing	11
10	Create enabling environment for Open-APIs	12
13	Work with the private sector to leverage public networks to expand the breadth of coverage, potentially using Union Digital Centres and Post Offices as pseudo-agent points	13
17	Ensure meaningful involvement of telecommunications companies in developing and delivering financial services	14
11	Track progress towards introduction and customer response to other DFS/ MFS products beyond cash-in/cash out and P2P transactions	15
16	Ensure groups feel comfortable at the point of services, particularly by employing female agents for MFS	16
9	Promote the expansion of connectivity infrastructure, particularly 4G and ensure full penetration of 3G	17

### RECOMMENDATIONS FOR FINANCIAL SERVICE PROVIDERS

PROPOSED RANK	RECOMMENDATIONS	RE-PRIORITIZED RANK
1	Adopt customer-centric approach to design products tailored for underserved market	1
4	Work with the Government to assess gaps in financial infrastructure	2
2	Invest in research and data analytics to increase resilience to fintech disruption	3
5	Identify the business case for linkages that are possible under the existing policy framework and test innovative partnerships	4
6	Work with industry associations and regulators to advocate for interoperability	5
7	Connect existing distribution channels to a broader suite of financial services. For example, partnerships can allow bank deposits to be distributed directly through MFS or MFIs such that banks earn through intermediation whereas MFS/MFIs earn fees	6
3	Enable offline card technology to deal with connectivity challenges, especially in rural areas	7
8	Offer financial services to MFS agents to ease their float management for different DFS providers	8