

Proceedings of the 2nd day of

# ANNUAL BANKING CONFERENCE 2017

*Accelerating Digital Financial Services (DFS)  
to achieve financial inclusion by 2021*

*27 November 2017*



Supported by

Organized by



**BIBM**  
Bangladesh  
Institute of  
Bank Management



**SHIFT**  
SHAPING INCLUSIVE  
FINANCE TRANSFORMATIONS

# ACRONYMS

ABC	Annual Banking Conference
A2i	Access to Information
ATM	Automated Teller Machine
BACH	Bangladesh Automated Clearing House
BIBM	Bangladesh Institute of Bank Management
BCB	Boston Consultancy Group
BoP	Bottom of the Pyramid
CGAP	The Consultative Group to Assist the Poor
DFS	Digital Financial Services
EFTN	Electronic Fund Transfer Network
FINTECH	Financial Technology
LDC	Least Developed Countries
MFS	Mobile Financial Services
MIS	Management Information System
MSE	Micro and Small Enterprises
NBFI	Non-bank financial institution
NPSB	National Payment Switch Bangladesh
PKSF	Palli Karma Sahayak Foundation
SHIFT	Shaping Inclusive Finance Transformations
SAARC	South Asian Association for Regional Cooperation
SME	Small and Medium-sized enterprises
UNCDF	United Nations Capital Development Fund

# TABLE OF CONTENTS

<i>Programme Schedule</i>	03
<i>Key Recommendations &amp; Way Forward</i>	05
<i>Introductory speech</i>	07
<i>Opening remark on day theme</i>	08
<i>Keynote speech</i>	10
<i>Speech by the chief guest</i>	13
<i>Speech by the special guest</i>	17
<i>Speech by the chair</i>	18
<i>Plenary session 1</i>	19
<i>Question &amp; answer session</i>	21
<i>Recommendations and way forwards</i>	23
<i>Plenary session 2</i>	24
<i>Question &amp; answer session</i>	25
<i>Recommendations</i>	27
<i>Plenary session 3</i>	28
<i>Question &amp; answer session</i>	29
<i>Recommendations and way forwards</i>	31



This publication highlights the Day-2 of the 2017 Annual Banking Conference under the theme “Accelerating Digital Financial Services (DFS) to achieve financial inclusion by 2021” which was jointly organized by the Bangladesh Institute of Bank Management (BIBM) and the United Nations Capital Development Fund (UNCDF) Shaping Inclusive Finance Transformations (SHIFT) programme in Bangladesh. The conference took place on 26th and 27th November 2017 in Dhaka. Eight papers were presented during the day in two sessions. The conference started at 9.00 am with the registration of the guests followed by the Inaugural Session, three Plenary Sessions, a Concluding Session, a Cultural Programme and it ended with a Closing Dinner.

### *Programme Schedule*

## INAUGURAL SESSION

Introductory Speech on ABC 2017

- **Professor Dr. Shah Md. Ahsan Habib**, Chairman, ABC Organizing Committee
- Opening Remarks on Day Theme
- **Mr. Rajeev Kumar Gupta**, Programme Manager, SHIFT SAARC & ASEAN, UNCDF
- Presentation of the Key Note Paper
- **Mr. Khondkar Ibrahim Khaled**, A.K. Gangopadhaya Chair Professor, BIBM
- Speech by the Special Guest
- **Mr. Shitangshu Kumar Sur Chowdhury**, Deputy Governor, the Bangladesh Bank
- Speech by the Chief Guest
- **Dr. Qazi Kholiquzzaman Ahmad**, Chairman, Palli Karma Sohayak, Foundation and Dhaka School of Economics
- Speech by the Chair
- **Dr. Toufic Ahmad Choudhury**, Director General, BIBM

## Session "Looking into the Future: Next Frontiers of DFS in Bangladesh"

Moderator: **Dr. Ananya Raihan**, Executive Chairman, dnet  
 Thematic Presentation by **Mr. Matteo Chiampo**, Consultative Group to Assist the Poorest (CGAP)

Moderated Discussion

- **Mr. Arijit Chowdhury**  
 Additional Secretary, Financial Institutions Division, Ministry of Finance, Government of the People's Republic of Bangladesh
- **Mr. Feisal Hussain**  
 Team Leader, Business Finance for the Poor in Bangladesh
- **Mr. Arfe Elahi**  
 IT Manager, Access to Information Programme, Prime Minister's Office, Government of the People's Republic of Bangladesh
- **Mr. Anirban Bhowmik**  
 Country Director, Swiss Contact, Bangladesh

## Session “Digital Technologies for Driving Financial Inclusion for the Last Mile-Global Perspective and Best Practices”

Moderator: **Mr. Rajeev Kumar Gupta**, Programme Manager, SHIFT SAARC, UNCDF

### Papers Presented

1. Financial Inclusion in the Era of Digitalization in Developing Countries: A Dynamic Panel Analysis
2. Financial Inclusion in India- Achievements and Constraints
3. Financial Inclusion in Bangladesh through Mobile Banking
4. An Analysis of Banking Behavior of Women in Formal Institutional Environment in Bangladesh

### Moderated Discussion

- **Dr. Lila Rashid**, General Manager, Payment System Department, the Bangladesh Bank
  - **Mr. Syed Mohammad Kamal**, Country Manager, Master Card
  - **Mr. S. M. Mainuddin Chowdhury**, Additional Managing Director, Southeast Bank Ltd.
  - **Md. Mohiuddin Siddique**, Professor and Director (DSBM), Bangladesh Institute of Bank Management (BIBM)
- 
- Experts from South Asian Countries
  - Q & A and Closing Remarks

## Session “Promoting Client Centric Approaches in DFS: Product Innovation for Low Income Groups and Small Businesses”

Moderator: **Md. Ashraful Alam**, Country Project Coordinator, UNCDF SHIFT in Bangladesh

### Papers Presented

1. Digital Financial Services (DFS) as a Tool of Financial Inclusion to Build Consumer Demand
2. Interfacing Model for Superior Practices of Management Information Systems (MIS) in the Service Organization; a Case Based Approach
3. Role of IT in Promoting SME Banking: Indian Evidence
4. Potentials and Challenges of Agent Banking in Bangladesh

### Moderated Discussion

- **Dr. Shahadat Khan**, Chief Executive Officer, SureCash
  - **Mr. Khondakar Shakhawat Ali**, Sociologist and Researcher
  - **Mr. Muklesur Rahman**, Managing Director & CEO, Shimanto Bank Ltd.
  - **Mr. Md. Nehal Ahmed**, Professor, Bangladesh Institute of Bank Management (BIBM)
- 
- Experts from South Asian Countries
  - Q & A and Closing Remarks



## KEY RECOMMENDATIONS AND WAY FORWARDS FROM THE CONFERENCE

1. Create enabling environment through regulatory and policy improvements:
  - i. National Financial Inclusion Strategy is the key to the creation of a national consensus and a framework for medium to long term pathways for regulatory and policy improvement to foster financial inclusion through digital pathways.
  - ii. Regulators should build capacity around emerging issues, e.g. Fintech, regulatory sandboxes, block chain, artificial intelligence and use of data for policy and regulation design.
  - iii. A regulation that promotes innovation, cooperation and competition among providers and encourages private investment would accelerate the infrastructure building for the last mile.
  - iv. Government should play a facilitating role to deploy interoperability, eKYC and other supporting innovations for DFS growth by providing a level playing field, ensuring customer protection issues and financial system stability
2. Work together with all market stakeholders towards diversifying DFS product offerings by bringing innovative products for merchant payments, micro savings, loan, and insurance.
3. Give priority to financial inclusion of women.
4. Identify high volume drivers for DFS in various economic sectors as a way of developing targeted interventions.



## KEY RECOMMENDATIONS AND WAY FORWARDS FROM THE CONFERENCE (Cont..)

5. Provide incentives to microfinance institutions (MFIs) to promote digitization and mainstream DFS in their operations.
6. Build rural infrastructure for DFS through public and private interventions.
7. Improve understanding among regulators and policy makers about the implications of disruptive technologies.
8. Enhance knowledge and capabilities among FSPs, regulators and policy makers to advance financial inclusion through digital pathways.
9. Provide financial literacy to the Bottom of the Pyramid (BoP) clients as financial literacy is critical to improve DFS access and use.
10. Drive uptake and usage of DFS by providing targeted market incentives.
11. Follow technological developments, at regulatory levels, that have a potential to disrupt and change the future of the financial services landscape (such as Big data, Block chain and Artificial Intelligence).
12. Integrate human centric design principles in FSP product design so that client centricity influences product offerings combining both clients' needs and consumer protection.
13. Offer adorable and techno – centric services to the BoP.
14. Integrate client centricity and consumer protection in policy design.
15. Integrate affordable access, user-friendliness, trustworthiness, and user-friendly feedback mechanisms in DFS products and services to accelerate DFS adoption.
16. Accelerate adoption of DFS among merchants and merchant networks to accelerate DFS in Bangladesh.

# INTRODUCTORY SPEECH

## Professor Dr. Shah Md. Ahsan Habib

Chairman  
ABC Organizing Committee



The ABC conference of 2017 let me take the opportunity to welcome you all in the day two inaugural session. Today we are honored by the presence of the chairman of the Palli Karma Sohayak Foundation and Dhaka School of Economics Dr. Qazi Kholiquzzaman Ahmad as the chief guest. We have also with us the honorable Deputy Governor of the Bangladesh Bank Mr. Shitangshu Kumar Sur Chowdhury as the special guest.

In this session, the day two keynote paper will be presented by the honorable chair professor of BIBM and Former Deputy Governor of the Bangladesh Bank Mr. Khondkar Ibrahim Khaled. the Director General of BIBM, Dr. Toufic Ahmad Choudhury will be chair the session. We also have with us on the stage Mr. Rajeev Kumar Gupta, Programme Manager, SHIFT SAARC, UNCDF to deliver welcome remarks on day two themes.

We are delighted to have such a fantastic audience comprising of senior central bankers, current and former Chief Executives of banks, bureaucrats, university professors, academics, researchers, senior bank executives, media personalities and journalists. We welcome you all and thank you all for your kind presence. We are pleased to welcome the paper presenters from home and abroad in the day two sessions.

Yesterday, the Chairman of the Governing Board of BIBM and Governor of Bangladesh Bank Mr. Fazle Kabir inaugurated the conference. Twelve papers were presented in two plenary sessions. Today, we will have two plenary sessions where eight selected papers will be presented. Moreover, we will have a special expert session following this inaugural event.

Distinguished audience, at this stage, I would request our Honorable Director General of BIBM to formally welcome today's Chief Guest and Special Guest by handing them the 2017 Annual Banking Conference crest. May I request the Honorable Chief Guest first to kindly receive the ABC crest. Audience present now respected Special Guest. Thank you, sir. Now I would request BIBM's Director General and Chairman of the session to kindly proceed with the inaugural event.

# OPENING REMARK ON DAY THEME

**Mr. Rajeev Kumar  
Gupta**

Programme Manager, SHIFT  
SAARC & ASEAN, UNCDF



Honorable Chief Guest of today's inaugural session, Chairperson, PKSf and Dhaka School of Economics, Honorable Special Guest, Deputy Governor of the Bangladesh Bank, Honorable Session Chair, Director General of BIBM, Honorable Key Note Presenter, Chair Professor of BIBM, and Chairman, ABC Organizing Committee, fellow delegates, participants, media, ladies and gentlemen good morning and a very warm welcome to you all on the second day of the conference on behalf of the United Nations Capital Development Fund (UNCDF).

UNCDF works in the world 47 least developed countries. Our objective is to see how public and private finance can work for the poor, the public and the private sector.

We do this in two ways. The first is financial inclusion, which means we facilitate opportunities for individuals, households, and enterprises access and use finance in an enabling, affordable, and responsible manner. We work towards enabling these actors leverage the local economic development, increase incomes, and climb out of poverty. The second is localized investment.

We recognize that even when individuals, households, and enterprises have access to finance but lack the opportunities to invest then the development cannot happen. Thus, we also facilitate the local economic investments. Therefore, we work on decentralizing finance, municipal finance, and structured project finance etc. to leverage domestic capital for local investment. In 2015 we started to work in SAARC region on the issues of financial inclusion. We identified four key areas as priorities to accelerate financial inclusion and digital financial services.

The first area is the enabling environment. We wish to see adequate regulations in place that accelerate the market further and take care of consumer protection. On the other side, we aim to see ways to motivate the private sector to innovate, take risks, and conceptualize new business models that are considerate of clients' needs and perspective as well as the market. We are considering inclusion of the marginalized segments, women, low occupational segments, micro – merchant segments, as well as various geographical areas. Thus, at one side is policy and on the other is a private sector intervention.

How can we motivate the private sector to work with these market segments while maintaining commercial focus? Some answers may be hidden in the big data and research, which is our second and third area of focus when accelerating financial inclusion.



How do you leverage the big data to access these market segments and develop new business models? Data leads to information, information leads to an understanding of a context, context leads to insights, insights lead to action, and action leads to outcomes and results. We need to work on and learn from customer centricity to understand different market segments, such as women or micro - merchants. The data provides us with a platform to work on and better understand customers. The fourth area of our focus is capacity building. Due to daily innovations, our sector is dynamically changing. In early days it was sufficient to know finance, market, and people, but now we are also talking about knowing technology too. Nowadays we hear about Blockchain, Bitcoin and the like. Therefore, it is important to embrace capacity development and build knowledge in these areas. We need to ask ourselves how these technologies will advance the market as it moves forward. These technology driven solutions will need an alternative consideration by the regulators, policy makers, market actors and the customers.

UNCDF is pleased to partner with the BIBM on the second day of the conference to discuss Digital Financial Services and Financial Inclusion and how to achieve it by 2021. I hope that today we will be able to examine some of the issues I spoke of earlier as well as consider international best practices and the next DFS frontiers globally, and contextualize these to the Bangladesh scenario, for the Bangladesh people, for the Bangladesh institutions. This is critical. As we move through the day, we also must place the customer centricity at the center of our discussions and work in the financial sector, and especially within digital financial services. I hope that the today's discussion will also deliberate more into customer centricity, the risk aspect of it, consumer protection as well as consider innovations needed in DFS products and services to accelerate financial inclusion.

We have many esteemed speakers in today's conference and we look forward to fruitful discussions. Thank you once again and we welcome you to the second day of the conference. Thank you.

# KEYNOTE SPEECH

## Mr. Khondkar Ibrahim Khaled

A.K. Gangopadhaya Chair  
Professor,  
Bangladesh Institute of Bank  
Management



Inclusive economy is a national obligation. All sections of people joined the war of liberation in 1971. Hence our Constitution declares that all citizens of Bangladesh are the owners of the country. They deserve equal social, economic, and political rights. Economic inclusion of all citizens arises out of their Constitutional rights. Financial inclusion is not a favor. It is their right, secured through the war of liberation.

War of liberation provided four basic principles which have been described as the basic principles of the state in our Constitution. These are Nationalism, Secularism, Democracy and Socialism. Out of these, political basic principle is democracy while economic basic principle is Socialism. Socialism was the basic economic principle in the 1972 Constitution. In 1975, some anti-liberation elements under foreign patronization killed Bangabandhu and four national leaders who led the liberation war and removed 'Socialism' from the Constitution.

Emerging areas in Digital Financial Services space like FinTechs, block chain, mobile money etc. need a different thinking, need a different way of addressing the issues by the regulators, policy makers, market participants and the people.

Bangabandhu's party Awami league gained three fourth majority in the 2008 election and brought back 'Socialism' as a basic economic principle of the State. Emerging areas in Digital Financial Services space like FinTechs, Block chain, Mobile money etc. need a different thinking, need a different way of addressing the issues by the regulators, policy makers, market participants and the people. Some political leaders belonging to different parties, including Awami League, while speaking at seminars and talk shows, felt that Bangladesh for all the practical purposes, has adopted Capitalism while Socialism remains in the Constitution. Socialism and Capitalism are poles apart and contradictory to each other. How can they co-exist? This needs a close examination. Socialism is for economic inclusion and Capitalism stands for concentration of wealth, resulting in social exclusion. Since Socialism has been adopted in the Constitution as a basic economic principle of the State, we cannot practice or opt for Capitalism, which contradicts our Constitution. Some political leaders, including some Awami Leaguers openly argue that Bangladesh has practically landed in a changed economic strategy and joined capitalist platform. Let us examine their opinion. Bangladesh has clearly opted for 'free market economy' remaining faithful to 'Socialism'.

The market economy is a continuum, containing many points in it. Extreme Socialism stands at the left-most point in the continuum. Humane Socialism or welfare economy stands in the middle, while Capitalism stands at the right-most point. Socialism, welfare economy and Capitalism, all the three belong to a market economy, but they are very different from each other. Our Constitution upholds Socialism as a basic economic principle, which necessarily means welfare economy. Communism or extreme Socialism requires the State to take-up the control of the properties and assets under the State control and the State allows citizens to use them as per need, assessed by the State. But our Constitution, under section 13, states that properties shall be owned by the (i) state, or (ii) co-operatives or (iii) Individual citizens. So, our Socialism really means 'welfare economy' as practiced by some of the European countries, particularly the Scandinavian countries. Welfare economy, by concept and practice, uses market economy as a tool of freedom as well as inclusion. But Capitalism provides extreme freedom, neglecting inclusion. Hence, welfare economy contradicts Capitalism. Some of our leaders are under the illusion that welfare economy and Capitalism are the same. In fact, both belong to the market economy continuum, welfare economy at the middle and Capitalism at the right yet contradicting each other on the matters of inclusion and concentration of wealth. Capitalism clearly stands for concentration, consequently negating inclusion. On the other hand, the

welfare economy (humane Socialism) advocates diversification of wealth, resulting in the inclusion. Our Constitution stands for Socialism as the basic economic principle of the State, which may be explained as humane Socialism or welfare economy, standing in the middle of 'market economy continuum' implementing a model which ensures inclusion through diversification of wealth and at the same time resisting high concentration of wealth (i.e. Capitalism). It is evident that inclusion is our Constitutional obligation. Let us try to understand how we can proceed towards the obligation of inclusion. To achieve this objective, we need an appropriate policy, a strategy, and an implementation plan. It is a very hard task, if we ponder over the present position of concentration of wealth. Gini commonly measures financial inequality co-efficient, which stood at 0.24 in 1974, 0.46 in 2016 and 0.48 in 2017. Inequality is growing at a fast rate and stands at an alarming level. Social happiness indicators will be grossly affected if we fail to reduce inequality. At this stage, half-hearted measures will not yield results. Because, wealth is power. Few wealthy groups may counter diversification measures however, the scope of this paper is limited to accommodate digital financial services and allied areas. Without policy commitment, only financial services measures may yield modest results. For financial inclusion, Banks, NBFIs and micro-credit organizations may play vital roles. They may act in their traditional way. They may also join the

Building an inclusive financial system and creating affordable access, safe and easily usable financial services are constitutional obligations of the state as per the constitution of Bangladesh



digital platform. Most of the banks and NBFIs are now providing online services throughout the country. Government banks are lagging but catching up quickly. All banks are expected to be fully automated by the next two years.

Most of the banks are providing ATM services in the city areas. Service provider banks have formed a platform to ensure that customers of all banks may use the ATM booths of any bank. Banks may stretch ATM services in the non-urban and rural areas if a demand can be created there with proper strategy for financial inclusion. Opening and operation of bank branches involve high expenses and therefore are prohibitive in the vast rural areas. This is a big challenge for financial inclusion. Some banks have taken some innovative steps to face this challenge. It includes agent banking, phone banking and low-cost operating center. Low cost operating center is yet to become effective. Let us take stock of other two innovations. Agent banking involves selection of agents who will handle small transactions on behalf of a bank. Agents have their own other business. They must enjoy good reputation in the area, so that bank customers have faith in them. Transaction ceiling is given depending on their wealth and activity. Agents are connected with their principal bank through the phone system. The internet connection is also available with some agents. Gradually, we envisage a platform of agents with digital system.

Now in Bangladesh, there are 13 crore subscribers of mobile telephone. The cell phone is quickly transcending as a vital instrument for financial inclusion. Since every adult citizen possesses a cell phone, dramatic financial inclusion is possible through mobile phone banking. Mobile phone banking has already opened a new era in spreading banking activities throughout the country. The central bank has authorized, a good number of banks to introduce mobile phone banking through the Agents. Two banks are doing mobile phone banking in a large scale. BRAC Bank and Dutch-Bangla Bank are the pioneers. Other authorized banks are following. Last year, cell phone companies applied to the Central Bank for a permission to go to mobile phone banking. License to open mobile phone companies is given by BTRI who are not authorized to regulate financial dealings. On the other hand, the financial regulator, the Bangladesh Bank, has no authority to regulate mobile phone companies. Hence Bangladesh Bank had no way but to reject the proposal. The Central Bank has entrusted these responsibilities on the banks only. Banks are operating through selected agents. Mobile phone companies remain tied to banks. This chain is being strengthened gradually towards achieving financial inclusion. We have a word of caution. Some allegations are coming against mobile phone companies in matters of money laundering and illegal financial transactions. The Central Bank has recently closed more than three thousand accounts, operated through mobile phone banking. Financial Intelligence is closely watching alleged transactions. We must find out ways to stop illegal transactions which are great hindrances towards sound mobile/agent banking and consequent financial inclusion.

Rural level infrastructure including affordable ATMs, POS and building merchant acceptance vis-à-vis broad based financial literacy is key to enhance access and usage of DFS in Bangladesh



# SPEECH BY THE CHIEF GUEST

## Dr. Qazi Kholiquzzaman Ahmad

Chairman, Palli Karma Sohayak Foundation & Dhaka School of Economics



Chairman of the session, Dr. Toufiq Ahmed Chowdhury, Special Guest Mr. S.K. Chowdhury, Deputy Governor of Bangladesh Bank, Keynote Speaker, Khandakar Ibrahim Khaled, and Mr. Rajeev Gupta of UNCDF, participants, guests, ladies and gentlemen. I think everything that needs to be said has been said firstly by Mr. Ibrahim Khaled and then by Mr. Sur Chowdhury.

Let me go over a few conceptual issues as I see them. First, of course, what is financial inclusion? Mr. Ibrahim Khaled has given his take on it, but I have a slightly different take. Just an amount of money (i.e. 10tk, 20tk, 20000tk) is not financial inclusion in my judgment. "Just keep some money and that's financial inclusion". No, it is not unless you give money either as credit or arrange that someone earns that money. But if that is the only amount available to a person, what will happen after that s/he uses that money and then what? So, there must be an arrangement for continuous earning of income or a continuous flow of money to whatever means you are giving transfer payment. And that's not feasible even for the poor, which is 40 million! Therefore, it must be financial inclusion defined with reference to income-earning opportunity. Therefore, it includes training, skills training, access to technology, access to market information and access to

marketing assistance. So, money plus all these things-that must be a package. Then it will be inclusive. Otherwise inclusion means you give some money, you have an amount of money and we distributed to 10tk to everybody, we are all included! But to what end? So, I think one must think through. We should not be carried away by some of the concepts that have been developed here and there; particularly in the West. We must ground our thinking about our own realities. I traveled through the country, throughout the villages and I see that unless you provide a package of services that I have just described or may be a different one, financial inclusion will mean very little. Okay, that's the first point.

The second point is about obligation that Mr. Ibrahim Khaled has talked about at length. Yes, Constitutionally we are obligated that everybody should be included but not just with financial services but in the development itself. They must be a party to develop both in terms of contribution and in terms of sharing the benefits. Constitution for basic principles has been mentioned. But if we go back a little, not just the Constitution; the document on which the Constitution was based-the independence declaration. There are two words we will see, and I have asked many people.

They have no trade declaration and do not know what is there if they have seen it. These two words are, and I am first mentioning these words and then I will say how important they are. First, human rights, is mentioned and the second is human dignity. Say human rights and human dignity for whom? Not for us here, not for people who are at the top of the society, top echelon of all the

services and economic units, but all the people, everybody! To Nijhum Dwip, to Kutubdia, to Satkhira, to Sunamgonj Haor, to Kishoregonj, everybody who is at the bottom of this scale, everybody should enjoy human rights and should live in a humanly dignified manner. So that is the obligation and of course democracy, Socialism. Socialism was in the Constitution and it was taken out and then put back. But this is a descriptive definition of Socialism, what we have now in the Constitution, it is in terms of proper judgment. It does not express the issue of ownership, etc. It just protects your rights somehow without going to deeper issues. So that is the way it has been defined, but it is there. We have handled the equality of people there. Now there is a debate among political circles and as well as among economists for a long time and that is about which one is first, rights or Development? Particularly in the developing countries, the politicians claim that development is first, and we have to develop. And then the lights will come afterwards. Among economists also there is a division. Some say yes, development must be first, rights will come later. Some say no, the rights first and then development and there are still others like Amartya Sen; saying that both rights and development can go hand in hand. This is an issue which has been debated and debated and still being debated. But I agree with Amartya Sen that, both rights and development can go hand in hand. There are many others with the same thought, I am just mentioning one name because he is the most well-known and we have proven that at local spaces.

Khandaker Ibrahim Khalid and I, we share a governing body which is of PKSF, and we are implementing what is called ENRIICH. ENRICH is a programme where we address all the issues of human living because human life is multi-dimensional. Just addressing finance or money and giving them some money is not sufficient. It was claimed that if we give them some money and all other problems should take care of themselves and poverty will be eliminated from the face of the Earth. That was claimed, but it has not happened. Therefore, all aspects of human living must be addressed and provided in our reach, we have included everything:

education, health services, training, skills training, social capital, and you think of whatever one needs. Now we have a climate change impact, that is another one which is a very crucial issue, so we addressed that as well. If we go to the ENRICH unions, it is an area development also, area and totality, total people there. So, we, that is about one hundred and fifty – three unions throughout the country- from Ireland, from Ireland to the coast to inside the country. Where development is going on and we have ensured educational right and we have ensured health rights. We have ensured other rights also at that level. And I believe the development is a political process. It is not for the PKSF, it is not for the Bangladesh Bank, and not for any other organization. To see that development will take place throughout the country; no, it is a political process. The political process has reached everywhere. And therefore, we have included Union Parishad as a partner in this process. I was told by many that do not do that. If you include Union Parishad, your program will collapse. Mr. Ibrahim Khaled and we on the board decided that, we will and see. Now our experience is very good.

Bottom of the pyramid people need a package of services that should include income earning opportunity, skills training, access to technology, access to market information and access to financial services. Without these relevant services in the package financial inclusion is meaningless for the poor people.



Our partnership going well. They are the people who can mobilize the local forces. You ignore them you ignore the reality. By ignoring the reality, how can you achieve development? You cannot. So, I invite an open invitation to everybody on behalf of the board and myself that you go anywhere you want what I have just said. If I am going to tell you the whole story, it will last about one hour, so I am not going into that I will just give you the very broad outline what we are doing there. There both developments are taking place and human right is also being protected. I would not say a lot about the political right that is not our area actually. But when you have the economic strength, you also enjoy some political rights and eventually that will all happen. But this is only in local spaces, hundred and fifty-three unions including forty-five lakh people. So, the whole country remains there, but it is possible that what I am saying. Now, inequality is the reason why poverty is persisting. In a statement Mr. Khalid has said that very well. There are three types of inequality we are concerned with, one is income inequality, one is consumption inequality and wealth equality. Globally, only 1% of the richest people control half of the wealth and the 99% the other half. Bangladesh is not that bad. But it is quite high in inequality. Income inequality has been mentioned as 0.48 Gini coefficient, which is not actually bad enough, but not as bad as globally or even in the United States where it is 1% controlling 40% of the wealth. Also, the consumption inequality is similar. It is 0.32 and it has been there for some time now. It has tended to an increase a bit in last 2 to 3 years. It was going down. But I am very concerned about the wealth inequality. We do not have data for that. Wealth inequality is becoming worse in Bangladesh also. And this is not by earning money legally, in large measure illegally: usurpation in the case of rivers,

water, banks and way more. Then there is no justice, that is another problem. So, if these people are not brought to the law, then others will be encouraged to do it. If wealth inequality becomes worse and worse, whatever else we do, these people will control everything- the policy, economy, politics as well. So, financial inclusion by providing few thousand taka, few hundred taken to the down-trodden to the people is not the solution, but it is important! But money must go, it must go along with other elements which will help them move forward, particularly education and health services, these two are extremely important. Unless these two are ensured it will be very difficult to move forward. And moving forward is dependent on the human capability approach to poverty alleviation and development. So, if we are going to have a development which is inclusive, it is not just finance! It includes development then we must give importance to these aspects of human capability development along with providing financing. It is not one dimensional, it is multi-dimensional. Just money does not help that much. The next thing is about digitization. We have done, of course, tremendously well in that.

And both Mr. Ibrahim Khalid, Mr. Sur Chowdhury, they have described where we are today, particularly Mr. Sur Chowdhury and what we are going to do. And the Government is developing its policy and its strategy. Then we will do enough within the next few years to be recognized, we have already been recognized. Recognized as moving towards our goals fast, fast enough. But of course, challenges have been mentioned, Sur Chowdhury has mentioned one challenge which is the use of this technology may be inclusive, we are trying to do inclusive financing, but it could be a divider also. So, we must be careful that we do not have a digital divide. We have income divide, we have consumption divide, and we are going to have a bad enough, I think unless we stop it, wealth divide.

Poverty in Bangladesh is persisting due to inequality. Inequality in income, consumption and wealth. We have to ensure that our digitization does not create technological inequality.



Now, on top of it if you have a digital divide, then you have a country which is not included, which is not going on a sustainable path. And sustainable development which we have embarked on like the globe- all other countries in the globe- the first thing is nobody should be excluded, everybody should be included, must be included otherwise it is not sustainable development. If a beggar in Kutubdia is left out, that is it! Ultimately, we do not have a sustainable development here, everybody should be included. But that requires not just finance, it requires a whole lot of other things. It requires a great deal of organizing, it requires a great deal of getting people together, it requires a great deal of making all the other available services along with the finance and a whole lot of things. So, therefore if we want an inclusive society, a sustainable society which is inclusive, equitable and everybody's rights and it also talks about human dignity. So, human dignity of everybody must be ensured. One other thing I will mention and then I will finish. That is about the Artificial Intelligence that Mr. Sur Chowdhury has mentioned. This is developing very fast and I think an American politician, or somebody said, I cannot remember properly, that the future wars will be fought with the Artificial Intelligence. We have seen drones being used. And there are many other ways of future wars. The nuclear bomb was based on a development that was to be for peace, for helping people, but that has degenerated into a nuclear power supposed to be useful for human development, but it has become a human threat. One of the two or three greatest threats, this is the one. So, all technologies have upsides and downsides. So, we must be clear about the upsides and the downsides; promote upsides and control downside. And, when we use technology, some other thing come up, cybercrime for example. That is coming up no. So, you must control that. So, it is not just a one-way street. Say, digitalization: from mobile phone and then the cost of it. In Bangladesh 20 taka per thousand; in India it is 250taka up to 10,000. And 10,000 to 20,000 it is a 5taka transfer. So, we have these aspects to investigate - the cost of transfer of money. I do not know why it should be so costly. One, there is monopoly there, almost virtual

monopoly. And now two, Dutch Bangla and BRAC, they control 85% to 90%. So, where there is a monopoly, this is the result. So, how are we allowing that monopoly to continue? That is one of the questions. And we have examples from our neighboring country. There are a whole lot of issues. So, just saying that we have so many mobile phones with so many people, crores of people, and then transfer the money. We must think about what the results will be; what the ultimate results will be; who will benefit. If it all comes back to the few groups of people, one way or another, the inclusion will mean nothing to most of the people. So, that is what inclusion means, everybody! So, if a large group of people becomes prey to other kinds of exploitation, then maybe we do not do it, unless we can control that. Now, market economy, neo-liberalism. So, the Government cannot do anything, the Ministries cannot do anything because it is a market economy. But the Constitution says Socialism. So, you are not acting Constitutionally. If you do say that, you must be able to control that or change the Constitution. No Socialism-meaning inclusive; define in a loose way including everybody. So, I have been thinking and we are trying to act locally, trying to resolve some of the issues I have indicated and there are many others. We cannot resolve it at our level, but that must be done by some, by the Bangladesh Bank, others by the Ministry, others by the Government together soon. So, these are the issues as I see it. As we move forward on a sustainable pathway and there is a political commitment, a very strong political commitment to sustainable development. Bangladesh participated in the process of developing of the agenda and started very well in terms of trying to implement the agenda. Even before the start of the agenda on 1st January 2016; a committee was set up in the Prime Minister's office to investigate how we can implement these, how finance can be raised and so on. So, that reflects the strong commitment to it. But we should not deflect from the main course as we go along, that everybody should be included.

Sustainable development requires organizing resources and implementation of sustainable development programme, which leads to inclusive or sustainable society. Sustainable society ensures inclusive and equitable human dignity.



# SPEECH BY THE SPECIAL GUEST

## Mr. Shitangshu Kumar Sur Chowdhury

Deputy Governor  
Bangladesh Bank



Distinguished participants, guests, ladies, and gentlemen. I am really pleased to be present here today to address the inaugural session of the second day of the Annual Banking Conference 2017 organized by BIBM. The papers presented at today's conference by academicians and practicing bankers will help us in identifying many critical issues and challenges confronting the banking industry in Bangladesh. I am confident that the collective wisdom of the distinguished paper presenters and discussants will generate valuable inputs for the policymakers.

Today's conference theme is 'Accelerating Digital Financial Services (DFS) to Achieve Financial Inclusion by 2021'. I believe digital financial services will not only help in financial inclusion, but also accelerate the growth of much-needed rural economic activities by quickly transferring funds from urban to rural areas. Moreover, digitalizing financial services are our national priority. In this case, Mobile Financial Services (MFS) and Agent banking have already initiated a revolution in the country. Through the multifaceted financial inclusion initiatives, the Bangladesh Bank is enhancing the intermediate target of reducing financial inequality with an ultimate objective of slimming income inequality down with job creation among the un-served and under-served

population segments. It is my immense pleasure to recall in front of you that the Bangladesh Bank was awarded in the recent past for its contribution in a substantial expansion of Mobile Financial Services (MFS) in Bangladesh.

A countrywide massive modernization of the financial sector IT infrastructure, including fully automated online settlement of paper based and electronic fund transfers, online credit information and supervisory reporting, etc. have spawned the exponential growth of mobile banking, vastly benefitting the underserved poor. The rapidly digitized banking enabled mobile financial services to encourage the women to participate more in the financial services narrowing down the gender disparity. With the progress already achieved in online interbank settlements and in mobile telephony, banks can and should now move fast in expanding mobile phone-based banking services reaching out to new depositors in rural and itinerant urban populations. As a part of the financial inclusion, the Bangladesh Bank has been promoting mobile banking which will certainly bring unprecedented change in financial inclusion. School banking and financial literacy programmes are also notable development by the Central Bank. The Bangladesh Bank is also focusing on full digitization of the banking operations. All these aimed at building a viable, dynamic, and efficient financial infrastructure which would ensure financial stability and lead the nation to achieve the sustainable development goals ahead of time.

I must congratulate the Director General of BIBM and his team and UNCDF for accomplishing the conference programme on digital financial services. With these few words, wishing all the best for the day-2 conference activity, I would like to conclude here. Thank you very much.

# SPEECH BY THE CHAIR

## Dr. Toufic Ahmad Choudhury

Director General  
Bangladesh Institute of Bank  
Management (BIBM)



It was a very amazing delivery by our honorable chief guest Dr. Qazi Kholiquzzaman Ahmad. Now we are at the end of this inaugural session of the second day's programme and let me extend my thanks to our keynote speaker Mr. Khondkar Ibrahim Khaled, who said that Inclusive Finance should be the Constitutional obligation on the part of our financial system. I also extend my thanks to our special guest Mr. Shitangshu Kumar Sur Chowdhury for his delivery on the Central Bank's responsibility as well as the Central Bank's initiatives explaining what the Central Bank is doing and finally we have heard our honorable chief guest Dr. Qazi Kholiquzzaman Ahmad, who has really said that for an inclusive society, we need a lot of inclusive tools and one of the tools is the financial inclusion. He also wants us to be careful so that digitalization does not become a digital divide instead of inclusion. We are also thankful to Mr. Rajeev Kumar Gupta for his very nice remarks and we are very thankful to UNCDF for sponsoring today's program.

So, now, we are at the end of the programme. So, therefore, I extend again our heartfelt thanks and gratitude to our honorable chief guest, special guest, keynote speaker and everybody present here. So, with this, we conclude this inaugural session. Thank you all.



# PLENARY SESSION-1

Session title

## Looking into the Future: Next Frontiers of DFS in Bangladesh

### Moderator

**Dr. Ananya Raihan**  
Executive Chairman, dnet

### Thematic Presentation

**Mr. Matteo Chiampo**  
CGAP

### Discussants

**Mr. Arijit Chowdhury**  
Additional Secretary  
Financial Institutions Division  
Ministry of Finance, Government of  
the People's Republic of Bangladesh

**Mr. Feisal Hussain**

Team Leader, Business Finance  
for the Poor in Bangladesh

**Mr. Arfe Elahi**

IT Manager, Access to  
Information Programme (A2i)

**Mr. Anirban Bhowmik**

Country Director  
Swiss Contact, Bangladesh

On the second day of the conference, the first session was on “Looking into the Future: Next Frontiers of DFS in Bangladesh” and it was presided by Dr. Ananya Raihan, Executive Chairman, Dnet. Mr. Matteo Chiampa, CGAP, UNCDF presented a paper on the issue. The panelists of the session were - Mr. Arijit Chowdhury, Additional Secretary, Financial Institutions Division, Ministry of Finance, Government of the People’s Republic of Bangladesh; Mr. Feisal Hussain, Team Leader, Business Finance for the Poor in Bangladesh; Mr. Anirban Bhowmik, Country Director, Swiss Contact, Bangladesh; Mr. Arfe Elahi, IT Manager, Access to Information (A2i). The discussion focused on the Digital Financial Services (DFS) of Bangladesh. The moderator and the audience asked several questions to the panelists about the issue. The summary of questions and answers is summarized below.

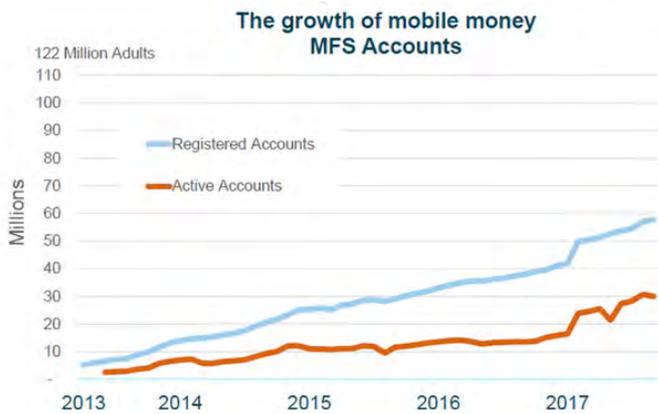
### Looking into the Future: Next Frontiers of DFS in Bangladesh

#### Matteo Chiampo

Thank, you so much for the introduction, thank you BIBM and UNCDF for inviting me to present in Bangladesh at this conference. A brief introduction about UNCDF and SHIFT SAARC in Bangladesh. UNCDF is the UN’s capital investment agency for the world’s 47 least developed countries (LDCs). It helps countries pursue inclusive growth by mobilizing public and private resources to the benefit of poor people, small businesses, and under-served groups and regions and also supports



savings-led financial inclusion which expands the opportunities for poor individuals and households and small businesses to participate in the local economy, providing them with the tools they need to better manage their financial lives, plan for the future, and climb out of poverty. Shaping Inclusive Finance Transformations (SHIFT) SAARC in Bangladesh aims to accelerate uptake and usage of digital financial services in Bangladesh. It is working in coordination with the Government of Bangladesh (SFYP and Digital Bangladesh). SHIFT SAARC in Bangladesh links real economy and financial markets to enable low income people, women, and small and growing businesses to access and use financial services to improve their livelihoods and reduce poverty.



Bangladesh’s path from LDC to MIC provides exceptional opportunities to demonstrate the importance of greater inclusion in making this shift. Some of the key drivers of sustained digital financial services future, which will help in financial inclusion, are Enabling Environment, Product Portfolio Extension and Women Inclusion. DFS interoperability is also very important. Interoperability is about more than technology.

Effective interoperability depends on finding the right balance between Governance, Business and Technology arrangements for participants. Women inclusion is very much necessary as 50% of the population are women. So, it would be difficult to achieve financial inclusion keeping this huge portion of population from the reach. Women’s Digital Financial Services inclusion should be increased through increased capabilities. Women’s participation as Mobile Financial Service agents should be increased with products tailored to women.

With this I will conclude, by thanking again the audience, BIBM and UNCDF, for offering this opportunity to stimulate ideas in how to increase digital financial services adoption in Bangladesh in the future. Thank you all.

## DFS Interoperability – Global View





**Question for Matteo Chiampo**



Would you highlight the major trends in technology and where do you see DFS expanding in the next decade?



Three trends, interoperability, product portfolio expansion and women, credit scoring and technology, are very important. Financial institutions are interacting with customers. Telecom companies can play a vital role by providing real time data. Data is the new oil for taking real time decisions. Telecom Companies can help a lot.

**Question for Mr. Arijit Chowdhury**



How is DFS going to shape the brand of the Government in this regard?



The present government has developed some visions among them vision 2021 which reflects the digitalization of Bangladesh. In the vision 2041 Bangladesh will be a developed country and in 2071 the vision is "Bisoy a Bangladesh" and 2100 Bangladesh will be Delta Bangladesh. To achieve all these visions Bangladesh is going through full DFS. Without DFS it is not possible to go ahead.



**Question for Mr. Arjit Chowdhury**



How can MSEs embrace DFS? What are the challenges for them? What is coming next for them? How it can be utilized?



MSE is the engine of the growth of Bangladesh. Loan distribution cost and transaction costs are high in the MSE for all commercial banks. Agent banking and mobile banking make it easy to reach and reduce distribution and transaction costs. There are many ways for banks to reach MSE. For a very long time MSE did not get access to the formal banking sector, but with the advent of modern technologies it is now possible. DBBL and Bank Asia are the examples of participating MSE through technological enhancement.

**Question for Mr. Arjit Chowdhury**



Supplementary Question: Do you have any plan for MFI?



Yes, we have invested a lot for the development of banking for the poor. We are also in the process with Bangladesh Bank for developing Credit Information Bureau for MSE. We are also trying to connect MSE with Commercial Banks.

**Question for Mr. Anirban Bhowmik**



What are the BOP customers looking for in DFS? What would make them embrace the service? What is the future?



Agriculture in our country is based on seasons. Farmers work on a seasonal basis. So, they need seasonal financial support. Thus, timely credit disbursement in agriculture is essential. Farmers are looking more into the formal sector for credit instead of the informal sector. Small, medium, and commercial farmers need different types of credit facilities based on their demand. The growth of agro-entrepreneurs is not evaluated properly. Banks should design special products for the agro-entrepreneurs. DFS is an important platform to reach these people but understanding customers and need of the customers is also very important.

### Question for Mr. Anirban Bhowmik



How do agro-value chain representatives, farmers and others currently access financial services?



It is not satisfactory, formal financial sector is concerned about collateral and they are not willing

to accept inventory as collateral so access to formal financial sector is difficult. KYC and other complex procedures restrict farmers to go to the formal financial sector. Technology can do something new for these people, but it needs to be ensured where the technology is landing and where it is taking off. Technology customization and developing technology for a specific group of people is also important.

### Question for Mr. Arfe Elahi



What is the view of A2i about DFS?



A2i has two views, one from the Government perspective and the other from a citizen

perspective. The Government has taken some initiatives to reach people through digital technology. Under the social safety net programme all people get services through DFS. In the past people spent near about 20% of their allowances just for collection purpose. The Government is trying to develop a Digital Financial Service architecture with the help of National Identification Card so that it becomes easier to analyze the KYC. Real e-KYC should be ensured so that banks can get real time information. Developing multiple cash out point for the people to collect money is highly required.

### Question for Mr. Feisal Hussain



What is the perspective of the private sector (merchants and

companies who are selling products to the citizens)? What is their need in terms of DFS? How does the market look like in the future, and how can DFS address the future needs of the private sector?



A focus should be on two issues. One is that both private and public sector should focus on the better

use of DFS. Another one is that the standard regulation for the innovation of more DFS. The future DFS market would be competitive, operational problems would have to be removed, the overly transaction data from the web will create the opportunity for DFS. Therefore, the private sector should reduce the anti-competitive practices.

### Question for Mr. Arjit Chowdhury



How will DFS shape the future of financial services and financial inclusion in the National Financial

Inclusion Strategy in Bangladesh?



We are trying to develop a project named business for the poor with the help of the Bangladesh

Bank. Under the project, a National Financial Inclusion Strategy has been developed. DFS is essential to implement National Financial Inclusion Strategy. DFS will be a major pillar for the strategy paper. Digitalization of social safety net program is also under process.

### Question for Mr. Matteo Chiampo



How will the Block Chain Technology influence the financial markets?



Block chain is coming as a key enabler of many financial services. Block chain is used to develop

distributed ledger mechanisms so that person to person transactions becomes easier and faster. There is a massive impact of block chain technology in near future.

### Question for Mr. Anirban Bhowmik



What role should development partners and development agencies play in making DFS for

the poor and inclusive?



Development partners and development agencies can play a major role in bringing

the innovation in the technology. The new technology has some inherent risk. Top management feels hesitant to introduce new technology because of a possibility to fail, so development partners and development agencies can share some risk with them. Developing intellectual capacity to find new ideas of how to solve complex issues is important.



## Recommendations and way forwards

The following recommendations were mentioned by the moderator at the end of the session:

1. Create enabling environment through regulatory and policy improvements:
  - a. National Financial Inclusion Strategy (NFIS) is the key mechanism to build the national consensus for medium and long-term goals for regulatory and policy improvements to foster financial inclusion through digital pathways.
  - b. Regulators need to build capacity to respond to emerging market developments such as FinTecs, regulatory sandboxes, block chain, artificial intelligence, and the use of data for policy and regulation design.
  - c. A regulation that promotes innovation, cooperation and competition among the providers and encourages private sector investments would accelerate the infrastructure building for the last mile.
  - d. The Government needs to facilitate DFS sector growth encouraging interoperability, e-KYC and other innovations as well as ensure a level playing field, customer protection and financial system stability.
2. Work together towards diversifying DFS product offerings by bringing innovative products for merchant payments, micro savings, loan, and insurance.
3. Give priority to financial inclusion of women.
4. Identify high volume drivers for DFS in various economic sectors as a way of identifying and developing targeted interventions.
5. Build rural infrastructure for DFS through public and private interventions.

# PLENARY SESSION-2

## SESSION TITLE

### Digital Technologies for Driving Financial Inclusion for the Last Mile-Global Perspective and Best Practices

#### Moderator

**Mr. Rajeev Kumar Gupta**

Program Manager

SHIFT SAARC and SHIFT ASEAN, UNCDF

#### Discussants

Mr. S.M. Mainuddin Chowdhury

Additional Managing Director

Southeast Bank Limited

Dr. Lila Rashid

General Manager, Payment Systems

Department, Bangladesh Bank

Mr. Matteo Chiampo

The Consultative Group to Assist the Poor (CGAP)

Mr. Syed Mohammad Kamal

Country Manager, Master Card

Mr. Md. Mohiuddin Siddique

Professor, BIBM

#### Papers Presented

- i) Financial Inclusion in the Era of Digitalization in Developing Countries: A Dynamic Panel Analysis
- (ii) Financial Inclusion in India – Achievements and Constraints
- (iii) Financial Inclusion in Bangladesh through Mobile Banking: Special Reference to bKash Limited
- (iv) An Analysis of Banking Behavior of Women in Formal Institutional Environment in Bangladesh

The second plenary session titled “Digital Technologies for Driving Financial Inclusion for the Last Mile-Global Perspective and Best Practices” was presided by Mr. Rajeev Kumar Gupta, Program Manager, SHIFT SAARC and SHIFT ASEAN, UNCDF. The panelists of the session were - Mr. S.M. Mainuddin Chowdhury, Additional Managing Director, Southeast Bank Limited; Dr. Lila Rashid, General Manager, Payment Systems Department, Bangladesh Bank; Mr. Matteo Chiampo, CGAP, UNCDF; Mr. Syed Mohammad Kamal, Country Manager, Master Card; and Mr. Md. Mohiuddin Siddique, Professor, BIBM. Four papers were presented in this session.



The papers were (i) “Financial Inclusion in the Era of Digitalization in Developing Countries: A Dynamic Panel Analysis” by Mr. Madhabendra Sinha, Mr. Rishab Das and Prof. Dr. Partha Pratim Sengupta of National Institute of Technology, Durgapur, West Bengal, India; (ii) “Financial Inclusion in India – Achievements and Constraints” by T R Bishnoi, RBI Chair Professor, The Maharaja Sayajirao University of Baroda, Vadodara, India and Sofia Devi, Research Assistant, The Maharaja Sayajirao University of Baroda, Vadodara, India; (iii) “Financial Inclusion in Bangladesh through Mobile Banking: Special Reference to bKash Limited” by Afroza Parvin, Assistant Professor of Finance and M. M. Mofiz Uddin, Senior Lecturer in MIS, Northern University, Bangladesh; and (iv) “An Analysis of Banking Behavior of Women in Formal Institutional Environment in Bangladesh” by Dr. Pinki Shah, Associate Professor, University of Liberal Arts, Bangladesh and Ms. Sonia Mallick, Senior Lecturer, Eastern University, Bangladesh.

The paper presenters highlighted their research findings and the implications of their findings in designing and ensuring client centricity in DFS deployment.



Although the Bangladesh Bank has been the pioneer in DFS, how well is the Bangladesh financial sector prepared to embrace new technologies and disruptive digital innovations? What are the problems and opportunities in digital technologies?



The Bangladesh Bank is the pioneer in new technologies and disruptive digital innovations field. It has introduced the Guidelines on Mobile Financial Services for the Banks in 2011. In 2010, Bangladesh Automated Clearing House (BACH)

started, followed by the Electronic Fund Transfer Network (EFTN) immediately next year. In 2012, National Payment Switch Bangladesh (NPSB) and in 2015, Real Time Gross Settlement (RTGS) have been introduced. But the public is not getting the benefit of digital financial services to its' full potential. Particularly more than 50% of total capacity of the three major platforms: RTGS, NPSB and BFTN are initialized. Public banks are lagging in adapting new technologies and disruptive digital innovations compared to privately owned banks, mostly because of their dependency on their respective Board of Directors (BoD) and the Government's decisions. Preparedness for disruptive digital technologies depends on three factors – willingness of Shareholders and Directors to invest in technology, understanding of necessity of technology by top management in line with their banking vision/objective and finally the staff quality or readiness to adopt new technologies. Banks in Bangladesh are yet to be fully ready to embrace new technologies and disruptive digital innovations at this moment where top management can play a proactive role.



Question for Mr. Matteo Chiampo



Around the world there are many innovations and disruptions in financial industry.

What is Bangladesh's place in the global setting?



Technology can ensure fantastic opportunity for lending marginally viable customers in

With the help of digital technology transfer payments and agreements among foreign buyers and local manufacturers, payment in the letter of credit, remittance, put on block chain etc. are becoming more efficient and smoother than earlier. This digital technology can also be used to improve the credit scoring process.

Question for Mr. Mohiuddin Siddique



What are banks views about the adoption of digital technologies? What are the opportunities and

bottlenecks in the process?



A significant progress has been observed in Digital Financial Services (DFS) in Bangladesh. Already

the volume of online transactions has surpassed physical transactions with the help of Debit card, Credit card, Agent banking, etc. But to ensure DFS in a large extent, the market should be there. As supply is expected to match the demand market and to create the demand of DFS by realizing the potentials, 'Financial Literacy' of the customers is must. On the other hand, Bangladesh has abundant population and huge market from the demand side. So, banks also need to understand the needs of customers and the nature of the market to enjoy the full potentiality of financial inclusion.

Question for Mr. S. M. Mainuddin Chowdhury



How prepared are the banks in adopting digital technologies? What kind of technology are you

adopting or looking forward to adopting?



Banks developed a very good and advanced IT infrastructure in Bangladesh. But the

willingness and responsibility to realize the potential of it rests with top management if they fail to adapt digital technologies they will surely not exist in today's competitive market. It is slowly taking over at mass level. It is very encouraging that people are getting educated and those who are not literate, also transferring money using mobile financial service. The right kind of infrastructure at the micro level and infrastructure for transferring money has been developed. The infrastructure will automatically take-off if it can be used for transactions and some other regular purposes.

**Question for Mr. Syed  
Mohammad Kamal**



Share the experience of Mastercard in Bangladesh. What is your plan for the future?



In Bangladesh disruption has happened and will continue in Mobile Financial Services

(MFS). Currently Bangladesh is enjoying a very good position in providing MFS. The main strength comes from the young population pool of the country whose adaptability is really encouraging. 41 banks are issuing cards in the market; 28 banks are given permission for MFS. E-commerce is growing in triple digits and it has 5 payment gateways. So, disruptions may come again. The Central Bank and regulatory bodies should come forward with incentives in payment systems since it has been observed that whenever incentives are given, transactions go up significantly.

**Question for Mr. Matteo Chiampo**



To what extent does the low literacy influence financial inclusion?



The rural people of Bangladesh may not have the concept of financial literacy, but they are very good at

communicating through Facebook, chatting, messaging, and alike. So, to make the customers informed and aware of the financial products and services the intervention of smart phone can be an effective option. A smart group of entrepreneurs can cash-in on this behavior of the people through offering/push relevant financial information in the relevant space on Facebook. This information may be on account opening, interest rate and other related financial services. Though enforcing a new technological behavior over the existing behavior of the customer is very tough to catch up, but it will help make the people financially literate and ultimately take benefit from financial services.

**Question for Mr. Syed  
Mohammad Kamal**



We hear a lot about the next Industrial Revolution. What are the few digital

technologies that are going to accelerate the financial inclusion in the coming 5 years?



Artificial Intelligence (AI) is very important to understand the clients' behavior. Already in Myanmar

AI is widely used. E-wallet is going to be the next revolution in this area. Revolution in e-commerce industry is flourishing and taking a big leap. In Bangladesh, there is a huge market for e-commerce. So, if the real technology comes into place, the adaptability in Bangladesh will be in a faster manner than any other country in the world.

**Question for Mr. Md. Mohiuddin  
Siddique**



What are the few disruptive futuristic digital technologies that Bangladesh requires

to accelerate financial inclusion and services?



The main objective of financial inclusion is to ensure inclusive growth. Access of small and marginal

entrepreneurs with financial services is the critical factor. 'Information asymmetry' is the big problem in SME sector, which is evident from the earlier records and research activities. So, a rich and updated database is required to solve this problem as well as to understand the SME borrowers' need and transaction behavior. As behavior analysis and big data analysis can be the major players in identifying the potential SME market in Bangladesh. Make the potential SME borrowers financially literate to avail all the financial facilities will be a big part to address this challenge.

**Question for Mr. Madhabendra Sinha**



You mentioned in your paper that digitization does not promote financial inclusion and

financial inclusion does not influence digitalization too much. What is your remark on the statement?



Digitalization and financial inclusion are influencing each other. 'Digitalization does not promote

financial inclusion and financial inclusion does not influence digitalization too much' has been considered as a null hypothesis in this paper which was empirically tested using econometric methodology.

**Question for Ms. Pinky Shah**



How can we reach the optimum level of financial inclusion for women?



As half of the total population of Bangladesh are women, they need to be addressed with

more attention from all parts of the society including the banking sector. Strong regulatory directions from the government and in this regard are highly expected. Banks can play an active role in this regard by addressing the demand from women and focus on designing the banking products and offering services in line with the unique needs of women.



## Recommendations

**The following recommendations were mentioned by the moderator at the end of the session:**

1. Improve understanding among regulators and policy makers about the implications of disruptive technologies.
2. Enhance knowledge and capabilities among FSPs, regulators and policy makers to advance financial inclusion through digital pathways.
3. Provide financial literacy to the Bottom of the Pyramid (BoP) clients as financial literacy is critical to improve DFS access and use.
4. Drive uptake and usage of DFS by providing targeted market incentives.
5. Follow technological developments, at regulatory levels, that have a potential to disrupt and change the future of the financial services landscape (such as Big data, Block chain and Artificial Intelligence).

# PLENARY SESSION-3

## SESSION TITLE

## Promoting Client Centric Approaches in DFS: Product Innovation for Low Income Groups and Small Businesses

### Moderator

**Mr. Md. Ashraful Alam**  
Country Project Coordinator  
SHIFT in Bangladesh

### Discussants

**Mr. Muklesur Rahman**  
Managing Director & CEO  
Shimanto Bank Limited

**Dr. Shahadat Khan**  
Chief Executive Officer  
SureCash

**Mr. Khondoker Shakawat Ali**  
Sociologist and Researcher

**Mr. Md. Nehal Ahmed**  
Professor, BIBM

### Papers Presented

- (i) Digital Financial Services (DFS) as a Tool of Financial Inclusion to build Consumer Demand
- (ii) Interfacing Model for Superior Practices of Management Information Systems (MIS) in the Service Organization: Case Based Approach
- (iii) Role of IT in Promoting SME Banking: Indian Evidence
- (iv) Potentials and Challenges of Agent Banking in Bangladesh

The third plenary session (BIBM-UNCDF) titled “Promoting Client Centric Approaches in DFS: Product Innovation for Low Income Groups and Small Businesses” was moderated by Mr. Md. Ashraful Alam, Country Project Coordinator, SHIFT in Bangladesh, UNCDF. The designated discussants were Mr. Muklesur Rahman, Managing Director & CEO, Shimanto Bank Limited; Dr. Shahadat Khan, Chief Executive Officer, SureCash; Mr. Khondoker Shakawat Ali, Sociologist and Researcher and Mr. Md. Nehal Ahmed, Professor, BIBM. Four papers were grouped around the theme of client eccentricity. The papers presented in



this session were (i) “Digital Financial Services (DFS) as a Tool of Financial Inclusion to build Consumer Demand” by Mohammed Sohail Mustafa, Associate Professor and Reefat Zaman Shourov, Lecturer of BIBM; (ii) “Interfacing Model for Superior Practices of Management Information Systems (MIS) in the Service Organization: Case Based Approach” by Dr. Mohammad Mizanur Rahman, Associate Professor, Shahjalal University of Science and Technology; (iii) “Role of IT in Promoting SME Banking: Indian Evidence” by Moinak Maiti, Research Scholar, Pondicherry University, Puducherry, India; (vi) “Potentials and Challenges of Agent Banking in Bangladesh” by Mahfuza Akhter, General Manager, Bangladesh Bank, Dr. M. Kamal Uddin Jasim, Senior Vice President, Islami Bank Bangladesh Limited and Sk. Mahfuzul Bashar, Senior Principal Officer, Islami Bank Bangladesh Limited.

The paper presenters highlighted their research findings and the implication of their research in designing financial products and ensuring client centricity in DFS deployment.

## Question for Mr. Md. Nehal Ahmed



What is customer centricity? How could we incorporate customer centricity in product design and strategy formulation in the financial sector in Bangladesh?



Customer centricity is a way of doing business to provide a positive customer experience. It is not just satisfying customers by offering good service. It is a combination of pre, during and post service experience to enhance customer loyalty. Hence, if we want to incorporate customer centric approach in product designing and strategy formulation, we have to understand customers' needs. After that, financial products should be designed and delivered in such a way that they meet customer demand. Even to improve positive experience, banks should collect customers' feedback and incorporate it in product design process and delivery channels. Nevertheless, in Bangladesh, we are supply driven. Without knowing customers' needs, we are offering different products. In fact, we are designing products to fill the gaps on our shelves. There are huge scopes to design products & services and deliver it according to consumers' tastes and preferences. Therefore, we should design products in a way to attract more underserved and unserved customers into the banking channel.



## Question for Dr. Shahadat Khan



Regarding product development, how does SureCash practice client centricity that can be followed by others?



SureCash is a payment platform that is being used by different financial institutions in Bangladesh.

It is offering a complete set of mobile banking and payment products. For example, we have designed a payment product for government to facilitate the primary education stipend program. The stipend goes to 10 million mothers in Bangladesh covering 60,000 schools. It is a push product where the government is paying money as incentives. By the process mothers have opened an account. In case of product design, we are always listening to our customers to understand their needs. Design the intended products and customize the process to make it simplified.

## Question for Mr. Muklesur Rahman



How important is the client centricity in product development of Shimanto Bank Ltd. and how is it manifested in its products? How is client centricity practiced in general in the banking sector of Bangladesh? How would you rate product development among banks considering the client centricity in Bangladesh?



Two things are important in financial markets. One is the customer centric approach in designing financial products and another one is techno centricity while delivering those products and services. Therefore, we need to be customer centric in product design. And once we want to deliver the products we need technology to assist us. However, in Shimanto Bank, the scenario is quite different where we need to provide products to BGB (Border Guard Bangladesh) employees and contribute to socioeconomic development like commercial banks as well. So, we have surveyed in a form of feedback session with BGB employees to identify a mix of product and service demand. After that we have tailored both the deposit and loan products for the soldiers. The success rate of our products is quite high during the one-year period. Regarding the general customers, we know that all the banks are offering almost the same products with little variation of features and interest rate. Consequently, after visiting remote areas of Bangladesh, we understood that pricing and cost of fund are important. Therefore, we are planning to go for techno centric products. Besides, every bank should have Research & Development (R&D) unit so that we can innovate products and customize according to customers' requirements.



If all the financial institutions do not come forward to provide services through agent

banking, how would we cover all the people of Bangladesh?



The concept of agent banking is very good for rural areas. Without agent banking we cannot go

to the rural unbanked people and the small businesses as well. As agent banking is new in our country, the financial institutions that have a license were in confusion regarding their infrastructure. In fact, they were not ready in terms of infrastructure. We hope within five years, it will grow more.



How is client centricity practiced in Bangladesh for design of financial products for the women, low income people and micro & small businesses?



In designing financial products, Bangladesh has developed Mobile Financial Services (MFS) for client centricity. In this case, advancement of technology and capacity to incorporate national interest are important. Over the world

in MFS, we are excelling in three key indicators, i.e. client number, cost, and compliance. We have introduced bank-led model that will be highly appreciable in the world. It is a conservative approach and compliance oriented as well. If we can ensure the accessibility, user-friendliness, trustworthiness, low cost, and feedback mechanism, then customers will easily adopt it. Regulators should have to ensure a platform where bank can look after customers' interests and develop appropriate products and services to contribute to inclusive growth.



Would there be any kind of product, like SureCash for the community banks?



Sure Cash has very generalized products. As the technology used in these products is built in

Bangladesh, we have the very strong customization capability to address specific needs. At present, we are customizing for some of the micro finance organizations.



Can you address the growth of agent banking and decline in daily transaction of MFS together considering the prospective of DFS?



When we started our business initially, the growth rate was very high. In rural areas agent banking became very popular as the demand is there. Now, you are harnessing the demand. In some cases, the consumers are very happy. While in case

of MFS, initially one/two products become very popular. At present, there is some slowdown of growth. But, there are lots of possibilities if we can innovate products.

**(Added by Mr. Khondoker Shakawat Ali)**

The demand of MFS is now becoming oval shape and is shifting. In a study of Boston Consultancy Group (BCG) focusing 2020, it is found that the demand will be high. At present in terms of amount, it may not be that much as the pie is becoming bigger. By 2020, the daily transaction will be Tk. 20 crore. A trend is going to start. For example, women are now using MFS for receiving conditional cash transfer. In future, they will voluntarily use it. Besides, MFS is now getting different dimension, i.e. basically it was designed for low income people, but it is now being used by both the rich and poor people of the society. The usage will be high soon. Therefore, the possibilities of MFS are very high. In addition to this, if we can link microfinance to MFS in terms of loan disbursement and collection the spread will be appreciable. Payment costs will also be lower.



## Recommendations

**The following recommendations were mentioned by the moderator at the end of the session:**

1. Integrate human centric design principles in FSP product design so that client centricity drives product offerings combining both clients' needs and consumer protection.
2. Offer adorable and techno – centric services to the BoP.
3. Integrate client centricity and consumer protection in policy design.
4. Integrate affordable access, user-friendliness, trustworthiness, and user-friendly feedback mechanisms in DFS products and services to accelerate DFS adoption.
5. Accelerate adoption of DFS among merchants and merchant networks to accelerate DFS in Bangladesh.

## DISCLAIMER



### **European Union**

This publication has been produced with the assistance of the European Union. The contents of this publication can in no way be taken to reflect the views of the European Union.



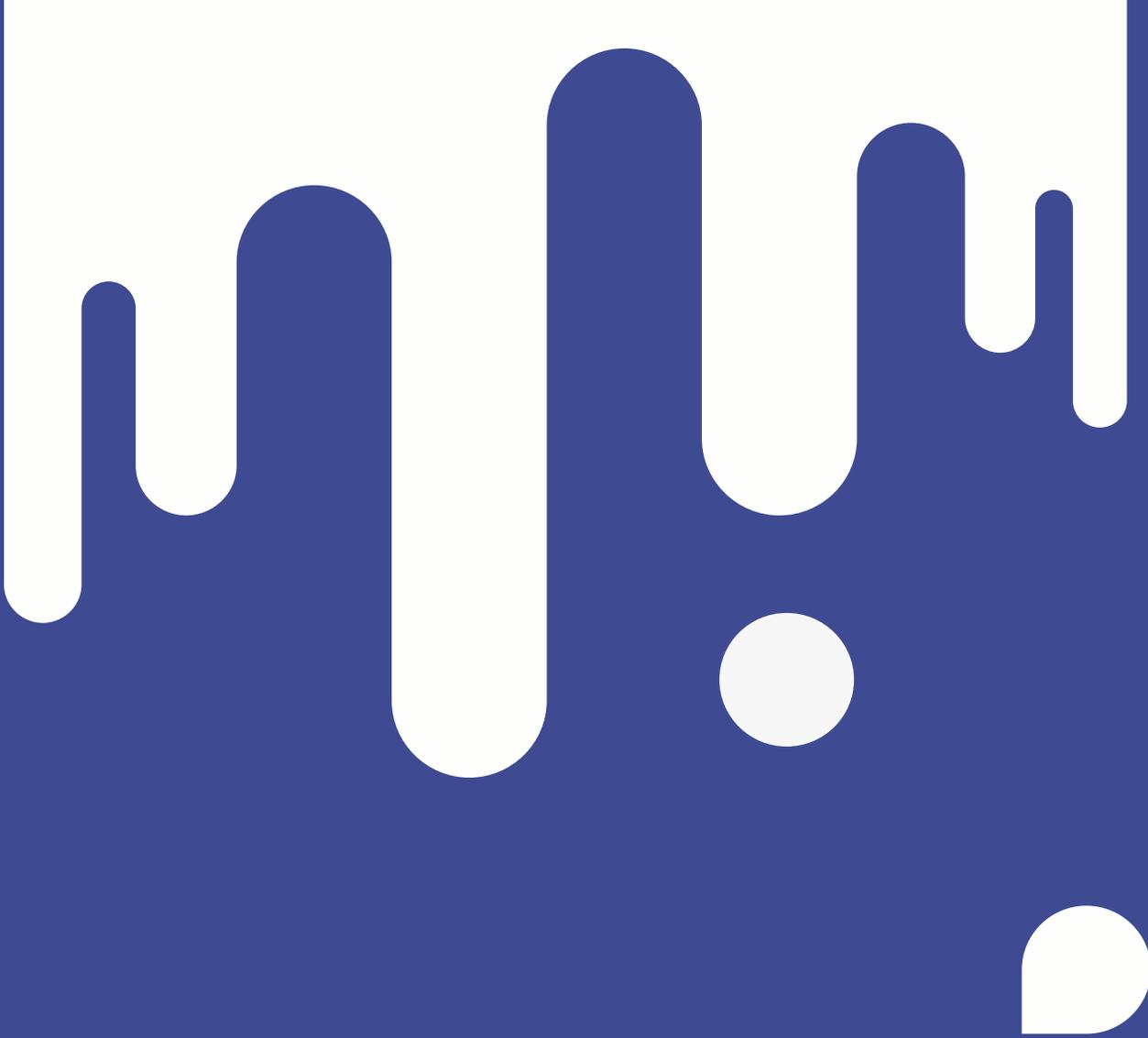
### **UN Capital Development Fund**

The views expressed in this publication are those of the author(s) and do not necessarily represent the views of UNCDF, the United Nations or any of its affiliated organizations or its Member States.



### **Bangladesh Institute of Bank Management**

The views expressed in this publication are authors' own; the cooperation of Bangladesh Bank and different commercial banks are appreciated.



*Supported by*



*Organized by*



**BIBM**  
Bangladesh  
Institute of  
Bank Management



**SHIFT**  
SHAPING INCLUSIVE  
FINANCE TRANSFORMATIONS