



Digital Financial Technologies for Sustainable Development: **The Bangladesh Perspective**

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Secretary

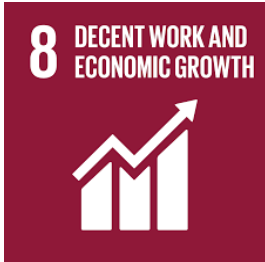
Ministry of Science & Technology

Government of the People's Republic of Bangladesh

Digital Financial Technology and Economic Development

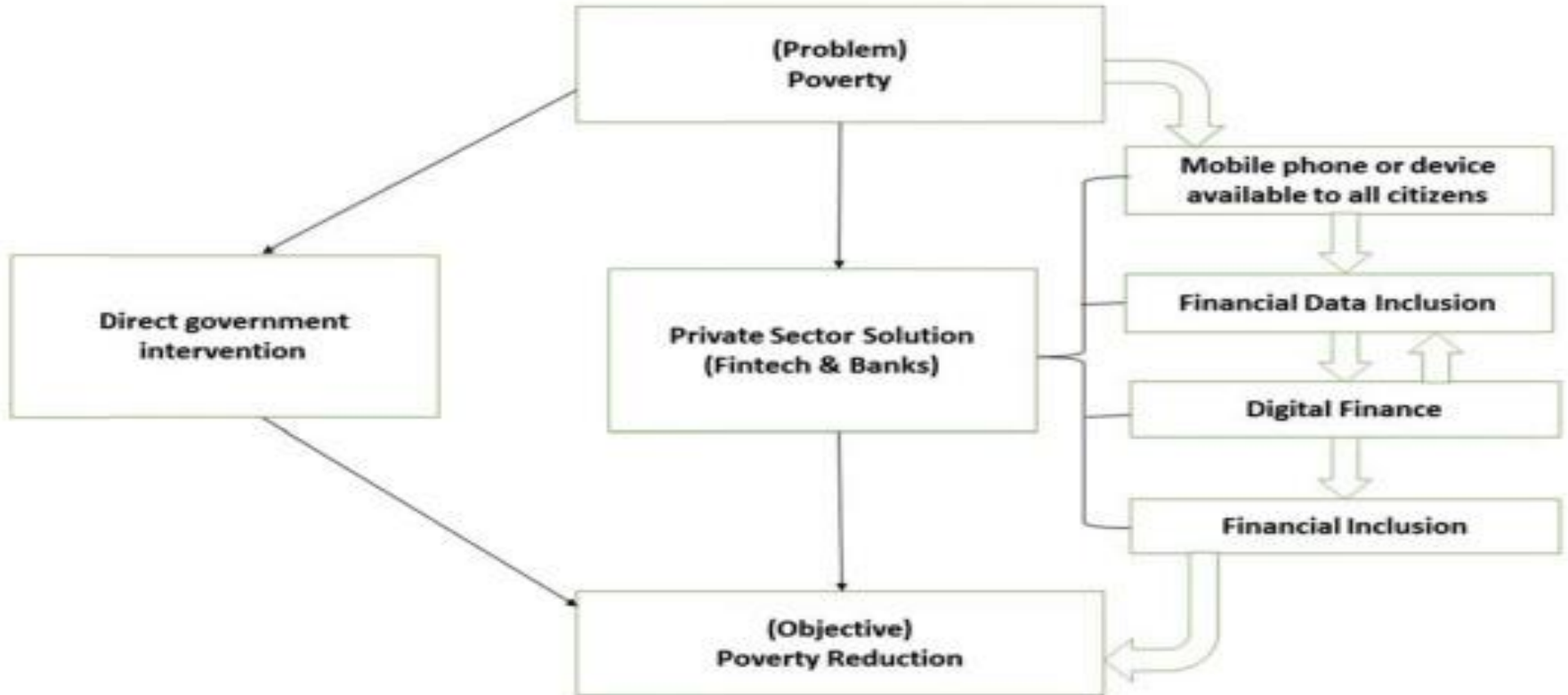
Digital technology is rapidly becoming the biggest driver around the world of economic innovation, competition, and growth. Even though many people have been excluded from the digital economy, tremendous opportunities are available for it to support financial inclusion for sustainable economic development. (NO 75, JANUARY 2017, ADB BRIEFS)

SDG and Financial Inclusion



- 8.1: Sustainable economic growth
- 8.A: Universal access to banking, insurance and financial services - Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

Digital Financial Technology and Economic Development



Digital Finance in Bangladesh

- The financial sector of Bangladesh is advancing rapidly in digitization, riding on a robust digital infrastructure and innovative products.
- Back in 2009, the Honourable Prime Minister Sheikh Hasina unveiled her Vision of transforming Bangladesh into a digital economy by 2021 and a knowledge-based economy by 2041.
- Bangladesh into a smart country by 2041 using digital technologies along with artificial intelligence which will be an inclusive knowledge society. Smart Bangladesh will hinge upon four key components such as smart citizens, smart government, smart economy, and smart society.
- Mobile financial services, digital micro finance, payment apps, crowd-funding and many other forms of financing are available now, that are supplementing financial inclusion and resulting in an inclusive economic growth.

8th 5-Year Plan of Bangladesh (2021-2025)

The 8th Five Year Plan aims to implement continuous reforms ranging across financial sector policies, financial infrastructure, regulatory and supervisory institutions.

Its purpose is to expand access to financial services to the underserved, including micro and household enterprises now operating in the informal market, and deepen the financial markets by introducing relevant products through digital technology.

Major Regulatory Developments in Recent Years

Regulatory Fintech Facilitation Office (RFFO)

to facilitate digital financing initiatives in the country

National QR Code Standard for Retail Payments in Bangladesh'

to make QR code-based transactions interoperable and cost-efficient at the retail level

E-KYC Guideline

to enable the digital onboarding of customers by banks and NBFIs

Credit Information Bureau for Microfinance Institutions (MF-CIB)

to help mitigate credit and operational risks of MFIs.

Inter Distributor Cash Management of MFS Providers

FC Clearing and Settlement through RTGS

Digital Payment Aggregator Platform 'ekpay' and A-Chalan

Smart Bangladesh: ICT Master Plan 2041

Infrastructure for Digital Finance

Government Initiatives

- G2P Payment
- P2G Payment
- ekPay Payment Gateway
- 4500+ Union Digital Centers (UDC)
- Interoperable Digital Transaction Platform (IDTP)

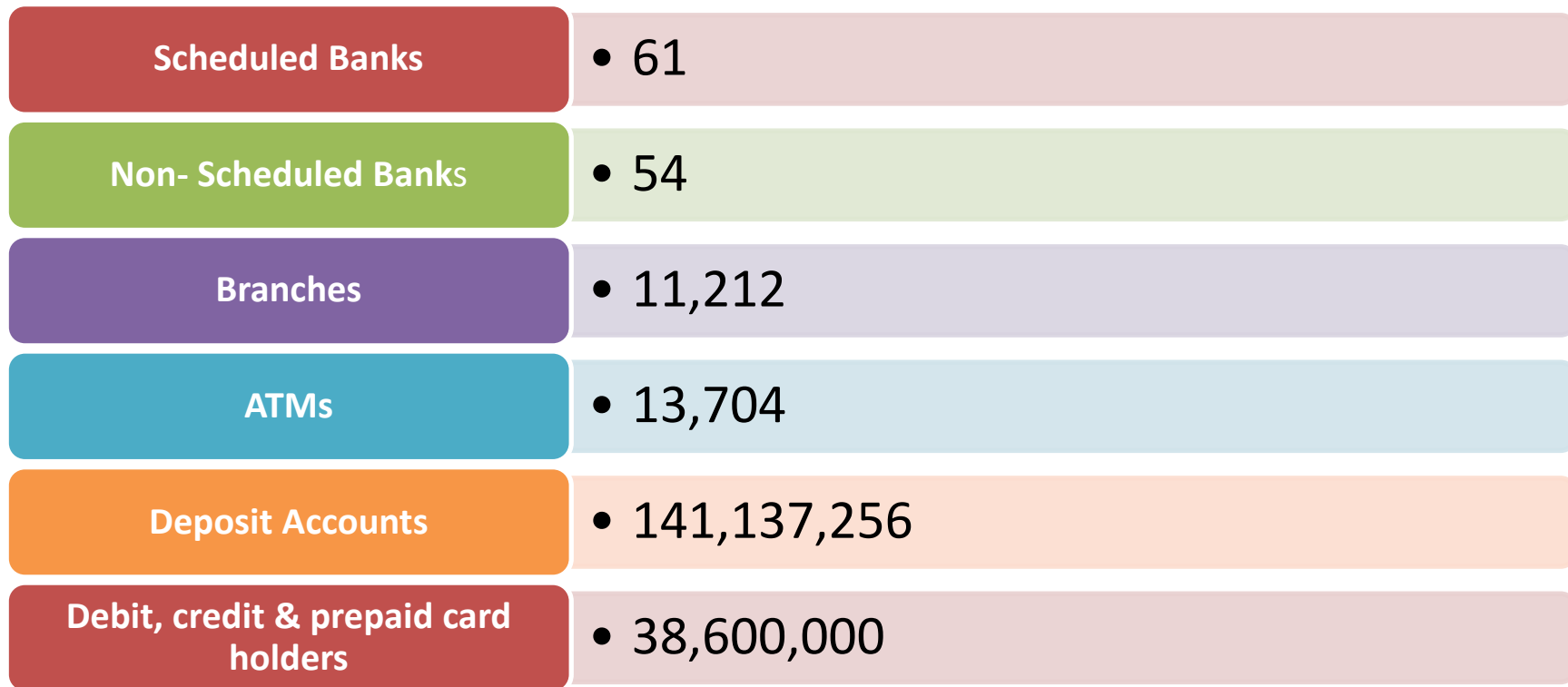
Bangladesh Bank Initiatives

- Automated Cheque Processing System
- Electronic Fund Transfer Network
- National Payment Switch
- Real Time Gross Settlement Systems
- Payment System Oversight

Bangladesh Bank Initiatives (Continued)

- Mobile Financial Services
- Agent Banking
- Payment Service Provider (PSP/PSO)
- e-KYC Guidelines
- Regulatory Fintech Facilitation Office
- Digital Bank

Digital Finance Landscape in Bangladesh: Banks



Digital Financial Transactions: Agent Banking

Number of banks (with licenses)	• 31
Number of agents	• 15775
Number of outlets	• 21,601
Number of accounts	• 21,419,975
Female	• 10,677,977
Rural accounts	• 18,419,080
Transaction amount	• Tk. 704 billion monthly

Digital Financial Transactions: Internet Banking

Number of
Internet Bank
Users

- 8.1 million

Transaction
amount

- Tk. 82,000 crore
monthly

Digital Financial Transactions: NBFIs

Non-Bank Financial
Institutions

• 35

Branches

• 307

Accounts

• 4,86,554

Digital Financial Transactions: MFIs

Billion BDT disbursed as
loans
(FY 2021-22)

• 1918.83

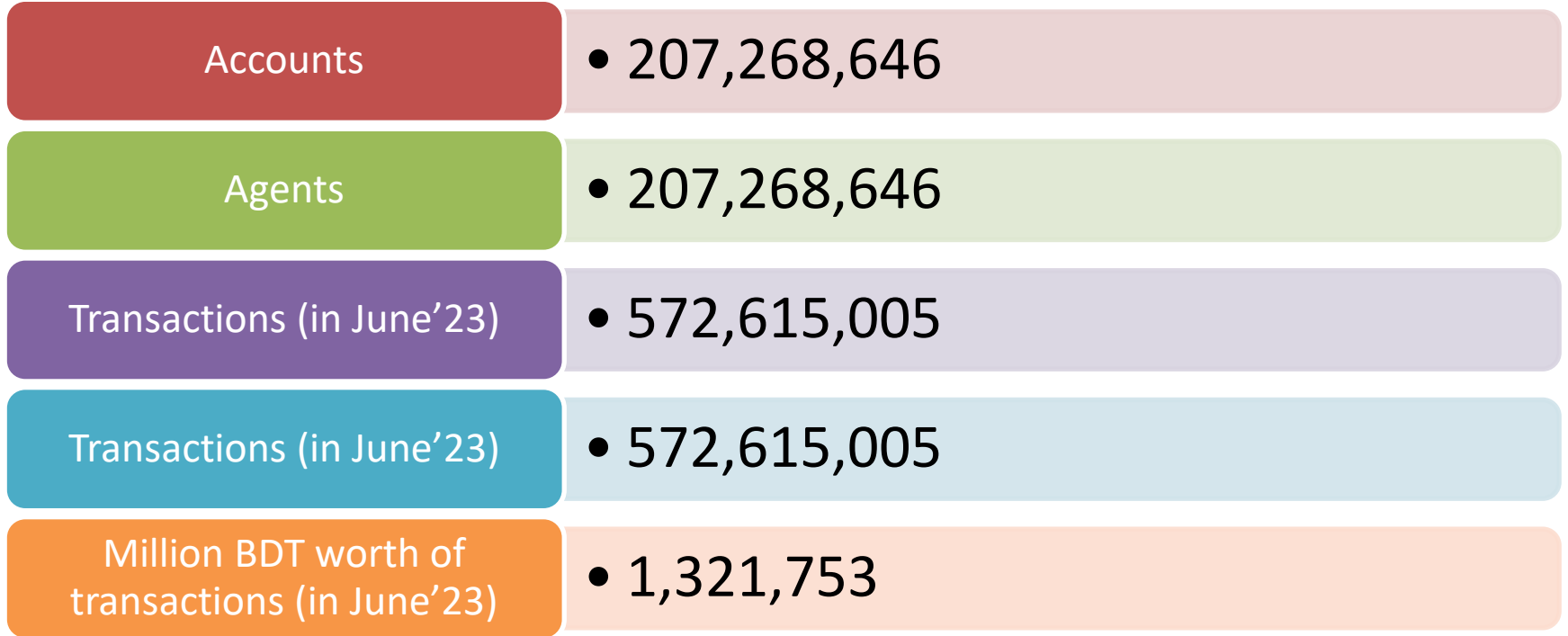
BDT Loan
Disbursed/Borrower
(FY 2021-22)

• 64520.10

Billion BDT in Savings
(FY 2021-22)

• 496.24

Digital Financial Transactions: MFS



Digital Financial Transactions: Co-Operatives

Societies

• 192,692

Members

• 12,042,095

Digital Financial Transactions: Insurance

Companies

• 81

Life

• 35

Non-life

• 46

Digital Financial Transactions: PSP and PSO

Payment Service
Providers (PSPs)

• 8

Payment Service
Operators
(PSOs)

• 10

Digital Finance Landscape in Bangladesh

Economy Is Booming With A Growing Population Fueled By Financial and Digital Inclusion

Mobile Usage

189 Mn

Mobile phone user

Source: BTIC, September 2021

75%

Internet penetration

Source: BTIC, September 2021

48%

Mobile phone owners have smartphone

Source: Daily Star, May 25 2022

21%

Females own a smartphone compared to 39% males

Source: GSMA Intelligence, 2022

Financial Access

43%

Female account ownership

Source: Findex 2021

21.8%

Share of mobile money transactions to GDP

Source: International Monetary Fund (IMF), 2022

909.8

Registered mobile money accounts (per 1000 people)

Source: International Monetary Fund (IMF), 2022

17%

Females borrowed from f/mfs compared to 16% males

Source: Findex 2021

Digital Payments

28%

Made utility payments via mobile phone

Source: Findex 2021

28%

Females made digital payments compared to 54% males

Source: Findex 2021

3%

Received wages via mobile phone

Source: Findex 2021

8%

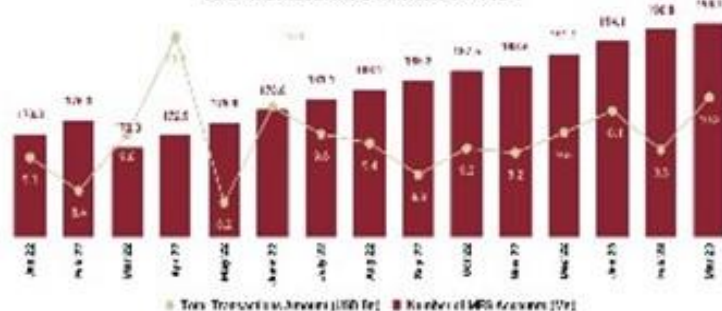
Female sent money using mobile phone/internet compared to 39% males

Source: Findex 2021

Total Internet Banking Customers and Transactions Amount



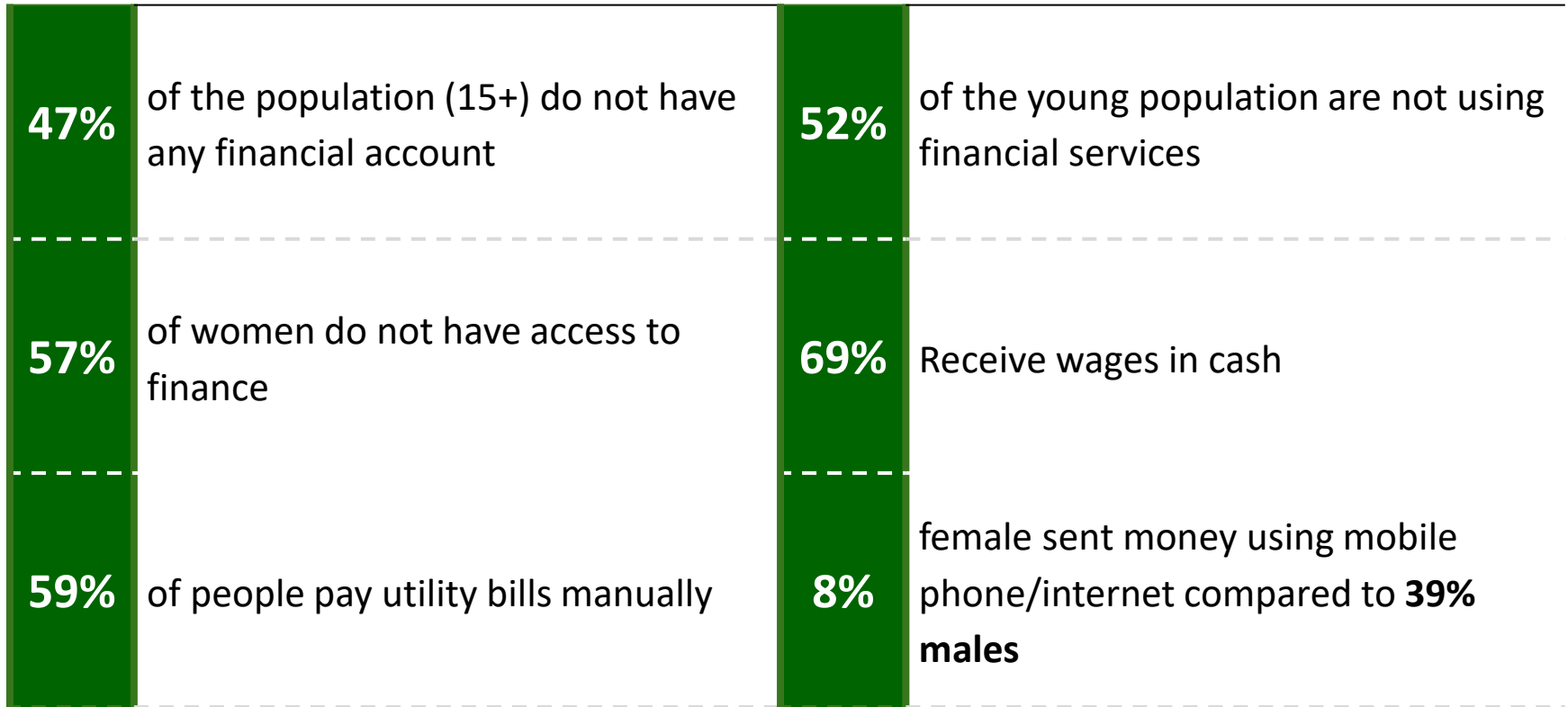
Total MFS Accounts and Transactions Amount



Source: Bangladesh Bank

*Internet banking refers to a host of banking transactions conducted online

Despite the recent progress in financial inclusion, Bangladesh remained one of the top seven countries with a sizable population unbanked



Evolution of Digitalization in Bangladesh's Financial Sector



Strategic Goals and Targets of National Financial Inclusion Strategy (NFIS) through Digital Modes

- National Financial inclusion Strategy of Bangladesh (NFIS-B) 2020 declared the slogan "*Journey towards Sustainable and Impactful Financial Inclusion through Digitization and Innovation*".
- Bangladesh's journey towards financial inclusion has been marked by a commitment to leave no one behind.
- Through targeted interventions, we have endeavored to reach the most vulnerable segments of our population, including women, rural communities and small entrepreneurs.

1. Increasing financial deepening

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graph LR; A[1. Increasing financial deepening] --- B[Implementing e-KYC for all types of bank accounts, MFS accounts and other regulated financial services account]; A --- C[Taking necessary initiatives to make the account-opening process simple and convenient for all]; A --- D[Taking necessary actions to reduce the fiscal burden on the usage of financial services for consumers especially, in DFS];
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Taking necessary initiatives to make the account-opening process simple and convenient for all

Taking necessary actions to reduce the fiscal burden on the usage of financial services for consumers especially, in DFS

2. Strengthening payment system and service delivery channel

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graph LR; A[2. Strengthening payment system and service delivery channel] --- B[Ensuring interoperability within all MFS accounts, bank accounts and e-wallets (digital wallets)]; A --- C[Bringing all types of government payments under the network of electronic financial services (e.g. through bank account or MFS account or postal account)]; A --- D[Enhancing the scope of financial service-providing by PSPs];
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Ensuring interoperability within all MFS accounts, bank accounts and e-wallets (digital wallets)

Bringing all types of government payments under the network of electronic financial services (e.g. through bank account or MFS account or postal account)

Enhancing the scope of financial service-providing by PSPs

3. Establishing robust data and measurement framework

Ensuring the collection of comprehensive and quality financial inclusion data, disaggregated by sex/age/location or other aspects

4. Promoting financial literacy and consumer empowerment

All regulated financial service providers will have annual program on financial literacy which will be monitored by respective regulatory bodies

5. Broadening and deepening financial inclusion of women, populations affected by climate change; and other underserved segments of the population, including senior citizens

Financial inclusion for:

- **Extremely destitute and underprivileged people like tea workers**
- **Floating communities**
- **Urban slum dwellers**
- **Poor people in remote areas with difficult terrains like hills, coasts, etc.**
- **Former enclave areas**
- **Sparsely populated areas**
- **Relatively underdeveloped areas with poor infrastructure.**

6. Upscaling digital financial services and fintech

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graph LR; A[6. Upscaling digital financial services and fintech] --- B[Ensuring the usage of DFS in all types of utility services (water, gas, electricity, internet, health, education, etc.) payments]; A --- C[Exploring the potential solutions to provide all banking services at full scale at an outlet level under agent banking]
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Ensuring the usage of DFS in all types of utility services (water, gas, electricity, internet, health, education, etc.) payments

Exploring the potential solutions to provide all banking services at full scale at an outlet level under agent banking

7. Strengthening the policy and regulatory environment

Strengthen the capacity of regulatory agencies on data-driven policy analysis and emerging technologies like Fintech, Insurtech, AI, DLT, Machine Learning, etc.

8. Fortifying risk management of financial inclusion initiatives

Develop regulatory and supervisory apparatus to protect data privacy

9. Strengthening the insurance services

Introducing innovative insurance products for marginal people, small businesses and agriculture workers like weather-based crop insurance, livestock insurance, fisheries insurance with GPS tracking, health insurance for low income people, autistic people and pension scheme for old, retired people

10. Reinforcing the capital market services

Deepening the capital market to expand the participation of individuals and businesses, and introduce a wider range of financial instruments for investment

11. Fortifying micro finance services

Increasing the access to diverse sources of funds by MFIs

Scope of Regional Collaboration

- Collaborate to integrate National Payment Switch among the Asia-Pacific countries.
- Share technical knowledge and experience regarding implementation of payment system infrastructure, services & governance.
- Technical support to private sector for product and market development, and attracting venture capital.
- Organize regional seminars, conferences and exchange programs on DFS.

Importance of Regional Collaboration in Advancing Digital Finance

Enhanced Resilience

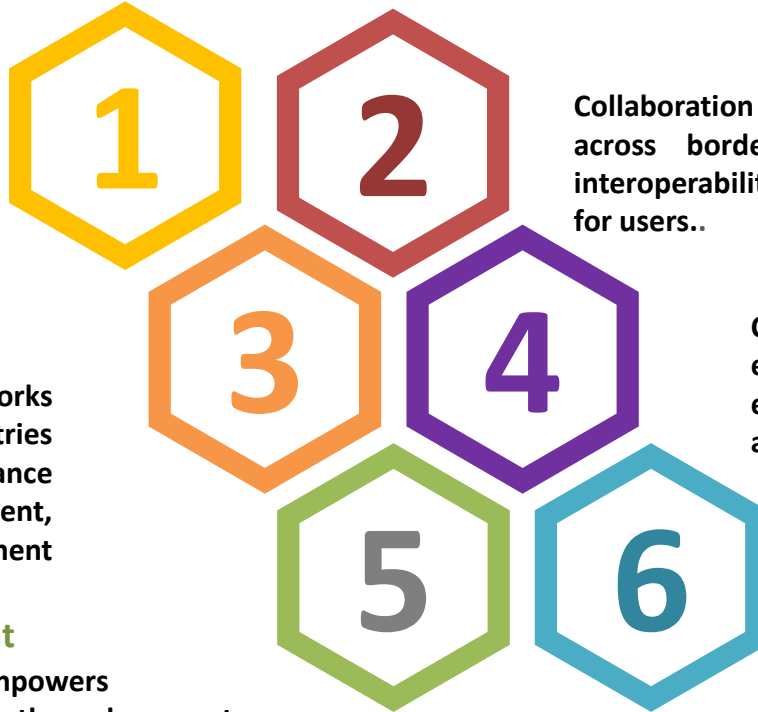
Regional collaboration ensures stability in digital finance ecosystems, safeguarding against financial shocks and economic downturns.

Policy Harmonization

Aligning regulatory frameworks among neighboring countries encourages digital finance innovation and investment, fostering a conducive environment for growth.

Inclusive Development

Regional collaboration empowers underserved communities through access to digital financial services, promoting financial inclusion and addressing exclusion.



Interoperability

Collaboration promotes seamless transactions across borders through standardization and interoperability frameworks, enhancing efficiency for users..

Leveraging Resources

Collaboration maximizes impact and efficiency by pooling resources and expertise to address common challenges and pursue shared goals.

Sustainable Future

Collaborative efforts in digital finance contribute to sustainable development goals by fostering financial inclusion, economic empowerment, and environmental sustainability.

Importance of Regional Collaboration in Advancing Digital Finance

Interoperability

Developing seamless transaction systems across platforms for enhanced accessibility.

Regulatory Frameworks

Harmonizing policies to provide clarity and consistency in digital finance regulations.

Infrastructure Development

Expanding internet and mobile coverage to ensure wider access to digital financial services.

Capacity Building

Training programs to empower stakeholders in implementing best practices.

Cybersecurity Collaboration

Sharing threat intelligence to fortify digital finance systems against cyber threats.

Financial Literacy and Awareness

Promoting understanding of digital finance benefits and risks among users.

Innovation and Research

Collaborating on innovative solutions and research projects to address regional challenges."

Call to Action : Sustained Commitment & Cooperation

Engage Policymakers & Regulators

Advocate for supportive regulatory frameworks that foster innovation and ensure consumer protection in digital finance.

Encourage policymakers to prioritize financial inclusion and digital literacy initiatives in national agendas..

Empower Financial Institutions

Encourage stakeholders to prioritize collaboration, invest in digital infrastructure, and support policies that foster innovation and inclusion.

Urge stakeholders to commit to sustained efforts and cooperation, recognizing that the journey towards a prosperous and sustainable future requires collective action and perseverance.

Foster Cross-Sector Collaboration

Promote partnerships between government agencies, NGOs, and private sector stakeholders to leverage complementary strengths in advancing digital finance.

Encourage collaboration between telecom operators and financial service providers to enhance mobile money penetration and interoperability.

Strengthen Regional Cooperation

Advocate for regional forums and working groups to facilitate knowledge sharing, capacity building, and policy harmonization in digital finance.

Support initiatives that promote cross-border interoperability and collaboration among neighboring countries.

Thank You