

FINANCIAL INCLUSION **insights**

APPLIED RESEARCH FOR  digital financial inclusion

BANGLADESH

QUICKSIGHTS REPORT FOURTH ANNUAL FII TRACKER SURVEY

Fieldwork completed in September 2016

December 2016



BILL & MELINDA
GATES *foundation*

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Key definitions

Access – Access to a bank account or mobile money account means an individual can use bank/mobile money services either via their own account or via an account of another person.

Active account holder – An individual who has a registered account and has used it in the last 90 days.

Active user – An individual who has used any financial services account for any type of transaction in the past 90 days via his/her own account or somebody else's account.

Adults with DFS access – Adults (15+) who either own a DFS account or have access to someone else's account.

Advanced use of DFS – Advanced use of digital financial services includes activities beyond basic cash-in/cash-out and person-to-person transfers (e.g., savings, bill pay, investment, insurance, etc.).

Below the poverty line – In this particular study, adults living on less than \$2.50 per day, as classified by the Grameen PPI.

Cooperative – Typically, a business or other professional organization that is owned and run jointly by its members, who share the profits or benefits. Cooperatives can release some of the profits/funds as loans to its members.

Digital financial services (DFS) – Financial services provided through an electronic platform (mobile phones, electronic cards, the internet, etc.).

Dormant accounts – Registered accounts that have never been used or that have not been active (e.g., used in the past 90 days).

Grameen Progress out of Poverty Index (PPI) – A poverty measurement tool from the Grameen Foundation wherein a set of country-specific questions are used to compute the likelihood that a household is living below the poverty line.

Informal lending or saving group – These are informal financial services offered by individuals or groups at the community level. These services are a part of the NBFi group of services, but do not offer a full suite of financial services and, therefore, are not a part of formal finance.

Microfinance institution (MFI) – An organization that offers financial services to low-income populations. Almost all give loans to their members, and many offer insurance, deposit and other services.

Mobile financial service (MFS) or mobile money (MM) – A service in which a mobile phone is used to access financial services.

Nonbank financial institution (NBFi) – A financial organization that is not formally licensed as a bank or a mobile money provider, but whose activities are regulated, at least to some extent, by the central bank within the country. Such financial institutions include microfinance institutions (MFI), cooperatives, Post Office Banks and savings and credit cooperatives (SACCOs).

Post Office (Savings) Bank – A bank that has branches at local post offices.

Registered active user – A person with a registered account that has used it in the last 90 days.

Services beyond basic wallet – DFS transactions that go beyond simple deposits, withdrawals or money transfers.

Unregistered/over-the-counter (OTC) user – An individual who has used a financial service through someone else's account, including an agent's account or the account of a family member or a neighbor.

Urban/rural – Urban and rural persons are defined according to their residence in urban or rural areas as prescribed by the national bureau of statistics.

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Country context

- **Bangladesh is going through a period of high economic growth, which is expected to continue in the near future.**
 - The GDP growth rate averaged 6.5 percent over the past five years; the GDP growth rate in 2016 was the highest in the past decade at 7.05 percent.
- **Bangladesh Bank, the central bank of Bangladesh, maintained a strong focus on financial inclusion in 2016.**
 - The Bangladesh Bank successfully enacted a number of financial inclusion initiatives despite a major institutional setback in March 2016 when hackers stole millions from the central bank, which resulted in the resignation of the then-governor.
 - References to inclusive finance in the Bangladesh Bank's 7th Five Year Plan FY2016-2020 and the Strategic Plan (2015-2019) indicate the importance of financial inclusion as a primary goal.
 - In July 2015, a dedicated Financial Inclusion Department was established within the Bangladesh Bank. The aim of the department is to “further consolidate and better coordinate the financial inclusion initiatives in the central bank and of other public and private sector stakeholder [...]”
 - Draft Regulatory Guidelines for Mobile Financial Services released in August 2015 are yet to be finalized. These included limited ownership stakes in mobile financial service providers to 15 percent per entity, and a requirement that at least four banks must form a consortium to achieve a 51 percent majority-ownership share.
 - In an attempt to stop the use of mobile phones for criminal activities, the Bangladesh Telecommunication Regulatory Commission announced a mandatory “mobile phone SIM reregistration” campaign to increase biometric identification of SIM card holders. Immediately after the reregistration deadline of May 2016, all unregistered SIM cards were permanently deactivated without any prior notice. This deactivation may have played a role in reducing mobile phone sharing and borrowing, as individuals are less likely to share SIM cards registered in their names. It also had an effect on increasing overall SIM card ownership.
- **With respect to digital finance, according to Bangladesh Bank statistics, as of October 2016 there were more than 13.8 million active MFS accounts and approximately 39 million registered MFS accounts.**
 - Bangladesh Bank statistics measure the number of accounts, not the number of individuals as is the case with FII data. Both reflect a clear growth in the mobile money market and suggest that a substantial minority of the population is utilizing the services.
 - Based on the central bank's supply side statistics, active account use grew in 2016, which closely mirrors the FII growth in active mobile money account holders (from 8 percent of adult Bangladeshis in 2015 to 10 percent in 2016).
 - The agent network in Bangladesh has continued to expand, from fewer than 400,000 agents in May 2014 to 671,300 in October 2016.*
 - Despite the large number of mobile money providers, bKash remains the clear market leader, trailed by DBBL, in visibility and customer base. Many licensed providers have yet to make any impression on the market.

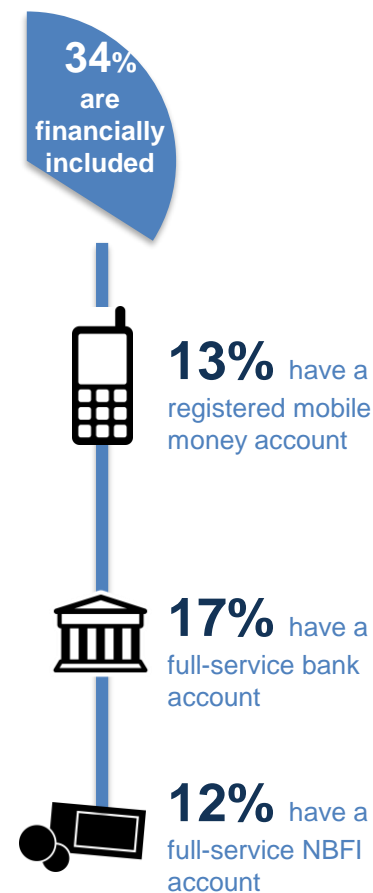
*<https://www.bb.org.bd/fnansys/paymentsys/mfsdata.php> **<http://www.tradingeconomics.com/bangladesh/gdp-growth>

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Notable statistics

- Mobile money continues to see strong growth in Bangladesh, whereas the prevalence of nonbank financial institution (NBFI) accounts dropped significantly, primarily due to a decline in the use of microfinance institution (MFI) accounts.**
 - In 2015, mobile money access surpassed NBFI access (33 percent vs. 26 percent) but mobile money registration (9 percent) remained lower than NBFI registration (24 percent).
 - In 2016, NBFI access decreased by 10 percentage points to 16 percent, vs. 2015. At the same time, mobile money access increased by 7 percentage points, from 33 percent in 2015 to 40 percent in 2016.
 - For the first time in the four years of FII research, there are more mobile money registered accounts than NBFI registered accounts, although the number of registered bank accounts still surpasses that of either mobile money or NBFI accounts. However, registered mobile money accounts and active use grew between 2015 and 2016 (9 to 13 percent, and 8 to 10 percent, respectively), whereas bank account registration slightly declined.
- Access and registered use of MFIs dropped from 2015, resulting in an overall decline in financial inclusion numbers.**
 - The percentage of adults having access to full service MFIs dropped from 23 percent in 2015 to 14 percent in 2016, with the decline in access higher in rural areas, males, and individuals living below the poverty line.
 - A likely explanation is that MFI loans, a primary use of MFIs, are historically used as “insurance credit” (i.e., individuals seek out MFI loans in times of economic uncertainty and downturns). However, along with the recent surge in economic growth, with an average GDP growth of 6.5 percent between 2014 and 2016, there may have been a simultaneous decline in the demand for loans. This is likely the reason for the drop in MFI usage.
 - This is reflected in the decrease in MFI account holder borrowing, which dropped from 19 percent in 2015 to 6 percent in 2016.

2016: Financial Inclusion*
 (Shown: Percentage of Bangladeshi adults, N=6,000)



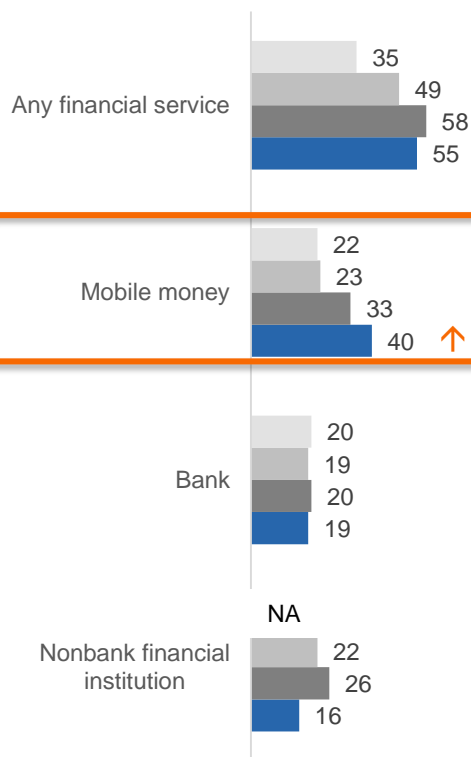
*Financial inclusion is defined as the percentage of individuals with a registered bank, mobile money or NBFI account. Overlap representing those who have multiple kinds of financial accounts is not shown.

Source: InterMedia Bangladesh FII Tracker survey Wave 4 (N=6,000, 15+), August-September 2016.

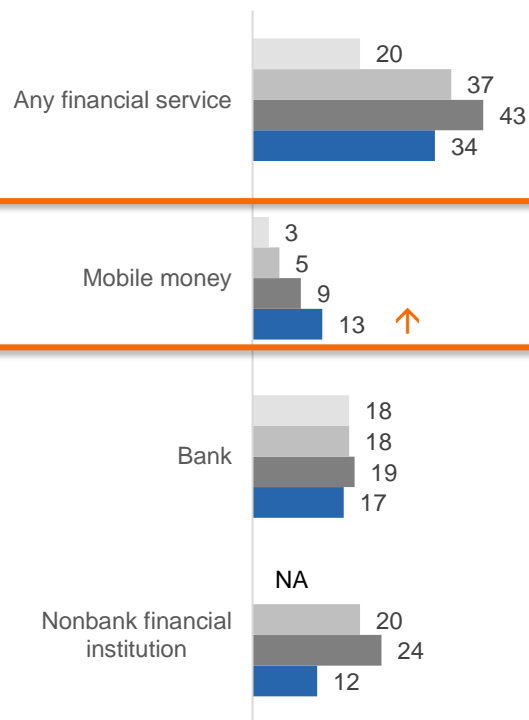
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Registered mobile money account use and ownership increased; NBFi access and registration contracted considerably, decreasing overall registered financial service use from 2015

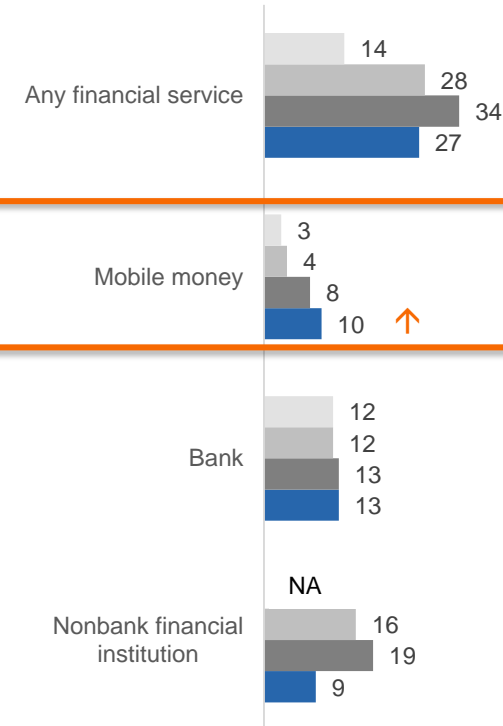
Financial account access



Registered financial service users (Shown: Percentage of Bangladeshi adults for each year)



Active* financial service users



■ 2013 (N=6,000) ■ 2014 (N=6,000) ■ 2015 (N=6,000) ■ 2016 (N=6,000)

NBFIs were not included in 2013 survey. Types of account ownership are not mutually exclusive. *A registered account used in the last 90 days.

Source: InterMedia Bangladesh FII Tracker surveys Wave 1 (N=6,000, 15+), September-November 2013; Wave 2 (N=6,000, 15+), June-August 2014; Wave 3 (N=6,000, 15+), August-September 2015; Wave 4 (N=6,000, 15+), August-September 2016.

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FII Bangladesh Tracker Survey details

Survey Summary

- Annual, nationally representative survey (N=6,000) of Bangladeshi adults aged 15+
- Face-to-face interviews lasting, on average, 73 minutes
- Fourth survey (Wave 4) conducted from 8/5/2016 to 9/4/2016
- Tracks trends and market developments in DFS based on the information gathered in the first survey, conducted in 2013, second survey, conducted in 2014, and third survey, conducted in 2015

Data Collection

- Basic demographics and poverty measurement (Grameen Progress Out of Poverty Index)
- Access/use of mobile devices
- Access/use of mobile money
- Access/use of formal financial services (e.g., bank accounts)
- Access/use of semi-formal and informal financial services (e.g., MFIs, cooperatives, village savings groups)
- Financial literacy and preparedness
- General financial behaviors

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Survey demographics

	% of survey
Gender	
Male	51%
Female	49%
Geography	
Urban	32%
Rural	68%
Income	
Above the \$2.50/day poverty line	24%
Below the \$2.50/day poverty line	76%

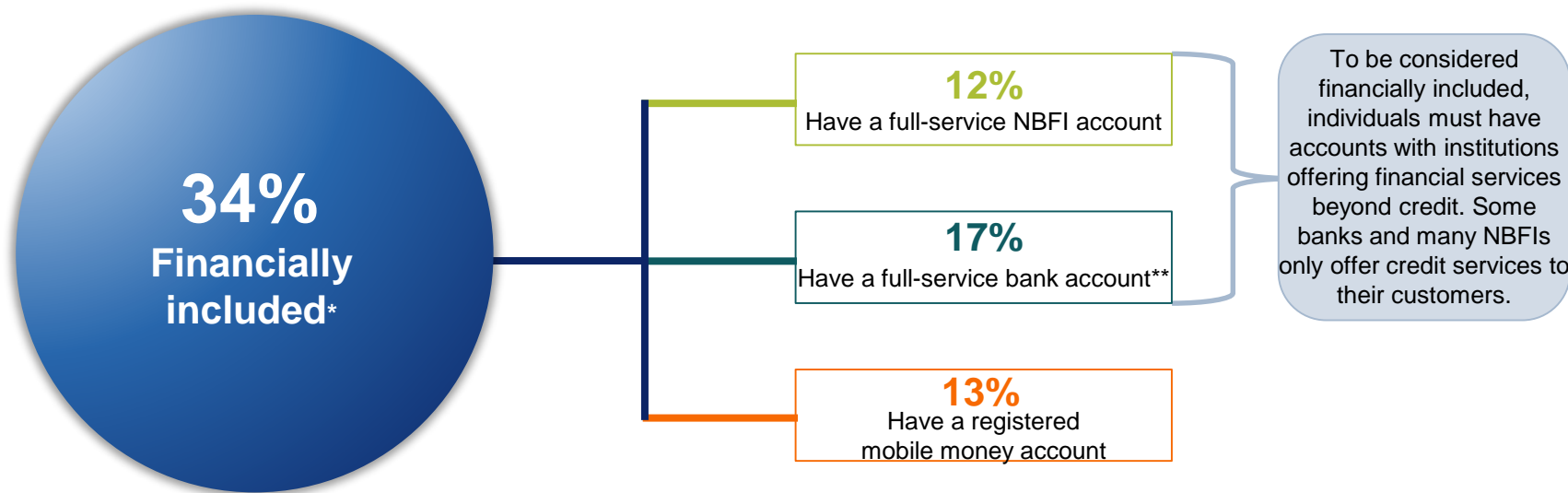
	% of survey
Age	
15-24	31%
25-34	26%
35-44	19%
45-54	12%
55+	12%
Aptitude	
Basic literacy	58%
Basic numeracy	98%

Figures are weighted to reflect national census data demographics.

Source: InterMedia Bangladesh FII Tracker survey Wave 4 (N=6,000, 15+), August-September 2016.

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Just over one in three Bangladeshis are financially included, largely through bank and mobile money use



*Overlap representing those who have multiple kinds of financial accounts is not shown.

**Throughout this report, bank account holders have accounts at full-service institutions, unless otherwise noted.

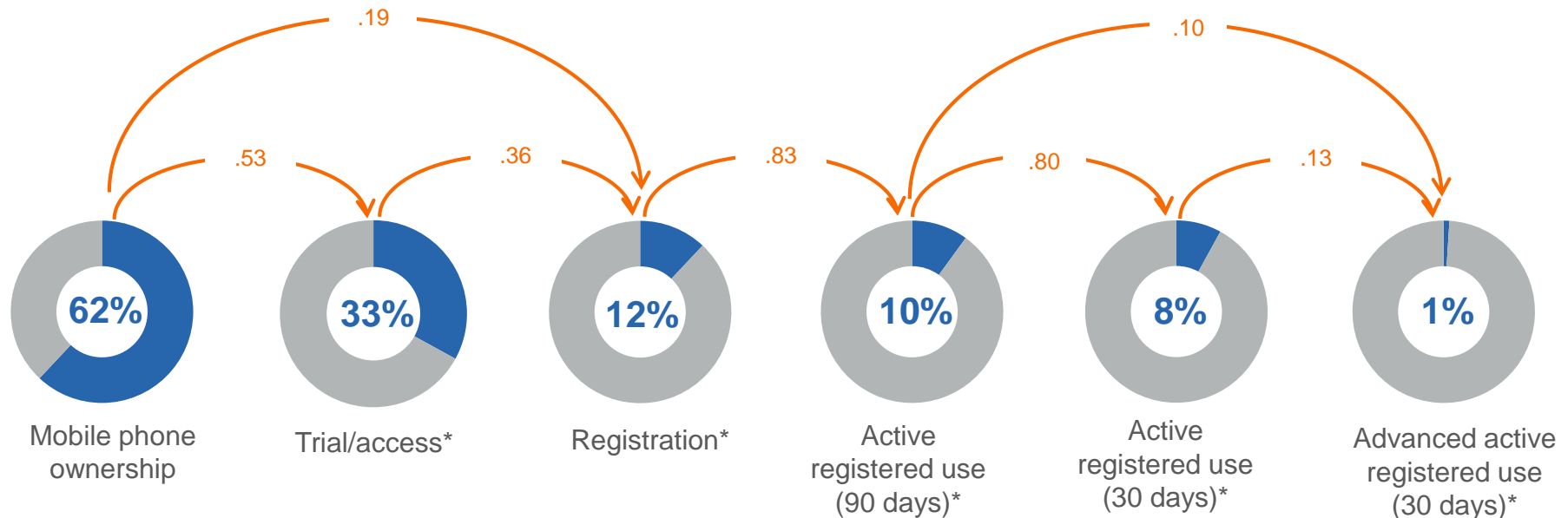
Source: InterMedia Bangladesh FII Tracker survey Wave 4 (N=6,000, 15+), August-September 2016.

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More than six in 10 Bangladeshis own mobile phones but few have registered mobile money accounts; very few have completed the customer journey to monthly active use of advanced services

2016: Distribution of Bangladeshi mobile phone owners at each major step in the customer journey for mobile money, and conversion rate between steps

(Shown: Percentage of Bangladeshi adults, N=6,000)



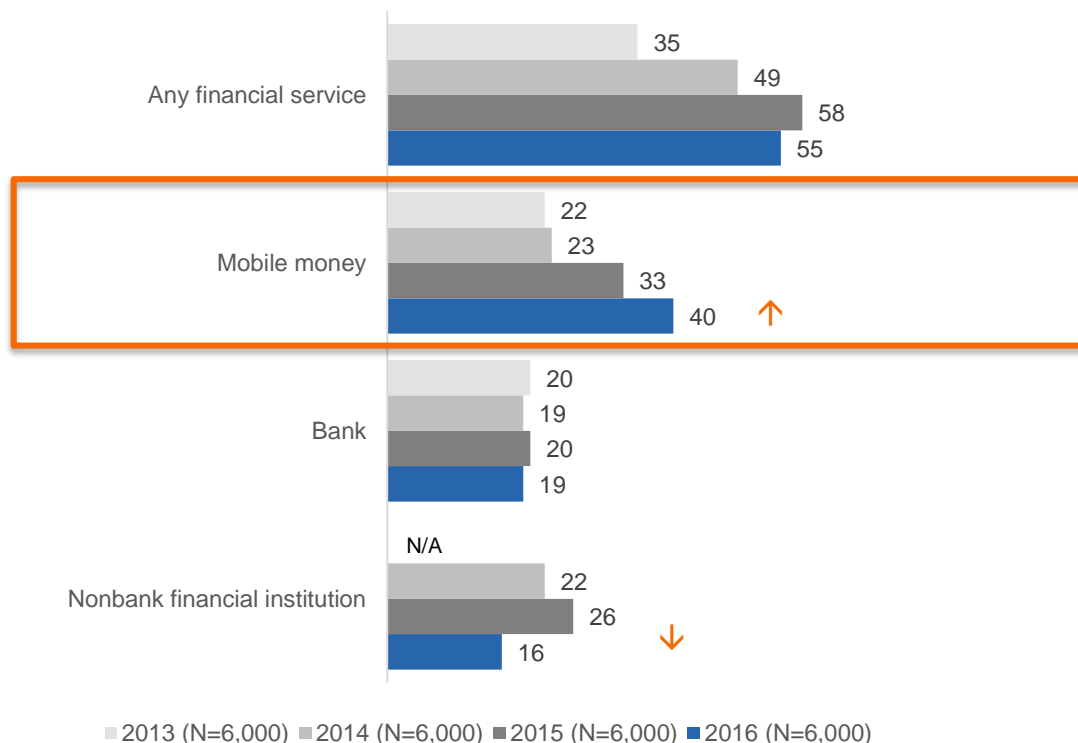
*Phone owners

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Access to financial services declined vs. 2015, driven in large part by a contraction in NBFIs access; mobile money access grew by 7 percentage points

Access to financial services

(Shown: Percentage of Bangladeshi adults for each year)



Types of accounts are not mutually exclusive.

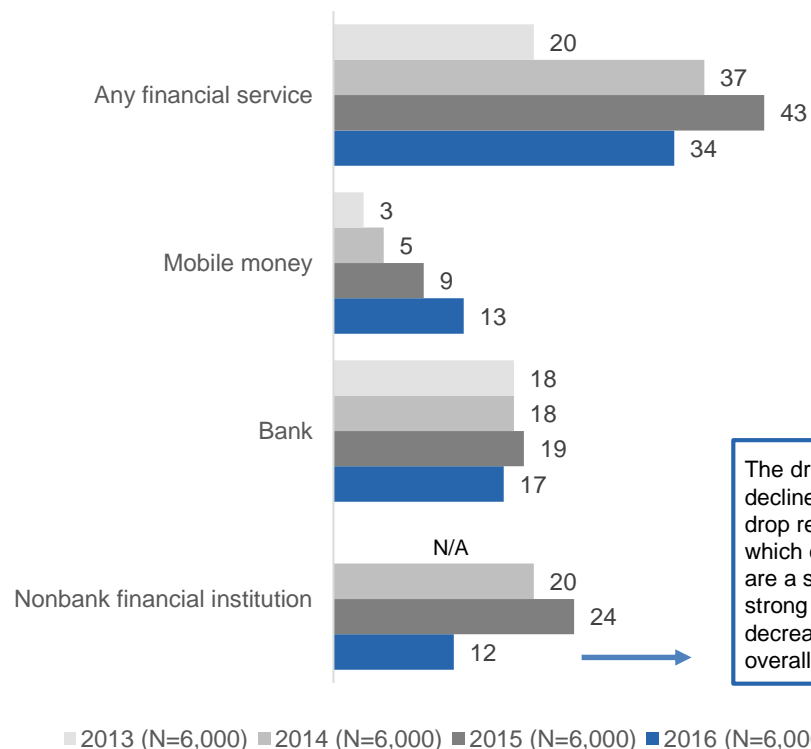
Source: InterMedia Bangladesh FII Tracker surveys Wave 1 (N=6,000, 15+), September-November 2013; Wave 2 (N=6,000, 15+), June-August 2014; Wave 3 (N=6,000, 15+), August-September 2015; Wave 4 (N=6,000, 15+), August-September 2016.

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Mobile money accounts drove the increase in registered financial account ownership between 2015 and 2016; the decline in NBFi use caused overall registered use to fall

Registered financial service users

(Shown: Percentage of Bangladeshi adults for each year)



The drop in registered NBFi users is mainly due to a decline in the access and registered use of MFIs. This drop reflects lower MFI loan prevalence in Bangladesh, which can partially be explained by the fact that MFIs are a source of loans in times of uncertainty. Given strong economic growth in Bangladesh, there may be decreased demand for MFI loans, thereby decreasing overall MFI registered use.

Types of accounts are not mutually exclusive.

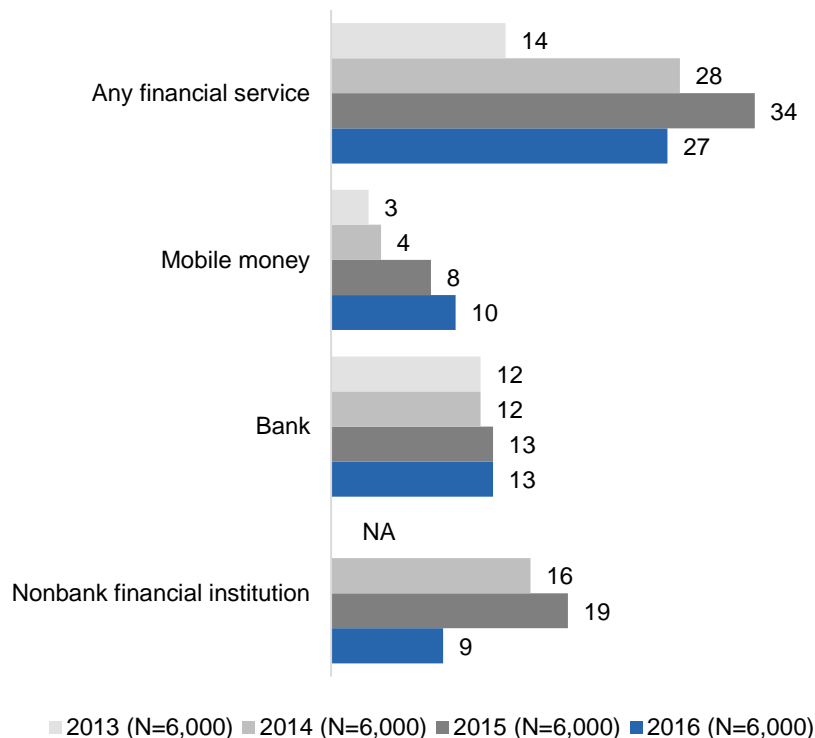
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Eight in 10 mobile money account holders use their accounts actively, which is a greater proportion than bank or MFI account holders

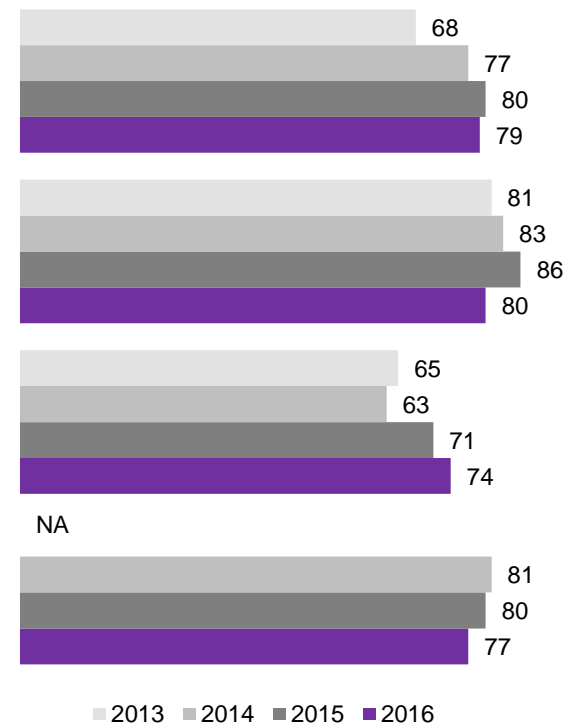
Active financial account holders

(Shown: Percentage of Bangladeshi adults)



Active financial account holders

(Shown: Percentage of registered users for each type of account, by year)



Types of accounts are not mutually exclusive.

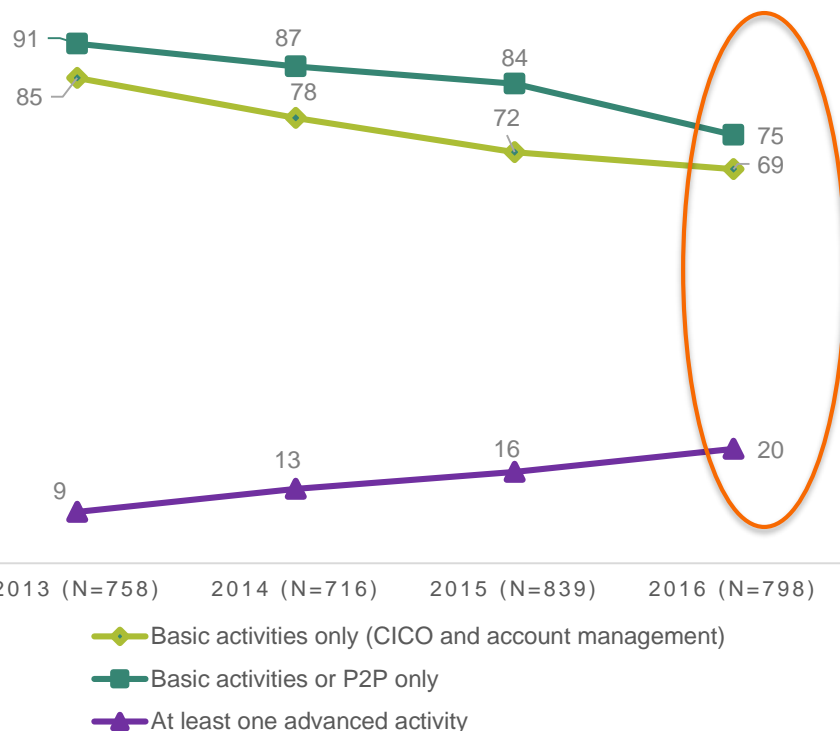
Source: InterMedia Bangladesh FII Tracker surveys Wave 1 (N=6,000, 15+), September-November 2013; Wave 2 (N=6,000, 15+), June-August 2014; Wave 3 (N=6,000, 15+), August-September 2015; Wave 4 (N=6,000, 15+), August-September 2016.

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More active mobile money users are using basic account activities only

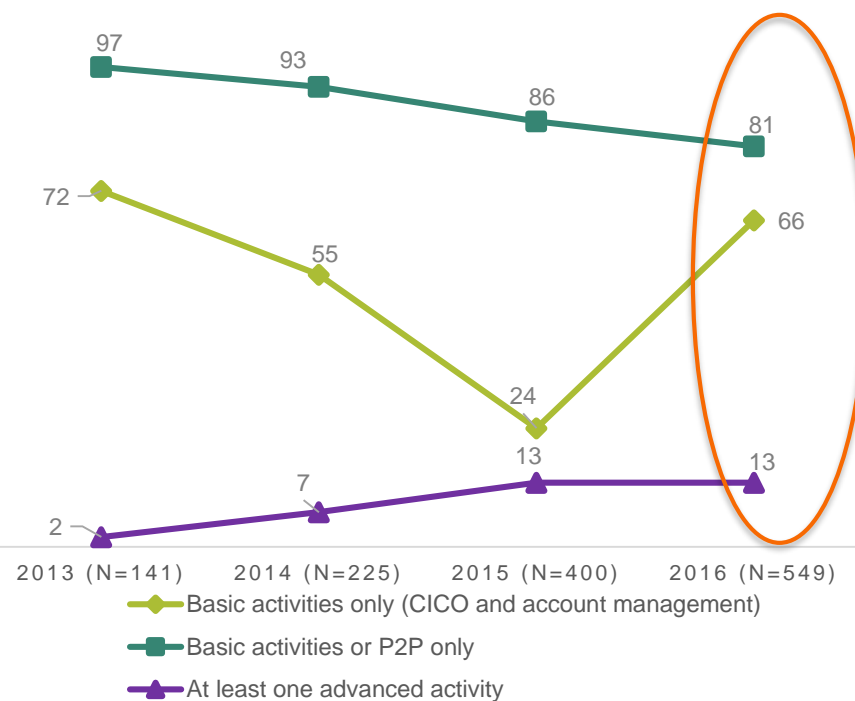
Bank uses, by type

(Shown: Percentage of active bank account holders)



Mobile money uses, by type

(Shown: Percentage of active mobile money account holders)



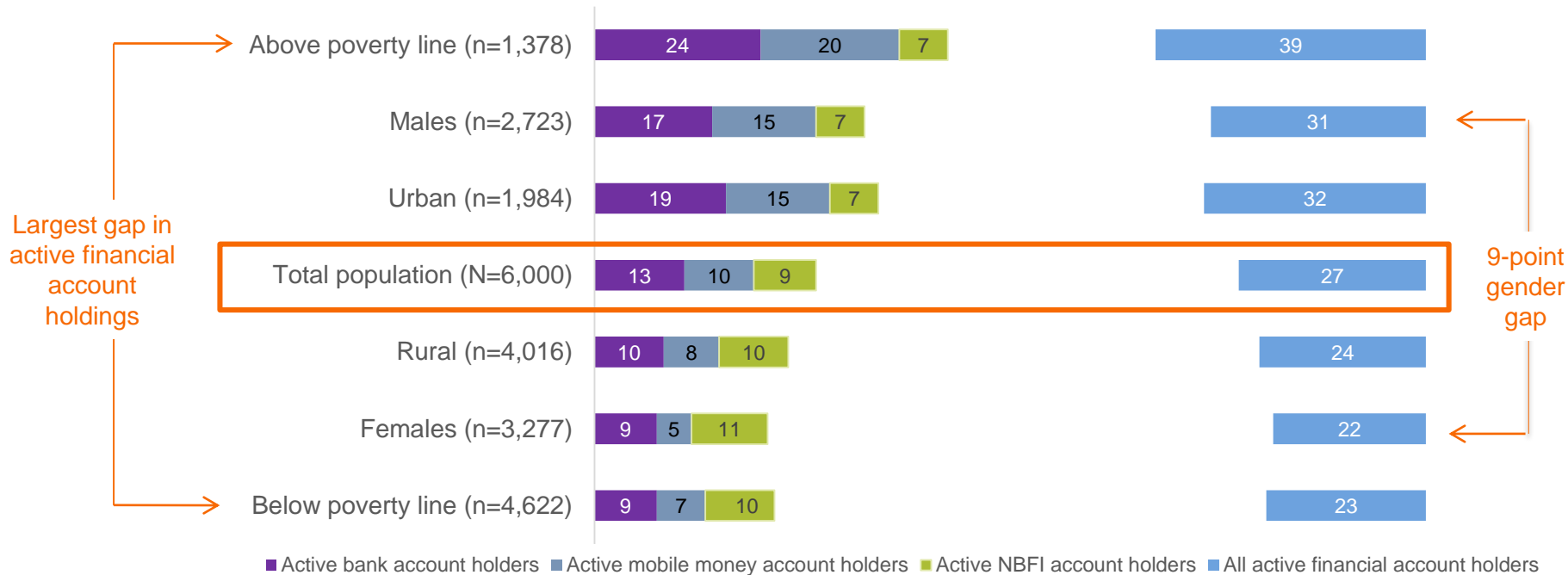
Due to the changes in the questionnaire some data points may not be directly comparable across years. Obtaining airtime through mobile money is no longer considered an advanced activity.

Source: InterMedia Bangladesh FII Tracker surveys Wave 1 (N=6,000, 15+), September-November 2013; Wave 2 (N=6,000, 15+), June-August 2014; Wave 3 (N=6,000, 15+), August-September 2015; Wave 4 (N=6,000, 15+), August-September 2016.

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Differences in active use of financial accounts are most pronounced across the gender and above/below poverty line demographic groups

2016: Active account usage by demographic
(Shown: Percentage of each subgroup)



Types of accounts are not mutually exclusive.

Source: InterMedia Bangladesh FII Tracker survey Wave 4 (N=6,000, 15+), August-September 2016.

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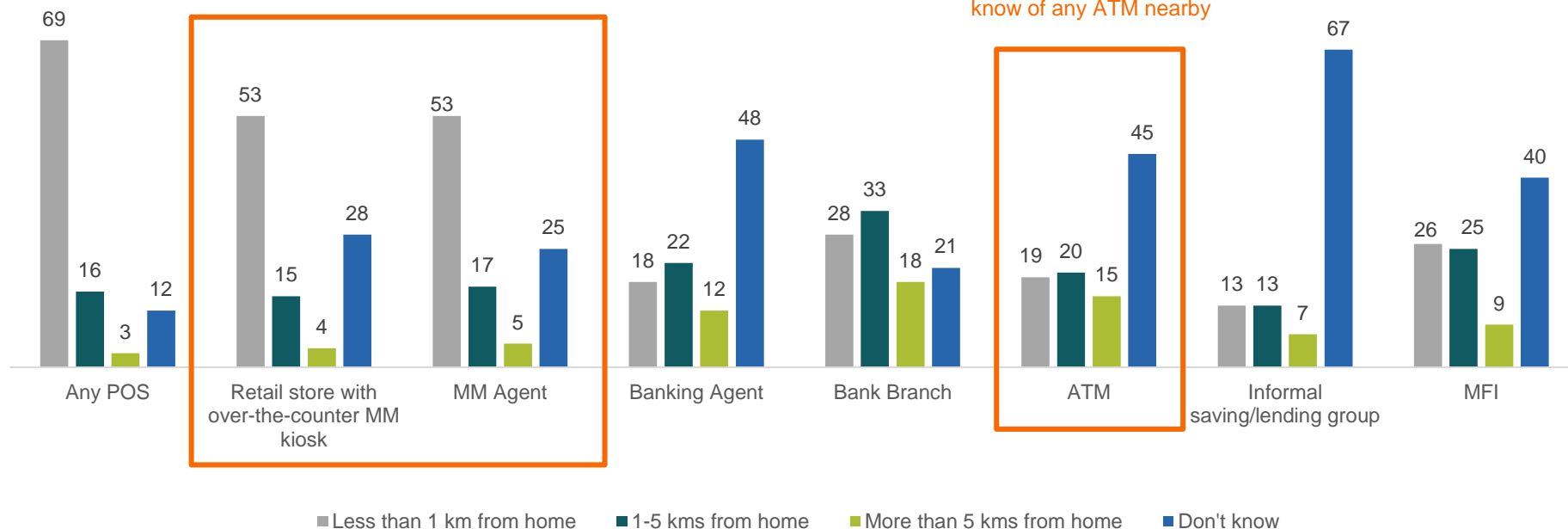
Compared to bank branches and ATMs, more consumers know of mobile money agents within one kilometer of where they live

2016: Proximity to points-of-service (POS) for financial institutions

(Shown: Percentage of Bangladeshi adults, N=6,000)

A total of 64% of adults know of an MM kiosk or agent within 1 km of their homes

Nearly half of all adults do not know of any ATM nearby



Source: InterMedia Bangladesh FII Tracker survey Wave 4 (N=6,000, 15+), August-September 2016.

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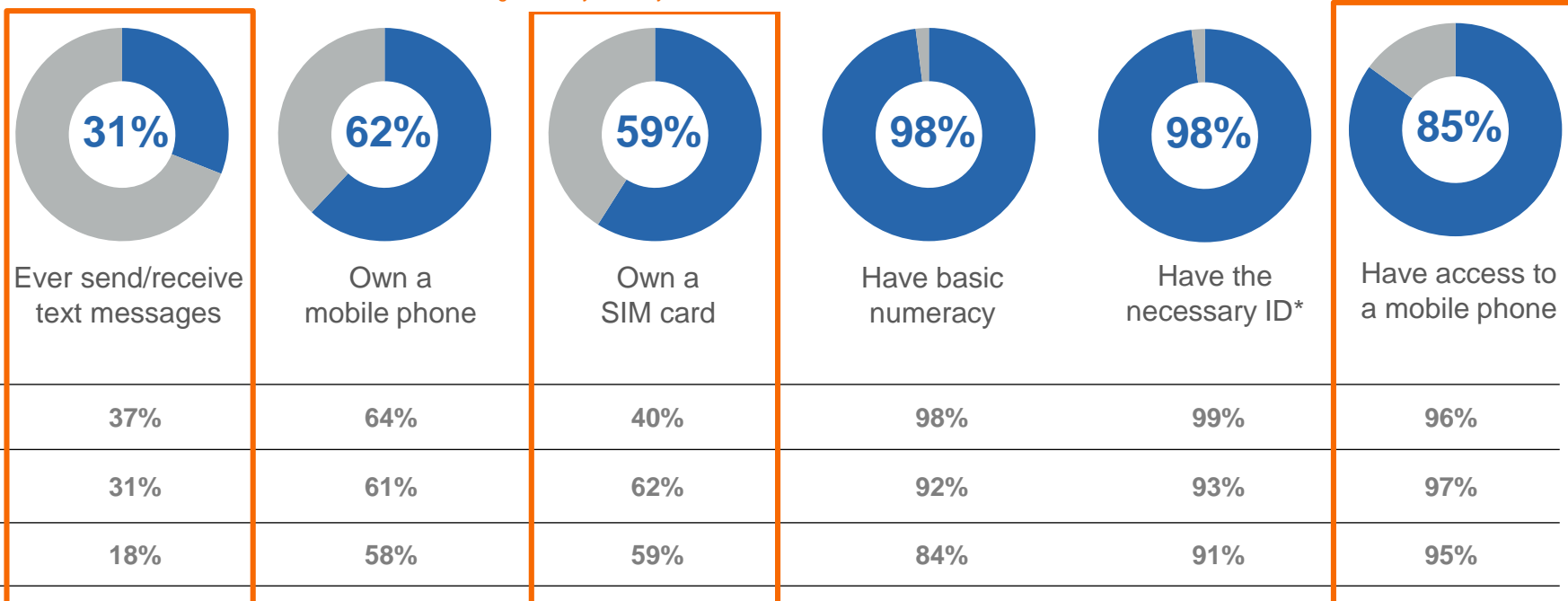
Lack of mobile phone competency, seen in the low usage of text messages, is a key challenge to overcome for increasing digital financial services use

2016: Key indicators of preparedness for digital financial services

(Shown: Percentage of Bangladeshi adults, N=6,000)

The increase in SIM card ownership* from 2015 to 2016 reflects the effectiveness of the government's reregistration campaign, requiring all unregistered SIM cards to be registered by the May 2016 deadline.

Access to mobile phones fell due to a decline in phone borrowing. This may have been brought on by the SIM reregistration campaign, which permanently deactivated all unregistered SIM cards.



*SIM card ownership is defined as having a SIM card registered in one's own name.

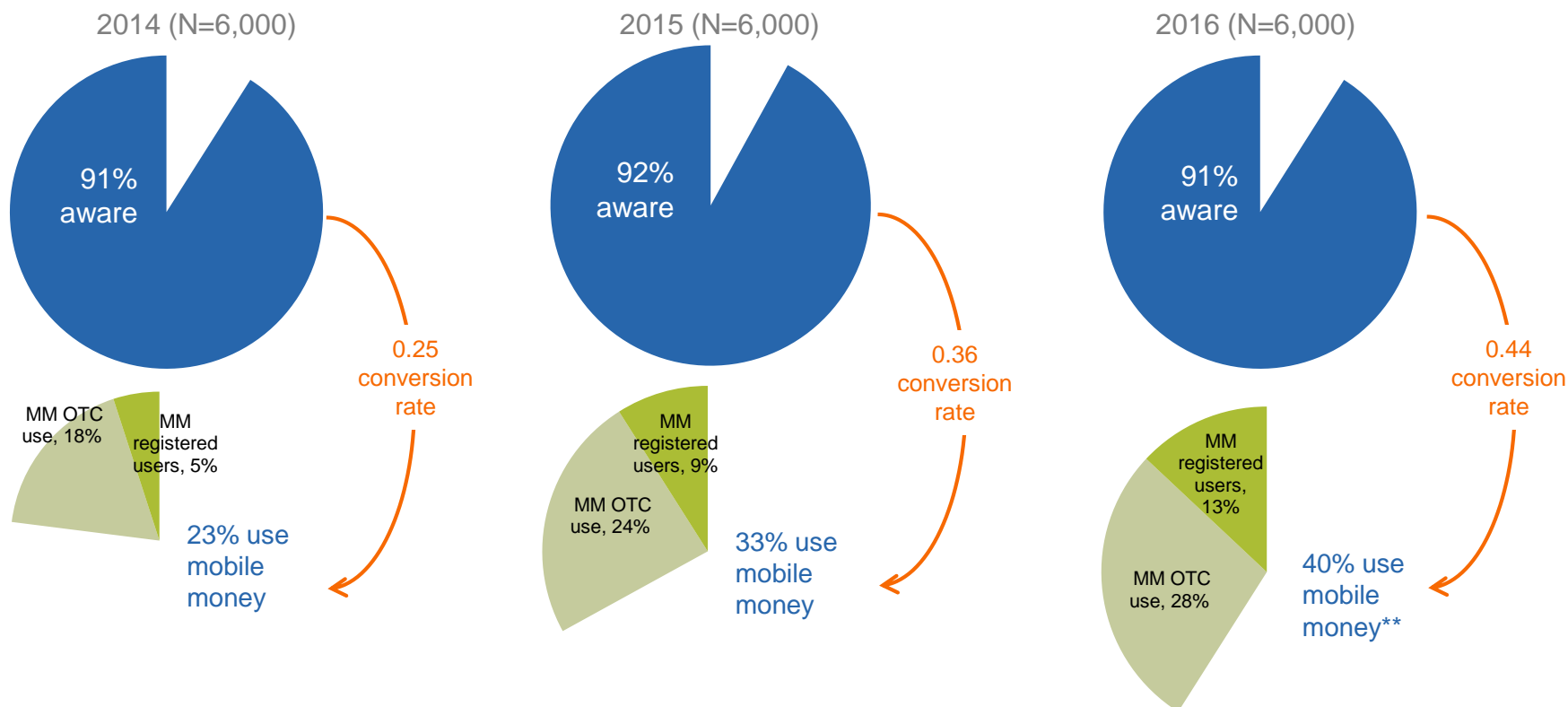
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Awareness of mobile money providers remains high; the conversion rate from awareness to access grew year on year

Conversion from awareness of mobile money providers* to mobile money use

(Shown: Percentage of Bangladeshi adults for each year)



*Aware of at least one mobile money provider. **Adds to 40 percent because dormant accounts (0.6 percent) are excluded.

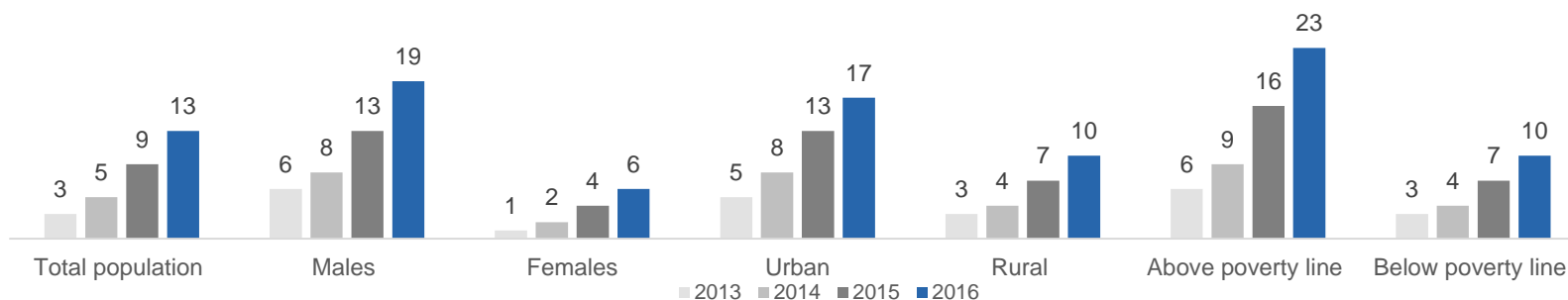
Source: InterMedia Bangladesh FII Tracker surveys Wave 2 (N=6,000, 15+), June-August 2014; Wave 3 (N=6,000, 15+), August-September 2015; Wave 4 (N=6,000, 15+), August-September 2016.

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The largest increases in registered account holders and active registered mobile money use were seen among males, urban and above-poverty populations

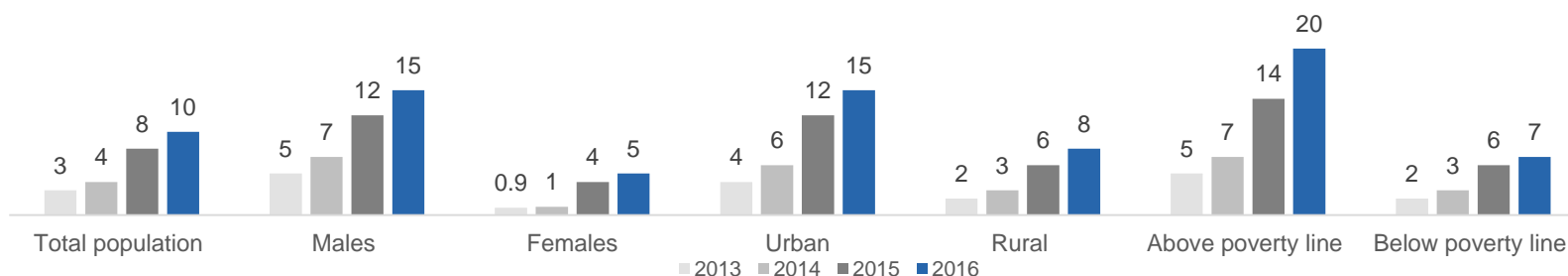
Demographic trends for **all** registered mobile money account use

(Shown: Percentage of Bangladeshi adults who fall into each category*)



Demographic trends for **active** registered mobile money account use

(Shown: Percentage of Bangladeshi adults who fall into each category*)



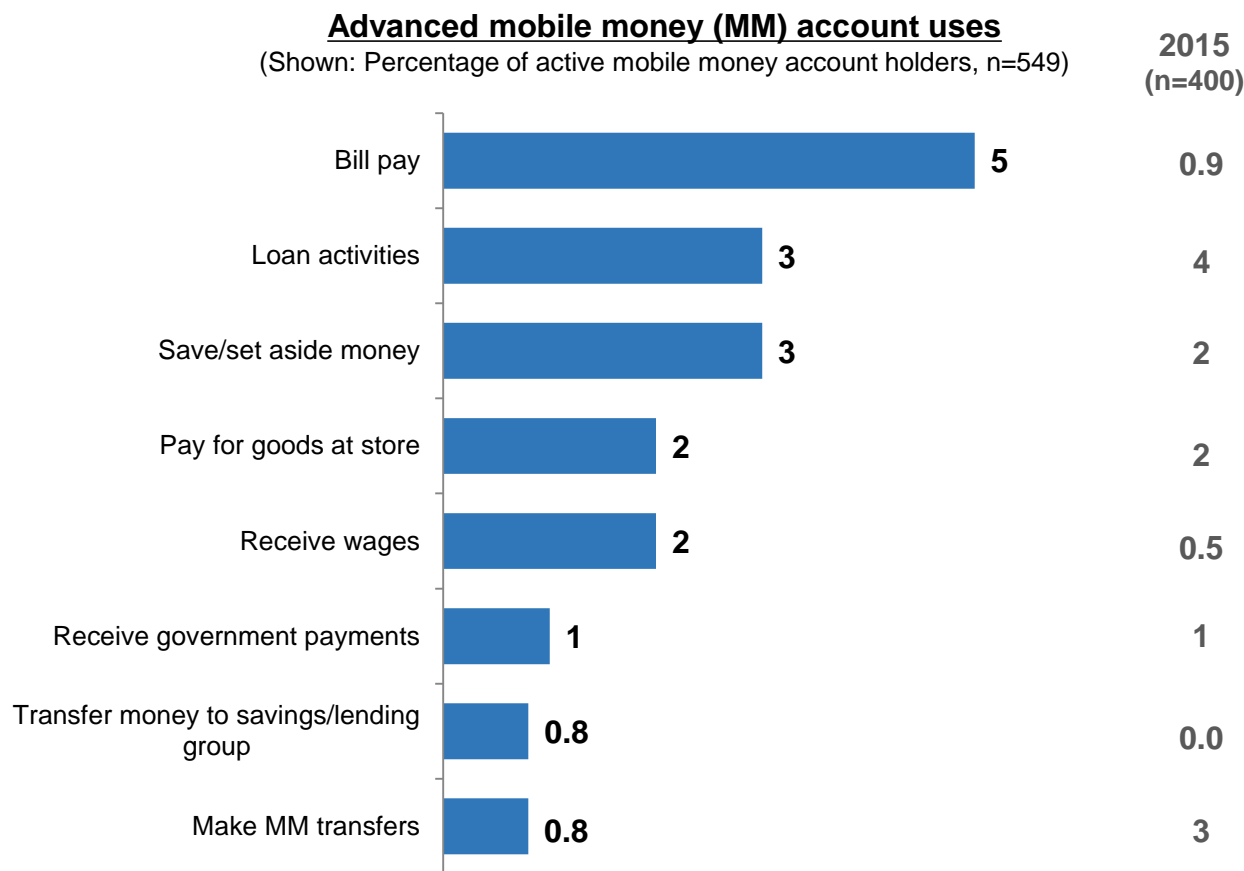
*Categories are not mutually exclusive.

Source: InterMedia Bangladesh FII Tracker surveys Wave 1 (N=6,000, 15+), September-November 2013; Wave 2 (N=6,000, 15+), June-August 2014; Wave 3 (N=6,000, 15+), August-September 2015; Wave 4 (N=6,000, 15+), August-September 2016.

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Bill pay, loan activities and saving remain the primary advanced uses of mobile money among active users

13%
of active mobile money account holders have used at least one advanced mobile money function
(vs. 13% in 2015, 7% in 2014, and 2% in 2013)



Due to the changes in the questionnaire some data points may not be directly comparable across years. Obtaining airtime through mobile money is no longer considered an advanced activity.

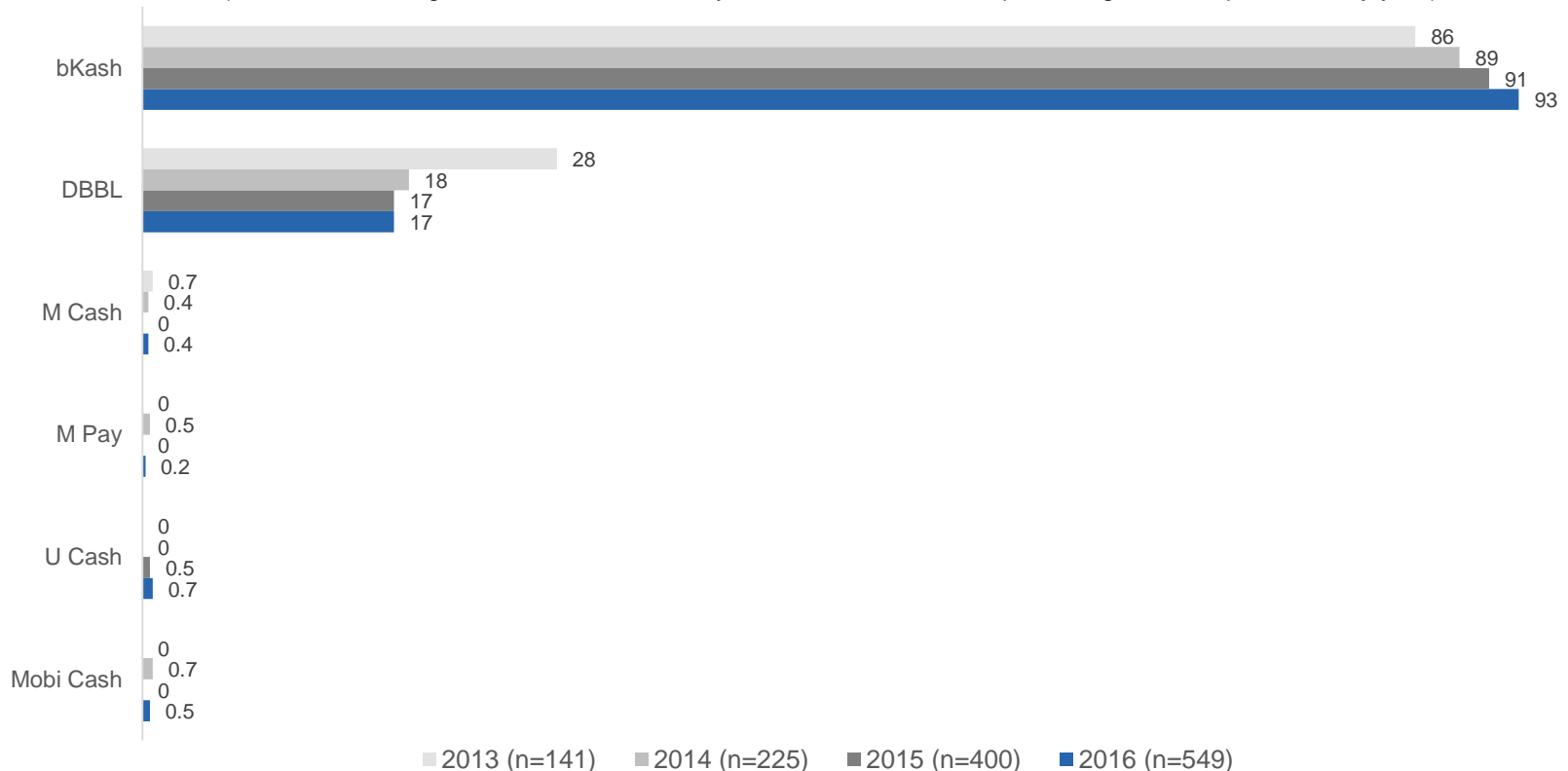
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bKash continues to dominate the market while other providers' influence wanes

Active mobile-money provider account holdings

(Shown: Percentage of active mobile-money account holders who report using selected providers, by year)



Active mobile-money account holders can have accounts with more than one provider.

Source: InterMedia Bangladesh FII Tracker surveys Wave 1 (N=6,000, 15+), September-November 2013; Wave 2 (N=6,000, 15+), June-August 2014; Wave 3 (N=6,000, 15+), August-September 2015; Wave 4 (N=6,000, 15+), August-September 2016.

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P2P drives initial use, withdrawing and depositing become the main reasons for active use

2016: Top reasons active account holders start to use mobile money

(Shown: Percentage of active mobile money account holders, n=549)

2016: Top uses of mobile money services among active account holders

(Shown: Percentage of active mobile money account holders, n=549)



Question allowed for multiple responses.

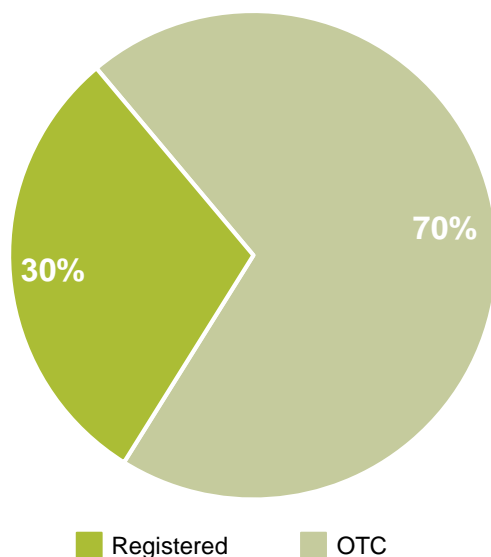
Source: InterMedia Bangladesh FII Tracker survey Wave 4 (N=6,000, 15+), August-September 2016.

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The majority of mobile money users continue to access services over-the-counter using agents to meet their needs

2016: Mobile money use: registered vs. OTC

(Shown: Percentage of mobile money users, n=2,314)



Reason for not signing up for mobile money

(Shown: Percentage of OTC users, n=1,658)

Reason for not signing up for mobile money	%
I don't need to, I don't make any transactions	31
I can have all the services I need through an agent	14
Using an account is difficult	11
I don't have a state ID or other required documents	9
I prefer that agents perform transactions for me	7
I don't see additional advantages to registration over OTC	6
I don't have enough money to make transactions with using such an account	5

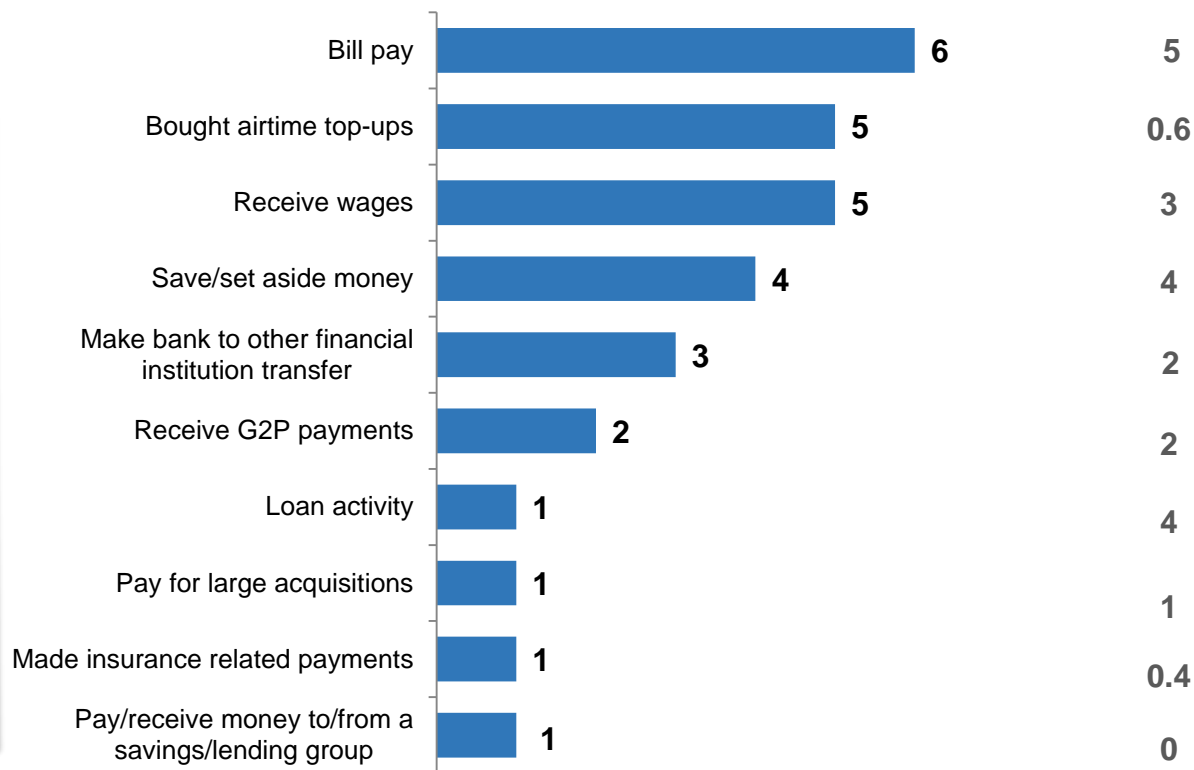
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The proportion of active bank account holders using their accounts for advanced purposes is growing

2016: Advanced bank account uses

(Shown: Percentage of active bank account holders, n=798)

2015
(n=839)



20%

of active bank account holders have used at least one advanced banking feature

(vs. 16% in 2015, 13% in 2014, and 9% in 2013)

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While the use of microfinance institutions still dominates the NBFi sector, the percentage of active MFI account holders dropped significantly in 2016 vs. 2015

2016: Nonbank financial institution usage

(Shown: Percentage of Bangladeshi adults, N=6,000)



*Base numbers too small to report for OTC use.

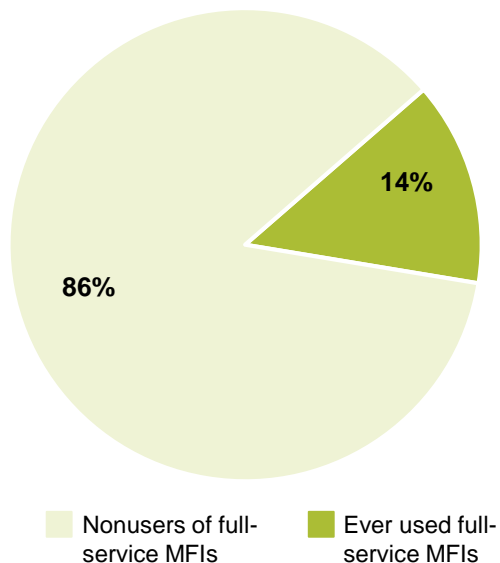
Source: InterMedia Bangladesh FII Tracker survey Wave 4 (N=6,000, 15+), August-September 2016.

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MFI use is primarily driven by deposits and withdrawals; only six percent of MFI account holders took loans in 2016 vs. 19 percent in 2015

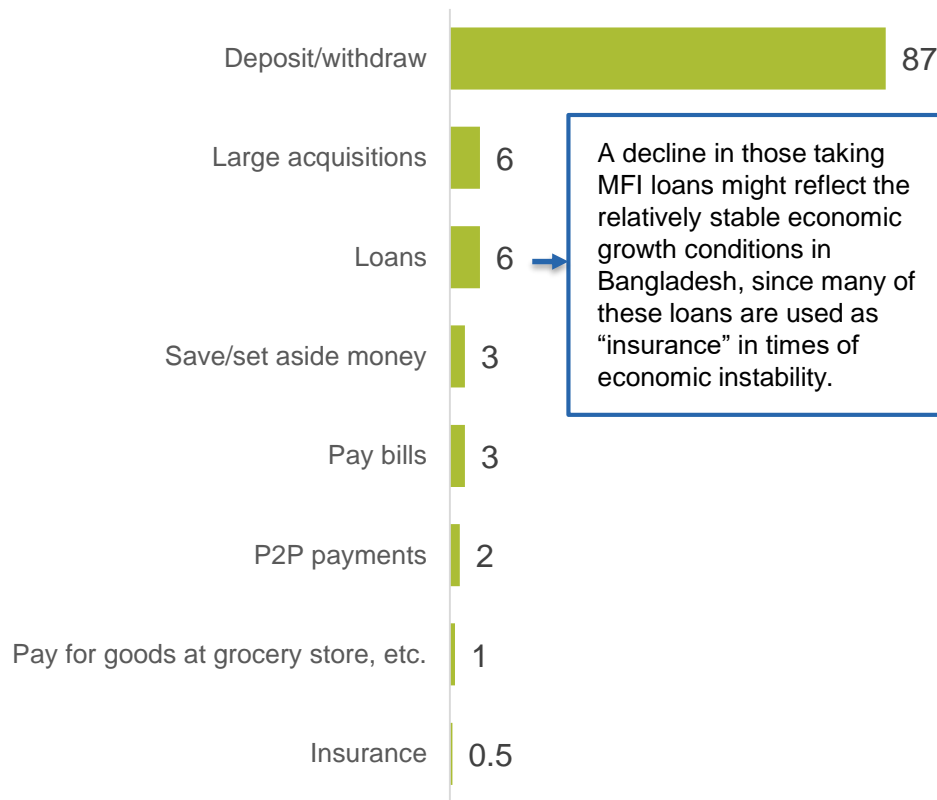
2016: Microfinance institution usage

(Shown: Percentage of Bangladeshi adults, N=6,000)



2016: Use of microfinance institution accounts*

(Shown: Percentage of microfinance account holders, n=663)



*Question allowed for multiple responses.

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Digital stored-value account ownership and the use of these accounts for more advanced functions is static with 2015

Main FSP Indicator	2015	2016	Base Definition
	%	%	
	Base n	Base n	
Adults (15+) who have active digital stored-value accounts	15%	15%	All adults
	6,000	6,000	
Poor adults (15+) who have active digital stored-value accounts	11%	11%	All poor
	4,597	4,622	
Poor women (15+) who have active digital stored-value accounts	8%	7%	All poor females
	2,546	2,599	
Rural women (15+) who have active digital stored-value accounts	7%	6%	All rural females
	2,129	2,179	
Adults (15+) who have active digital stored-value accounts and use them to access other financial services (beyond basic wallet, P2P and bill pay)	2%	2%	All adults
	6,000	6,000	
Poor adults (15+) who have active digital stored-value accounts and use them to access other financial services (beyond basic wallet, P2P and bill pay)	1%	1%	All poor
	4,597	4,622	
Poor women (15+) who have active digital stored-value accounts and use them to access other financial services (beyond basic wallet, P2P and bill pay)	1%	0.5%	All rural females
	2,546	2,599	
Rural women (15+) who have active digital stored-value accounts and use them to access other financial services (beyond basic wallet, P2P and bill pay)	1%	0.4%	All poor females
	2,129	2,179	

Digital stored-value accounts: accounts in which a monetary value is represented in a digital electronic format and can be retrieved/transferred by the account owner remotely. For this particular study, DSVAs include a bank account or NBFi account with digital access (a card, online access or a mobile phone application) and a mobile money account.

Source: InterMedia Bangladesh FII Tracker surveys Wave 3 (N=6,000, 15+), August-September 2015; Wave 4 (N=6,000, 15+), August-September 2016.

For more information, contact:

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