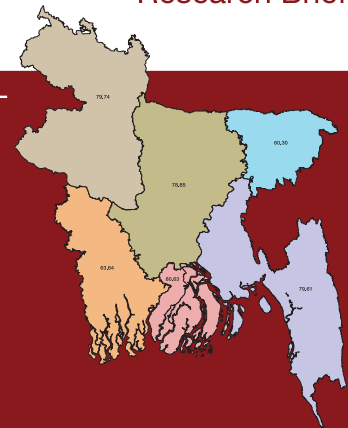


# Access to Financial Services (ATFS) in Bangladesh



## About ATFS

Finance is a powerful intervention for economic growth of any resource-constrained developing countries. Financial intermediation is the process by which finance is mobilized and used in the economy. A developed inclusive financial system will not only expedite process of resource mobilization and uses, but it will also provide financial services to anyone who would need them. Given the importance of an inclusive financial system, one needs to examine the profile of the financial system of Bangladesh and assess who has access and who does not and why. The findings of a national survey on “Access to Finance” conducted by Institute of Microfinance (InM) in 2009 and 2010 provide that insight. As the access to financial services is multi-dimensional, the findings of this survey will have implications for the Bangladesh Bank, commercial and development banks, insurance companies, micro finance institutions as well as Microcredit Regulatory Authority.

## Data

The survey covered nearly 9000 households in 63 districts of Bangladesh except Rangamati district. Structured household and village level questionnaires were used in data collection. It followed the sampling design of Household Income and Expenditure Survey (HIES) of Bangladesh Bureau of Statistics (BBS). The survey was conducted between October 2009 and April 2010. Results reported in this profile are weighted.

## Sponsor

The study is funded by UKaid of the Department for International Development (DFID) through its Promoting Financial Services for Poverty Reduction Programme (PROSPER).

## Households Profile – Key Features (Percent)

<b>Gender</b>	
Male	50.89
Female	49.11
<b>Literacy</b>	
Literate	65.69
<b>Occupation of the Household head</b>	
Service	17.2
Self-Employment	44.54
Day labor	30.4
<b>Poverty Status</b>	
Poor	32.9
<b>Ownership of Asset</b>	
Own some cultivable Land	39.42
<b>Social Characteristics</b>	
Have Access to Electricity	58.55
Have Access to Safe Water	97.93

### Definition:

Financial Services includes different types of savings, loans and insurance services

Financial Market: The financial market consists of:

- Formal Financial Market: Banks and financial institutions
- Quasi-formal Market: MFIs and co-operatives
- Informal Market: Money lenders, friends, relatives, neighbors, landlords, suppliers of trade credit, savings club etc.

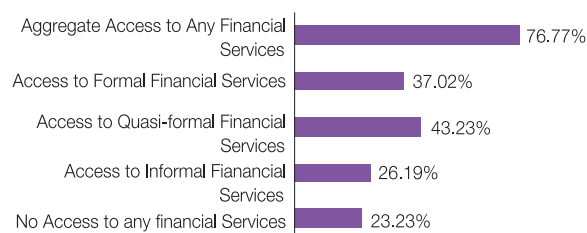
# Access to Financial Services (ATFS) in Bangladesh

## Access to Financial Services

### Access to Financial Services

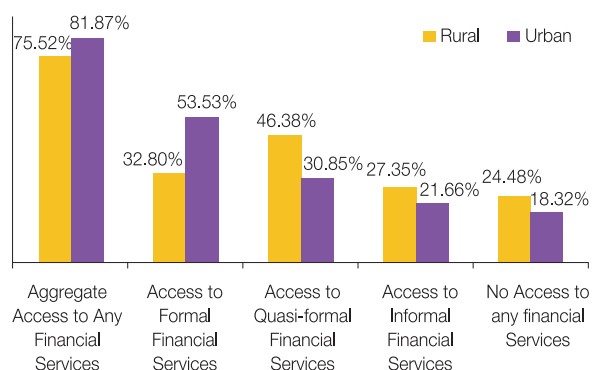
About 77 percent of the households have access to any kind of financial services (savings, credit and/or insurance services in formal, quasi-formal and informal markets).

### Intensity of Access to Different Financial Services at Aggregate



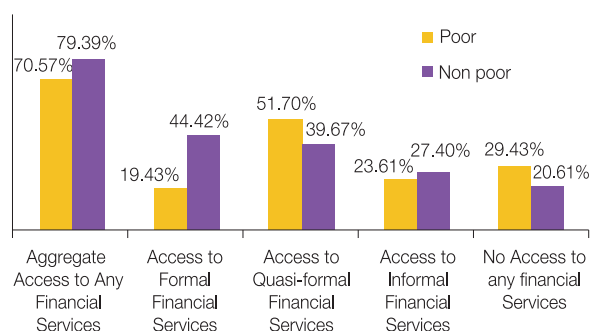
### Access to Financial Services by Region

- Urban households have more access to any financial services than the rural ones.
- Access to formal financial services is dominated by urban households.
- Rural households dominate the quasi-formal and informal financial markets.



### Access to Financial Services by Poverty Status

- Non poor households have more access to any financial services than the poor ones.
- Access to quasi-formal financial services is dominated by the poor households.
- Non poor households, on the other hand, have more access to formal and informal financial markets.



### Access to Financial Services by Division

- Barisal division has the highest percentage of households (80.63 percent) having access to financial services followed by Rajshahi (79.74 percent).
- In case of quasi formal financial services, Rajshahi has the highest percentage of households and Sylhet has the least.
- In case of formal financial services, the highest share of households having access belongs to Chittagong. Chittagong also has the highest percentage of households having access to informal services.
- Khulna has the highest percentage of households not having access to any kind of financial services.

### Access to Different Financial Services by Division (Percent)

Service	National	Division					
		Barisal	Chittagong	Dhaka	Khulna	Rajshahi	Sylhet
Aggregate Access to Any Financial Services	76.77	80.63	79.61	78.85	63.84	79.74	60.30
Access to Formal Financial services	37.02	37.91	41.65	41.05	36.64	28.70	35.52
Access to Quasi-formal Financial Services	43.23	53.30	36.14	41.42	35.35	56.17	24.70
Access to Informal Financial Services	26.19	29.25	33.59	22.17	12.03	32.11	30.57
No Access to any financial Services	23.23	19.37	21.39	21.15	36.16	20.26	29.70

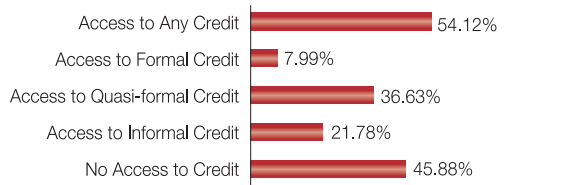
### No Access to Any Financial Services

- Nationally 23.23 percent of the households do not have access to any financial services.
- About 25 percent of the rural households have no access to any financial services. The percentage is a little less for urban households: 18.32 percent.
- Of the non-poor households, 20.61 percent do not have access to any financial services. In case of the poor households, 29.43 percent have no access to any kind of financial services.

# Access to Financial Services (ATFS) in Bangladesh

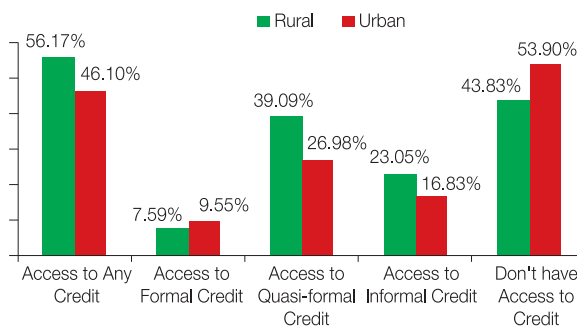
## Access to Credit

- Nationally 54.12 percent of the households have access to any credit (formal, quasi-formal and/or informal).
- Only around 8 percent of the households have access to formal credit market compared to 36.63 percent for the quasi-formal credit market. Informal credit market still dominates.



## Access to Credit by Region

- The shares of access to informal and quasi-formal credits are dominating in rural areas compared to urban areas. On the other hand, though fewer households all over the country have access to formal credit, more urban households have access to formal credit than the rural ones.
- Urban households have less access to credit in general than the rural households.



## Access to Credit by Division (Percent)

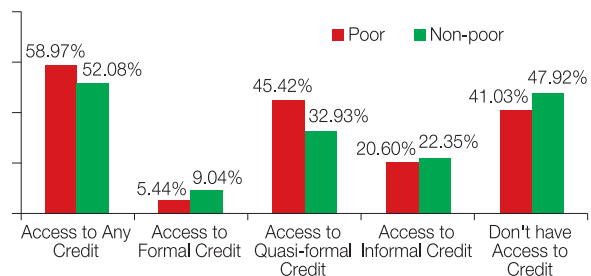
Service	National	Division					
		Barishal	Chittagong	Dhaka	Khulna	Rajshahi	Sylhet
Aggregate Access to Any Credit	54.12	66.37	48.16	50.63	41.15	68.47	45.41
Access to Formal Credit	7.99	16.73	6.51	8.09	9.38	6.96	3.91
Access to Quasi-formal Credit	36.63	50.34	24.74	33.32	31.24	51.51	23.69
Access to Informal Credit	21.78	27.05	27.81	17.32	8.70	27.95	27.19
No Access to Credit	45.88	33.63	51.84	49.37	58.86	31.53	54.58

## Some Facts about Credit Providers

- Commercial banks (both public and private) and Krishi bank have higher percentage of male as borrowers. But the percentage of male borrowers is the highest in Krishi Bank. Almost 87.59 percent of its borrowers are male.
- Grameen Bank, MFIs, co-operatives and Government Development banks have higher percentage of female borrowers than male borrowers.
- Almost two-third of the borrowers in the credit market (formal and quasi-formal together) is female. But female borrowers are mainly dominating the quasi-formal credit market with a share of 82.29 percent of this particular credit market. On the other hand, formal credit market is a male dominating market with 67.2 percent of borrowers in it.

## Access to Credit by Poverty Status

- The share of access to formal credit is almost double for the non poor households than the poor ones.
- Quasi-formal credit market has created better opportunity for the poorer households to have access to credit. Almost 45 percent of the poor households have access to credit via quasi-formal channel.
- The percentage of non poor households not having access to credit is a little higher than the poor households.



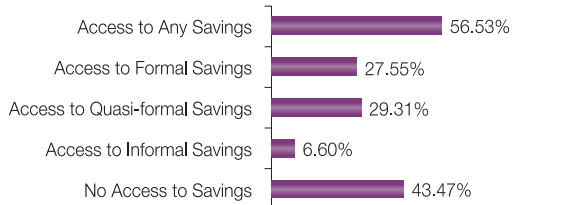
## Access to Credit by Division

- Rajshahi division has the highest access to any kind of credit and Sylhet has the least.
- Households in Sylhet division have the least access to formal credit while households in Barishal have the highest percentage of access.
- Rajshahi has the highest percentage of households having access to quasi-formal credit. Barishal is the next close follower.
- Rajshahi also has the highest percentage of households having access to informal credit. Chittagong has the second highest percentage.
- The highest percentage of households from Khulna does not have access to credit.

# Access to Financial Services (ATFS) in Bangladesh

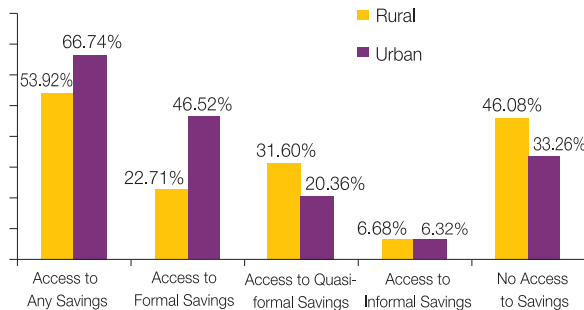
## Access to Savings

Nationally 56.53 percent of the households have access to any form of savings (formal, quasi-formal and/or informal). But the share of quasi-formal savings is the largest among the three types (29.31%), followed by 27.56 percent for formal market.



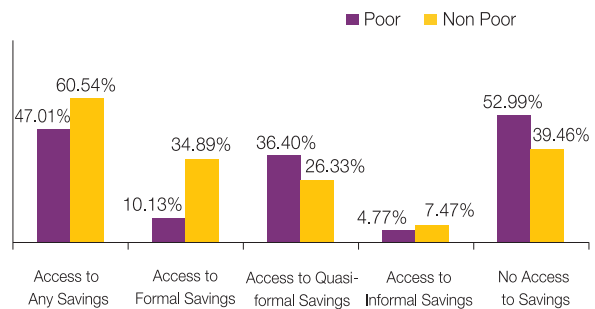
### Access to Savings by Region

- Rural market is dominated by quasi-formal savings where as urban market is dominated by formal savings. Over 31 percent of the urban households and over 22 percent of the rural households have access to formal savings.
- Over 46 percent of the rural households do not have access to savings in any market.
- Higher percentage (over 46 percent) of non-poor households have access to formal savings.



### Access to Savings by Poverty Status

- More poor households do not have access to savings compared to non-poor households.
- The access of non-poor households to formal savings is almost three times more than that of the poor households.
- Poor households have comparatively more better access to quasi-formal savings market.



### Access to Savings by Division

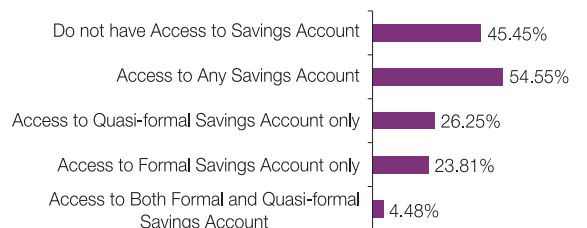
- Rajshahi has the highest share of households having access to any kind of savings. Khulna has the least.
- Dhaka has the highest percentage of households having access to formal savings.
- Highest percentage of households in Rajshahi has access to quasi-formal savings.
- Barishal has the least share of households having access to informal savings.

### Access to Savings by Division (Percent)

Service	National	Division					
		Barishal	Chittagong	Dhaka	Khulna	Rajshahi	Sylhet
Aggregate Access to Any Savings	56.53	42.52	60.43	60.78	35.50	63.97	47.83
Access to Formal Savings	27.55	20.69	32.13	33.20	20.65	21.52	29.33
Access to Quasi-formal Savings	29.31	23.34	25.97	27.96	14.35	45.18	16.53
Access to Informal Savings	6.60	2.59	8.69	6.57	4.20	7.92	4.20

### Access to Savings Account at Aggregate

- Almost 55 percent of the households have access to any sort of savings account.
- The percentage of households having quasi-formal savings account is a little higher than that of the households having formal savings account.



# Access to Financial Services (ATFS) in Bangladesh

## Access to Savings

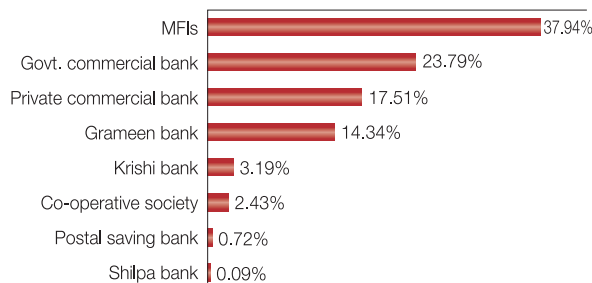
### Reasons for Keeping an Account

The most common reason for people to keep an account is to ensure that their hard earned money is kept in a safe place



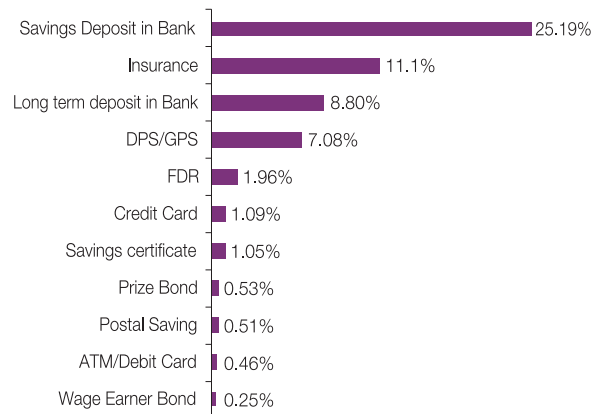
### Percentage of Households Having Access to Savings Account by Institution

- Highest percentage of households have access to savings via MFIs (37.94%) followed by government commercial banks (23.79%)
- Only 13.34 percent are female headed households have savings account with any bank.



### Usage of Financial Products

- Highest percentage of consumers use Savings Deposit as a financial product.
- The data represents that 0.46 percent of the households use ATM/Debit Card and 1.09 percent use Credit Card at National level.
- Though during the survey period, none was found to have used mobile banking, but around 19 percent are aware of mobile banking at that time. However, about 30 percent of the households are willing to get this facility. So there exists a huge demand for mobile banking



### Way of Channeling Remittance

About 73 percent of the foreign migrants send money through formal channel. About 59.84 percent of the foreign remittance comes through banks and about 13.08 percent through Western Union.

## International Comparison of Access to Microfinance and Formal Financial Services

### Microfinance Penetration across Asia

Country	Microfinance Penetration	Coverage of Poor Families
Bangladesh	43%	52%
Sri Lanka	7%	29%
Vietnam	7%	25%
Cambodia	4%	12%
Indonesia	3%	11%
Nepal	3%	8%
Philippines	2%	6%
Pakistan	1%	2%

Source: These estimates are based on country reports by local authoritative organizations: Center for Microfinance for Nepal, Pakistan Microfinance Network (PMN) for Pakistan, National Development Trust Fund for Sri Lanka.

Note: The poor household is identified using the household survey data in 2010 and so some poor households who were poor at the initial stage of membership, may have become non-poor in current year. Such transition is possible because of significant effect of microfinance on poverty reduction.

### Financial Services Penetration across Asia

Country	Formally Served	Access to Financial Services
Bangladesh	37.2%	76.77%
Nepal	52.3%	80.4%
Pakistan	14%	50.5%

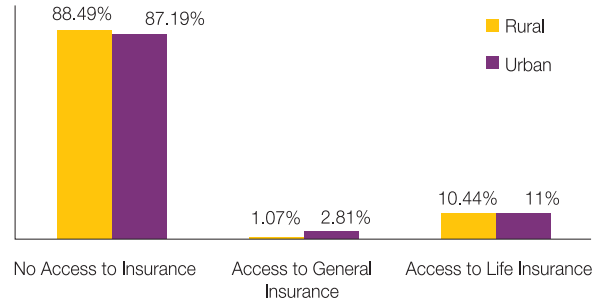
Source: RFAS 2003. The figures of Nepal and Pakistan were collected from the study of financial services in these countries. The figure of Bangladesh is obtained from household survey data in 2010.

# Access to Financial Services (ATFS) in Bangladesh

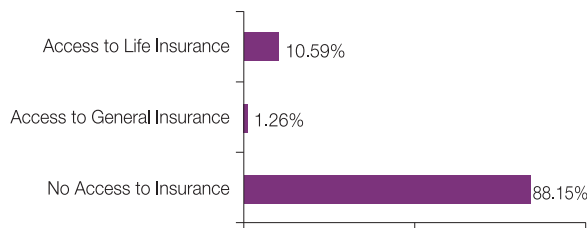
## Access to Insurance Services

- 11.1 percent of the households have access to insurance services at aggregate.
- Typically, insurance is divided into two broad categories: Life insurance and General insurance. Life insurance is the most popular type among the insurance services. Among the total respondents of 8936 households, 10.59 percent have life insurance.
- A little over 16 percent of the households are aware of the insurance as a risk mitigating strategy, Female headed households, more educated people and the households in higher income group are more aware than the others. About 85 percent of the uninsured households are willing to buy insurance.

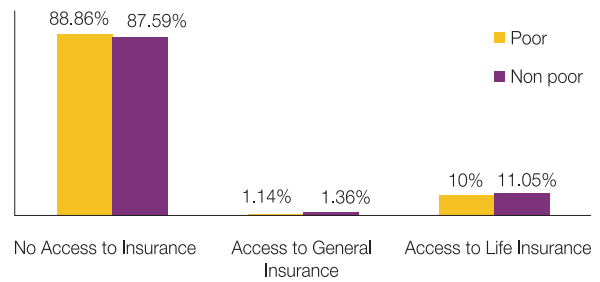
### Access to Insurance by Region



### Access to Insurance at Aggregate



### Access to Insurance by Poverty Status



## Market Overlapping of Financial Services

So far we have considered access of financial services at different markets individually. But these markets have overlaps between them. The following diagram shows the share of any financial services with different combinations of the markets

