

10 Facts on Financial Inclusion in Bangladesh

For the policy makers and development practitioners, Bangladesh provides an interesting example of both an inspiration and a challenge. High economic growth, especially in the 2000s, along with a rapid reduction in poverty, has significantly transformed Bangladesh from a country which was termed as a 'test case of development' after its independence in 1971 to one that is now considered as a 'role model' of development. The country has also been leading the way in financial inclusion, mainly through mobile financial services and alternate banking channels, such as agent banking.

While Bangladesh has made significant progress in accelerating financial inclusion, challenges remain on both the access and usage fronts. The demand for technological disruption in the financial sector is all the more acute, given that around 50 per cent of Bangladeshis still remain unbanked. The following are ten facts about the current state of financial inclusion in Bangladesh.

Fact 1: Bangladesh is one of the world's most densely populated countries, with 165.16 million people in 2022 living within a relatively small landmass of 148,460 km².

Nearly 68 per cent are rural population; the national share of mobile phone users (age 5 and above) is nearly 56 per cent; among males it is 67 per cent and among females 46 per cent. The share of internet users among the population is 31 per cent; among males it is 38 per cent and among females 24 per cent.

Source: BBS, Preliminary Report of Population and Housing Census 2022.

Fact 2: BThe rapid growth of Digital Financial Services (DFS) is driven by Mobile Financial Services (MFS) and agent banking.

65 per cent of men have a formal financial account while the share of such women is 36 per cent. In 2021, 30 per cent of Bangladeshi adults aged 15 and above used mobile money accounts for saving, 15 per cent to pay insurance premiums and 14 per cent to get a loan. When compared with pre-pandemic times, 32 per cent adults more frequently used mobile money accounts for savings and 22 per cent with no change in frequency.

The GSM Association (GSMA) has developed the Mobile Money Prevalence Index (MMPI) to provide additional insights on the state of mobile money for the mobile money and tech industries, academia and international organisations, while protecting industry data. On this index, Bangladesh's overall score was between 0.60 and 0.79 for prevalence of mobile money which was categorised 'high'.

On this scale, South Asian country India scored less than 0.19 which was categorised 'very low' with Egypt and Pakistan in the medium category, scoring between 0.40 and 0.59. African countries Senegal and Kenya were placed on the 'very high' category, with score more than 0.80 on the MMPI.

With 18 companies that offer mobile money services and 17 banks that offer agent banking, nearly 92 per cent of

the population now lives within 5 kilometers of a financial sector access point.

Source: GSMA State of the Industry Report on Mobile Money 2022 and Bangladesh Bank FII Tracker Survey

Fact 3: Bangladesh now accounts for more than 8 per cent of the total mobile money accounts worldwide.

Source: Country Focus Note: Bangladesh by MicroSave Consulting (MSC)

Fact 4: While there is access to different financial service channels, not everyone utilises them.

Around 77 per cent of the households had access to any financial services in Bangladesh. However, the access to formal financial services is only 37 per cent and that to quasi-formal finance is 43 per cent. A total of 26 per cent of the households have access to informal finance.

Source: Survey on Impact Analysis of Access to Finance in Bangladesh, Bangladesh Bank, 2019.

Fact 5: In fact, there is a wide gender disparity in the utilisation of financial services.

64 per cent of the unbanked in Bangladesh comprise women.

Source: Global Findex Database (2017)

Fact 6: Less than 25 per cent of the population saves money, of which only 8 per cent saves at a formal financial institution.

Source: Country Focus Note: Bangladesh by MicroSave Consulting (MSC)

Fact 7: Bangladesh ranks at 85 out of 137 globally in terms of the ease of access to loans.

Less than 50 per cent of the population avails credit, of which less than 20 per cent avails credit from formal financial institutions.

Source: Country Focus Note: Bangladesh by MicroSave Consulting (MSC)

Fact 8: Digital financial services (DFS) hold an immense prospect for greater financial inclusion and expansion of basic services to the unbanked. Yet barriers remain that must be overcome.

DFS is a powerful channel for making financial

services reachable to the poor at lower cost and lower risk. It is undoubtedly a worthy goal, but industry stakeholders must solve the following barriers to achieve it:

- There is a strong preference for cash and a lack of awareness of DFS and a lack of trust in it.
- Complex processes and user interfaces coupled with a limited trust in and understanding of technology for financial services has marred the uptake and regular use of DFS among low- and moderate-income customers.

Source: Country Focus Note: Bangladesh by MicroSave Consulting (MSC)

Fact 9: The opportunities to access financial services are more common than ever.

- 85 million (70 per cent) unique mobile subscribers in Bangladesh.
- 90 million (75 per cent) active Internet connections in Bangladesh.

By utilising the high percentage of Internet users and mobile subscribers, DFS players can use technology to offer innovative financial services to the last-mile customers.

Source: GSMA Bangladesh Report (2018), Bangladesh Telecommunication Regulatory Commission.

Fact 10: The road ahead: Pursuing financial inclusion going forward

While basic access to banking services and products remains a challenge in Bangladesh, the government has shown firm commitment through conducive policies that aim to advance financial inclusion.

Bangladesh has adopted the National Financial Inclusion Strategy Bangladesh (NFIS-B) in 2021 covering the period of July 2021 to June 2026, which aims to pursue a 'Journey towards Sustainable and Impactful Financial Inclusion through Digitization and Innovation' with a strategic vision of "An

integrated financial system supportive to rapid and inclusive development of the country’s potential sectors, be accessible and responsive to the needs of the population such that they can regularly use financial products and services to manage their cash flows and needs of livelihoods, and mitigate shocks as needed at individual, household and enterprise levels” along with following three core dimensions:

- i. All adults have individual, full-service, safe and secure regulated financial service account facilitated by technology.
- ii. Each account holder has access to electronic financial service points within reasonable distance having cash deposit, withdrawal and transfer facilities in a secure environment and at reasonable costs.
- iii. All households and businesses including overseas migrant workers along with their families and Non-Resident Bangladeshis (NRBs) have convenient access, at reasonable costs, to appropriately regulated : (i) a full range of credit and other financial services products; (ii) appropriate deposit and investment products; (iii) a range of insurance (including micro insurance) and risk management products; and (iv) legally protected rights to be offered for appropriate financial products and services by the providers and the right to make informed decisions.

All of the country’s people will be financially included by 2026!

Source: National Financial Inclusion Strategy 2021, Ministry of Finance and Bangladesh Bank.

These statistics show that Bangladesh represents an ideal environment for the expansion of DFS The rise of mobile phones, mobile banking, and alternate banking channels like agent banking have reformed the landscape notably to offer a comprehensive range of new opportunities.

The key will be to adopt a vision that everyone needs access to the right financial tools to achieve their goals and improve the financial health of the low- and moderate-income (LMI) segments through interventions at both demand- and supply-sides.

The need will be to leverage digital technology and generate significant insights into LMI people’s needs, aspirations and behaviours in order to build and deliver financial services for the mass market. LMI people lack access to formal financial services and hence, have to struggle to manage their limited resources and cash flows.

FIN-B Publication



Vol: 05, Issue: 01
Date: June 2022



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an initiative of InM



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