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Institute for Inclusive
Finance and Development (InM)

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InM Research

Financial Inclusion and SDGs: Bangladesh Context



Building on the achievements of the Millennium Development Goals (MDGs), the world community has adopted the 2030 Agenda for Sustainable Development in 2015. The agenda contains 17 Sustainable Development Goals (SDGs) and 169 associated targets. The SDGs focus on five themes--people, planet, prosperity, peace, and partnership. The goals combine all three dimensions of sustainable development covering economic, social and environmental aspects. As UN Secretary General Ban Ki-Moon puts, 'the new agenda is a promise by leaders to all people everywhere. It is an agenda for people, to end poverty in all of its forms--an agenda for the planet, our common home.'

A major challenge relating to SDGs in Bangladesh is to put in place effective measures to mobilise resources, capitalise on new financing sources, channel more resources to development activities from private and business sectors using innovative social development models, and re-design the financial markets to ensure financial inclusion for the poor and other financially excluded groups and businesses.

Empirical evidence from Bangladesh strongly suggests that access to financial services enables individuals and businesses to meet unexpected fluctuations in income, smooth cash flows, accumulate assets, and scale up productive investments. Overall, financial inclusion ensures better use of resources and better access to services that ensures higher quality of life. For the government, financial inclusion is an important enabler of development. Considering the universal role of financial inclusion across all nations, improving access to financial services is identified as a cross-cutting target and explicitly recognised in the SDGs. Increasing financial inclusion ensures that formal financial services such as loans,



deposit and saving accounts, payment services and insurance are readily available to households and businesses that they can use these actively and effectively to meet their specific needs. Greater access to financial services is a key enabler for many of the SDGs especially for SDGs1 (no poverty), 2 (zero hunger), 3 (good health and well-being), 4 (quality education), and 10 (reduced inequalities) for households; small and medium enterprises in terms of SDGs5 (gender equality) and 8 (decent work and economic growth) as well as for SDG9 (industry, innovation and infrastructure) and SDG13 (climate action).

Financial inclusion means that all individuals and businesses have access to a full range of useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – and are delivered in a responsible and sustainable manner. For Bangladesh, financial inclusion should be comprehensive having at least five dimensions: (i) access to a full range of financial services including credit, savings, insurance, and payments; (ii) financial services are affordable and suitable to the clients and delivered with quality and convenience ensuring dignity and client protection; (iii) clients are capable of making informed and good finance-management decisions; (iv) financial services are available to all who like to use financial services keeping no one excluded and underserved; and (v) there exists a range of providers, a robust financial infrastructure, a clear regulatory framework, and financial services are provided as per the client's choice through a diverse and competitive financial market.

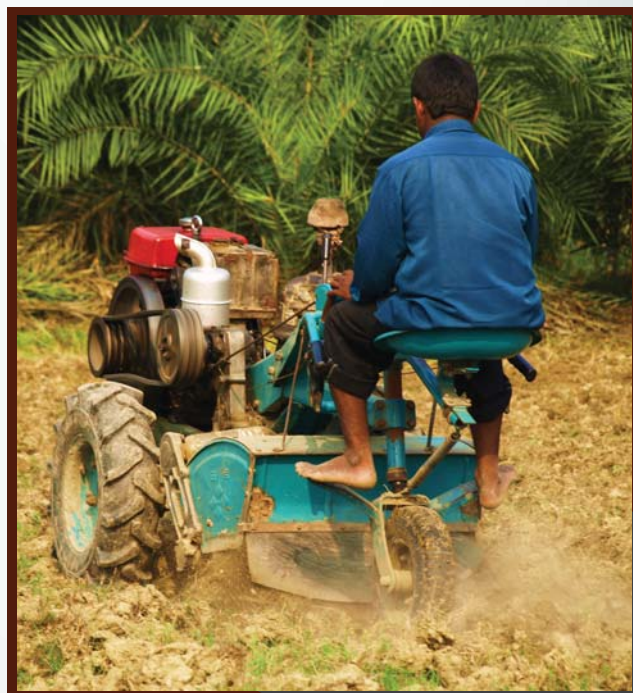
Research in Bangladesh shows that access to financial services can help achieve the SDGs. Financial inclusion facilitates elimination of extreme poverty (SDG1) by helping the poor people to take control of their economic lives through removing the poverty traps that force people to remain poor. Financial services help the poor people to make investments and manage unexpected emergencies; savings enhance their ability to absorb financial shocks, smooth consumption, accumulate assets and invest in health and education; and help the poor to move out of poverty. Digital financial services help individuals to receive remittances safely and quickly along with financial help from relatives and friends during times of crisis. By reducing poverty, financial inclusion also helps in curbing income inequality.

In Bangladesh, small farmers who have access to financial services invest more in agricultural production than those having no access. This leads to rapid progress in reducing hunger and promoting food security (SDG2). Access to agricultural credit and insurance enables small farmers to make more and riskier investments which also lead to increased earnings for the poor farmers. Digital financial services facilitate distribution of wages, subsidies, social transfers and other benefits to small and tenant farmers and agricultural workers; facilitate better information sharing and support extension services; create opportunities to develop closer interactions with other value chain participants; and save travel time and costs on the part of these poor farmers.

Research in Bangladesh highlights that health related shock is a major determinant of the vulnerability of the poor households and high out-of-pocket expenses on health care are a major reason for the persistence of poverty of many households. Health shocks result in high drainage of their meagre resources; force them to borrow at high costs; and suffer income losses. For achieving good health and well-being (SDG3), saving products can be an important tool in managing medical expenses while micro-health insurance can provide an important avenue for mitigating health related emergencies.

For fostering quality education (SDG4), access to financial services enhances the poor's ability to invest in learning opportunities and manage education expenses. In particular, financial inclusion of women contributes greatly to promoting gender equality (SDG5) through a number of channels such as economic empowerment and greater control over their finances. Digital financial services make it easier for women-owned businesses and women entrepreneurs to access information and markets and help to lower costs and risks of theft and losses.

Access to infrastructure, in particular water and sanitation (SDG6) and energy (SDG7), is vital to improving the quality of life of the people of Bangladesh. Financial inclusion, especially innovations in digital financial services, significantly increases the access to these essential services by using better technologies, lowering transaction costs and opening up a range of payment options.



For promoting shared economic growth (SDG8) in Bangladesh, financial inclusion is a pre-condition since if the poor and disadvantaged groups remain financially excluded, the foundation for shared growth will be weak and unsustainable. Similarly, for promoting innovation and sustainable industrialisation (SDG9), Bangladesh needs to ensure easy access to credit and other financial services for boosting investments. According to BBS Economic Census 2013, of the country's 7.8 million enterprises, only 5,300 are large while the vast majority is formal and informal micro, small and medium enterprises (MSMEs). According to InM Microenterprise Diagnostic Survey 2016, most of these enterprises cite limited access to financial services as one of their main constraints to growth and development. The study also reports that credit enhances business start-ups and expansion. Access to financial services allows more entrepreneurs to come forward and innovate, and more enterprises to start creating the foundation for sustainable industrialisation in Bangladesh.

The success in financial inclusion ensures both economic and social prosperity for all making it easier to reduce inequality (SDG10) and promote peace, justice and strong institutions (SDG16). Bangladesh's policy framework treats finance as a powerful tool of economic growth and future prosperity; and access to finance for the poor is seen as essential for promoting inclusive economic growth and eradicating poverty. In Bangladesh, **financial inclusion works as both pro-growth and pro-poor**. Since the country's aim is to achieve 'a happy, prosperous and enlightened Bangladesh which is free from hunger, poverty, inequality, illiteracy, and corruption and belongs completely to its citizens and maintains a healthy environment (General Economics Division, Planning Commission, National Sustainable Development Strategy 2010-21, 2013), access to finance is an important pre-condition for development. The Seventh Five Year Plan (2016-2020) aims to implement 'continuous reforms ranging across financial sector policies, financial infrastructure, regulatory and supervisory institutions....for expanding access to financial services to the underserved including micro and household enterprises now operating in the informal market and deepen the financial markets with introducing relevant products'. It is safe to conclude, on the basis of available evidence and past experience, that financial inclusion will bring many of the SDGs within reach of Bangladesh.



Research Collaboration with JICA



In October 2016, InM has initiated a new project on 'Financial Inclusion of Vulnerable Segment in Bangladesh' with support from the Japan International Cooperation Agency (JICA). Bangladesh's development strategies treat financial inclusion as a powerful accelerator of economic growth and development and an effective means for achieving the SDGs. Over the years, despite substantial expansion of bank branches and increase in the membership of banks and MFIs, a significant share of the country's adult population is still financially excluded.

One of the greatest needs of these populations is improved access to financial services—not just loans, but savings, insurance, payments, pensions, and other products. While there are pockets of large excluded population in the urban areas, the rural areas contain most of the financially excluded population. Significant efforts are needed to build truly inclusive financial systems in the country.

Beginning with the premise that financial inclusion is both pro-growth and pro-poor, the study will analyse the characteristics of the landscape of financial services in Bangladesh and examine the financial inclusion issues in three separate but interrelated areas employing a comprehensive framework : (i) financial inclusion for disaster and climate resilient households and communities; (ii) financial empowerment for vulnerable street and working children/youth; and (iii) developing and implementing inclusive insurance in Bangladesh.

SC Meeting of JICA Project Held

The first Steering Committee (SC) meeting of the JICA-funded 'Financial Inclusion of Vulnerable Segment in Bangladesh' project was held on 30 November 2016 with Dr. Qazi Kholiquzzaman Ahmad, Chairman InM in the Chair. Other participants included Mr. Md. Abdul Karim, Managing Director PKSF; Dr. Mustafa K Mujeri, Executive Director InM; Mr. Hitoshi Ara, Senior Representative, JICA Bangladesh; and Mr. Khondkar Morshed Millat, Deputy General Manager, Green Banking, Sustainable Finance Department, Bangladesh Bank. Professor Kazuto Tsuji, Senior Adviser JICA and Mr. Hadeyuki Mori, President IGES joined the meeting from Tokyo through video conference.



Workshop on FEI of Working and Street Children/Youth

InM organised a workshop on Financial Empowerment and Inclusion (FEI) of Working and Street Children/Youth on 20 November 2016. The workshop was attended by representatives from a number of organisations including Bangladesh Bank, Save the Children, different commercial banks, leading MFIs and Aparajeyo Bangla (an NGO working for street children). The workshop dealt with issues related to problems and prospects of financial inclusion of street children/youth in Bangladesh. Dr. Mustafa K Mujeri, Executive Director, InM presided over the workshop.



Designing Appropriate Financial Products for Climate Vulnerable People

Bangladesh is one of the most vulnerable countries to climate change in the world. People living in different regions especially in the coastal areas are already severely affected from the adversity of climate change. Climate change results in unexpected changes in several natural conditions including prolonged draughts, frequent floods and cyclones and increasing level of salinity in the coastal areas. The adverse impact of climate change affects the poor most as the poor people have limited ability to cope with such adversities. Since climate change is inevitable, it requires increasing adaptability and resistant building capacity among the climate vulnerable people and communities.

Emphasising the need for appropriate financial products for the climate distressed people, the study on 'Financial Inclusion for disaster and climate resilient households and communities' aims to design appropriate intervention package and delivery mechanism to build resilience against climate change adversity. The study is being conducted in 12 districts of Barisal and Khulna divisions –districts that are most vulnerable to adversity of climate change. The design utilises local adaptation networks and alternative institutional and operational arrangements. Customised and flexible loan products will be designed based on the need of climate vulnerable households. The study will design effective micro-insurance products for household dwellings and income generating assets. Financial products will be complemented with training and community based environmental literacy.

Financial Empowerment for Vulnerable Working Street Children/Youth



The journey of Ruma Akhter, aged 14, is incredible. As a baby, she was left in a rubbish bin and she started living on the street from age 5. Now, at age 14, she has a home, a job and a savings worth Tk.70,000.

Ruma Akhter (not her real name) works as a 'child expert' in a shelter home of an NGO that works to protect the rights of children. She used to work in a flower shop before coming to the shelter home. Being motivated by the NGO activities, she started to save small amounts with the Children's Development Bank of the NGO with the hope of building and securing a better life. Like Ruma Akhter, many children lack a secure place to keep their meagre savings. Some of the children deposit the savings with their employers or known elders, but often these children are cheated or exploited when they want back their money. At times, this encourages the children to spend rather than save as the savings are not secured. In 2014, Bangladesh Bank (BB) enabled the scheduled banks to provide working and street children with access to a bank account with support from NGOs. The savings accounts could be opened with participating banks for as little as Tk. 10. This forms a part of BB policies for extending financial inclusion programme to marginalised children.

This study explores the current status of financial empowerment and inclusion (FEI) of vulnerable street children/youth in Bangladesh along with providing an in-depth assessment of the present BB initiatives of providing these children with access to bank accounts through participating banks and NGOs. In this context, the study examines the hypothesis that providing street children with access to banking services can be most effective when the service is provided within a package of complementary services such as financial literacy, communication skills and mentoring.

Developing and Implementing Inclusive Insurance in Bangladesh

For moving out of poverty in a sustainable manner, the critical challenge for the poor is to acquire and accumulate productive assets that create sustainable sources of raising household income and generate a virtuous cycle of improving well-being of household members. While, the government and non-government efforts have brought significant success in these efforts, major setbacks in the asset accumulation process are also observed especially due to unforeseen natural disasters and manmade shocks resulting in death of earning members and destruction of meagre accumulated assets of poor households, often pushing them into deeper poverty. In Bangladesh, households recurrently face various types of adverse shocks and can cope with these shocks well if they have access to formal insurance mechanisms.

As formal insurance industry is still less developed in Bangladesh, poor households often resort to informal mechanisms to cope with these shocks including borrowing from friends and moneylenders, selling productive assets such as livestock, cultivable land and selling other properties. In such circumstances, the poor households are forced to reduce their consumption which threatens their food and nutrition security and constrains their ability to improve their social and economic welfare.

In order to ensure inclusive development of a poor-friendly micro insurance (MI) sector in Bangladesh and promote sustainable expansion of on-going and new MI programmes, PKSf plans to establish the 'Inclusive Insurance Unit' (PKSF-IIU) under its core programme for implementing MI activities. The present research will identify and estimate important parameters for developing inclusive MI products, and design their implementation modalities by the proposed PKSf-IIU. This study specifically focuses on two MI products: micro health insurance and property micro-insurance, which have been selected in consultation with PKSf.



Empowering People with Disabilities through Inclusive Finance

In our society, people with disabilities in most cases live with painful discrimination in all areas of life on a daily basis. Besides financial, psychological and emotional ramifications, their experience is extremely disempowering. According to the United Nations, people living with disabilities make up the largest minority group in the world and account for around 10 percent of the world's population. If we add in those living with hidden disabilities, the figure would be considerably higher. For these people, the key is to empower and provide them with the skills and opportunities to work and to contribute to society.

Disability is increasingly being addressed as an issue of mainstream development rather than as a matter of separate programmes and charity. This follows the recognition that people with disabilities are citizens with equal rights, who given the opportunity, are able to contribute economically and socially to their households and communities like other citizens.



In Bangladesh, the number of population, both male and female, with disability is rising. Already, the number is high enough to merit special attention. A study by the World Bank and World Health Survey reports that there are about 16 million people with disabilities in Bangladesh—a staggering 10 percent of the country's population. The prevalence of disabilities in children below 18 is estimated at 6 percent and for the age group above 18, the prevalence rate is about 14 percent. This shows that there are about 3.4 million children with disabilities and 10.2 million adults with disabilities (the remaining ones are autistic). Needless to say, people with disabilities live in extreme discrimination, are socially marginalised, and do not have access to basic social services.

Bangladesh adopted the Rights and Protection of Persons with Disabilities Act in 2013. It approaches disability from a human rights perspective and provides for inclusive education, the reservation of seats on all forms of public transport, accessibility provisions for all public places, equal opportunities in employment and the protection of inherited property rights. The law requires persons with disabilities to register for identity cards to track their enrolment in educational institutions and access to jobs.

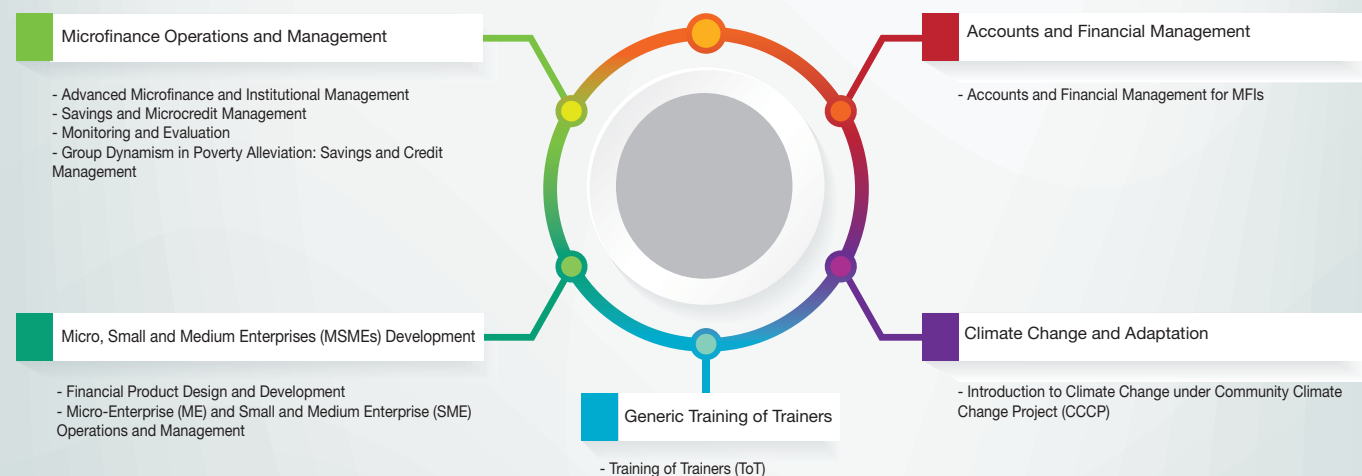
Although women and children with disability constitute a large proportion of our population, very little information is available about their characteristics, the constraints they face in their daily lives and the quality of life they enjoy. The government has limited programme interventions in addressing issues related with disability and for the disabled. In recent years, a number of organisations in the non- government sector have come up with programmes and projects for the benefits of the disabled. However, organisation run by the disabled dealing exclusively with disability issues is yet to emerge. There is evidence to suggest that people with disabilities, including children and women, often lag well behind national averages of progress on SDG targets due to various social, cultural and economic barriers. People living with disabilities are entitled to government support, but most programmes have limited coverage and scope; and are mostly restricted to urban areas. Moreover, the issue of disability remains least integrated into general development programmes. A few MFIs have also moved to provide assistance to people with disabilities and has involved themselves with the inclusive finance activities with success. They are not only helping these disadvantaged populations to be self-reliant but also linking them with market based activities. InM, as an institution aiming to promote a poverty free world and create a society where human dignity of all people is ensured along with no discrimination, has started documenting, under its Inspiration programme, case studies on innovative, replicable and successful MFI programmes that contribute to changing the society in different ways.

After collecting information in collaboration with the involved MFIs, InM organised an in-house discussion meeting under the Inspiration programme on 16 October 2016 to chart out the future course of action relating to successful intervention on empowering people with disabilities. Ms. Sifat-E-Azam, Deputy Director, Knowledge Management made a presentation on innovation and good practices of selected MFIs in inclusive finance related activities in relation to people with disabilities.



Training and Capacity Development Activities

For meeting training and capacity building needs of MFIs, InM organises regular training programmes for PKSf Partner Organisations (POs) in collaboration with PKSf. A total of 658 participants successfully completed their training courses during the period of September to December 2016. The training covered a number of MFI operational areas including:



Final Results of 5th Batch Diploma Published

The final results of the 5th batch Diploma participants was published in December 2016. Out of a total of 22 participants, 20 participants earned the Diploma. The successful participants will be awarded Diploma Certificate formally in a ceremony shortly.

Final Examination Held for 6th Batch Diploma Participants

The final examination of the 6th batch participants of the InM Diploma programme has been completed in December 2016. A total of 13 participants completed the certificate courses with success. The successful participants are currently undergoing internship programme which is likely to be completed in January 2017.

InM Re-designs Diploma Programme

InM has started improving the Diploma programme using an assessment survey conducted in October 2016 among past participants and MFIs. Based on the results and recommendations, InM has prepared an action plan for phased implementation. The short-term recommendations have already been incorporated in the Diploma programme and Education Division is working on implementation of remaining ones in phases.

Diploma Course Materials Published in Bangla

For raising effectiveness of the Diploma Programme, the abridged version of all Diploma course materials has been published in Bangla in November 2016. Separate publications for all six certificate courses will be distributed to the participants of future batches.



Exposure Visit of CAM



At the invitation of InM, China Association of Microfinance (CAM) organised an exposure visit for a 13-member Chinese Delegation comprising senior professionals during 24-29 September 2016 to InM and Bangladesh. During the period, the delegates also visited PKSF, Grameen Bank, BRAC, ASA, and bKash and observed field level operations of selected institutions. Among others, Mrs. Zhang Rui, Chief of Division of People's Bank of China; Mrs. Zhang Chenghui, Director General of Financial Research Institute (FRI); and Mr. Zhang Bin, Vice Chairman of Harbin Bank Co. Ltd. accompanied the Delegation. Dr. Mosleh Uddin Sadeque, Director (Training), coordinated the programme.

ME Report Handed Over

Mr. Chris August, Team Leader of the Business Finance for the Poor in Bangladesh (BFP-B) Project of DFID formally handed over the final report and the policy brief (written both in Bangla and English) on 'Diagnostics of Microenterprise Lending by MFIs in Bangladesh: Opportunities and Challenges' to Mr. Md. Eunusur Rahman, Secretary, Bank and Financial Institutions Division, Ministry of Finance and Mr. Amalendu Mukherjee, Executive Vice-Chairman of Microcredit Regulatory Authority (MRA). The reports have been prepared by Institute for Inclusive Finance and Development (InM).



International Conference Centre in Cox's Bazar

InM has taken initiatives to renovate its International Training Centre in Cox's Bazar into a modern International Convention and Training Centre along with well-equipped dormitory and other facilities. The Centre will be developed jointly by InM and Integrated Development Foundation (IDF). The physical work is expected to begin in 2017.



Policy Paper

Diagnostics of Micro-enterprise Lending by MFIs in Bangladesh: Opportunities and Challenges



InM Highlights 2016

InM Activities of 2016



Sponsorship Opportunities

Under the InM's 'Deepening Knowledge on Inclusive Finance in Bangladesh (DKIF-B)' Programme, InM undertakes a series of activities including research and database development starting from 2016. Under the Programme, sponsorship opportunities are offered. Interested government agencies, banks, financial institutions, microfinance institutions, corporate bodies, and other organisations are requested to contact: Coordinator, DKIF-B, InM; email: info@inm.org.bd.

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