FIN-Biz
Finance for All
Issue 5 I June 2020

Agent Banking Accounts Double in a Year
Going Cashless?
S-Commerce: Catalyst for Women's Financial Inclusion
G20 Principles for Financial Inclusion
Financial Inclusion in Action

A Cashless Economy:
Winners and Losers

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A Publication of Institute for Inclusive Finance and Development (InM)

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FROM THE EDITOR

We all are familiar with the phrase: ‘Cash is King’. But things are changing rapidly in this era of rapid technological progress and digitisation of financial services. Digital payments, once born out of convenience, have rapidly been emerging as a necessity. Yes, there are still some people who hoard cash, but others see no point in this. Luckily, we live in a time where much of the infrastructure needed for an online purchase is already in place. This may not have been possible even ten years back.

During this COVID-19 pandemic, when WHO advised that people turn to cashless transactions to fight its spread, things have started to change faster. In China, thousands of banknotes were destroyed or disinfected to eliminate the spread of the virus. In the US, the FRS started storing banknotes that had come in from Asia before recirculating them back into the economy. Rumours exist that some Canadians have been shoving banknotes into washing machines to rid them of the virus – taking advantage of the fact that their paper money is made of plastic.

Experts agree that payment volumes are down across the board in this crisis. But they also agree that the number of digital transactions relative to physical cash transactions will soar with lockdown. This could be the push needed to become truly cashless!

Most people have access to a smart phone – which can also act as a digital wallet – and several central banks across the world are thinking about introducing digital currencies. This is how we can boost financial inclusion and support the most vulnerable in society.

But the transition from cash to cashless isn’t all that straightforward. Online payments may seem easy enough, but there still remains a lack of standardisation in the system that delays payments and creates bottlenecks. For example, real-time payments are a reality in some countries, but delays are inevitable in many others.

Liquidity is essential for people to remain confident in the financial system for which the banks' financial buffers have to become much more robust. The paradox right now is: while COVID-19 pandemic is conducive to establishing cashless societies, the pressure on the banks works differently.

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An initiative of InM

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Bangladesh's March Towards Financial Inclusion

The path to financial inclusion is distinct for each country. Each faces different marketplace barriers and opportunities, and the profile of consumers on adoption ranges from early adopters to more of the broad-based population. While the path to financial inclusion differs by country, the goal of financial inclusion is universal–improve lives for all and leave no one behind.

Bangladesh is marching towards greater progress in its financial inclusion journey through implementing innovative technology-driven initiatives designed to reach the financially excluded, particularly the poor. Financially included adults made up 47 percent of the population in 2018, a 10 percentage point increase from 2017.

Banks are the major driver of this increase, partly due to the government's push to expand agent-banking services in the rural areas. This has led to growth in the number of financially included individuals among the rural poor populations. Registered bank users, among the rural poor, have increased by 7 percentage points since 2015 when agent banking was first introduced. Despite increases in registered bank account holders, there still remains a 10 percentage point gender gap in favour of men.

A key component of the government's financial inclusion strategy is to promote 'Digital Bangladesh' that includes the uptake of mobile money and other digital payment platforms. In 2018, 35 per cent of the adults were digitally included via a mobile money, bank, or NBFI account with digital access compared with 28 per cent in 2017. The number of registered mobile money users, however, remains the same between the two years, at 17 per cent. This is, in part, due to vigorously enforced know-your-customer rules.

Nearly a quarter of the adults (23 per cent) are financially included through MFIs and other nonbank financial institutions (NBFIs) accounts. More people use NBFIs for savings and loans than any other type of formal financial institutions. Registered account holders are more often women, rural and below-poverty groups in comparison with their demographic counterparts. Public and private entities continue to work with a variety of stakeholders to implement initiatives designed to reach more of the financially excluded − particularly the rural poor and women.

■ *FIN-B Desk, InM*

Agent Banking Accounts Double in a Year

The number of agent banking accounts across the country has doubled within a year at the end of 2019, as the banks are rapidly expanding their agent banking activities. According to the Bangladesh Bank, the number of accounts with agents increased to 5.26 million at the end of 2019 from 2.46 in 2018. In 2019, the number of agents increased to 7,914 from 5,101 in 2018 and the number of bank agent outlets increased to 11,319 from 6,932 over the same period. Deposit collection through agent banking was BDT 754.36 billion at the end of 2019, which was BDT 301.40 billion in 2018. Of the total, BDT 208.58 billion (28 per cent) was collected in the urban areas while BDT 545.78 billion (72 per cent) collected from the rural areas.

Agent banking was first introduced in Bangladesh in 2013 through a guideline issued by Bangladesh Bank to provide a safe and secured alternative delivery channel for banking services to the under-privileged, under-served population, who generally live in geographically remote locations and beyond the reach of the traditional banking network. This has allowed the banks to expand their business and accelerate financial inclusion using intermediaries as agents. A total of 21 commercial banks have taken licenses from the Bangladesh Bank while 19 banks are running their agent banking activities across the country.

Agent banking services are provided by authorised banking agents. These agent points are much smaller than bank branches and are equipped with point of sales (POS) devices, mobile phones, barcode scanners, computers, and biometric devices. By reducing the overhead required to set up a bank branch and through its use of technology, agent banking allows financial institutions to reach underserved segments of the population, particularly in rural and remote areas, in a more cost effective way. The agent banking model also heavily stresses rural access, and banks are required to have two agent points in rural communities for every one agent point they have in an urban area.

It is widely held that reaching the poor clients in the rural areas is often prohibitively expensive for financial institutions since transaction numbers and volumes do not cover the cost of a branch. In such circumstances, banking agents that piggy back on existing retail infrastructure and lower set up and running cost can play a vital role in offering many low income people their first time access to a range of financial services. Agent banking also brings out the fact that the rural customers, through their mobilised services, save on costs e.g. transport expenses. Also, low income clients often feel more comfortable banking at their local store rather than walking into a separate and unfamiliar branch.

Given the fact that less than a third of Bangladeshi adults had an account at a financial institution in 2014, agent banking represents a new channel for extending financial services to previously excluded persons. In particular, its focus on rural access makes agent banking a potentially attractive channel for the excluded populations, especially in agriculture and other sectors focused in rural areas. The focus on rural agents means that agent banking has the potential to become an alternative financial service channel for rural populations, which now often only have limited options.

While mobile financial service (MFS) agents work in most parts of Bangladesh, they are limited in the types of services they can offer. For example, they cannot offer credit. In rural communities, this means that people often have to rely on MFIs and informal credit, often with high interest rates. Since agent banking is backed by the bank's core banking platform, banks offering agent banking can provide a full suite of banking services on behalf of the bank.

In addition, some of the other features of agent banking are also well-suited for the rural customers. For example, biometric verification means that individuals no longer need to remember a PIN, which is often a challenge the rural populations face when using ATMs or MFS accounts. Like mobile financial services, all payments made by agent banking are traceable and accessible to corporate clients through transaction records and monthly bank statements. This means that they are more transparent than cash and easier to manage from a financial auditing perspective.

Further, transactions made via agent banking are more secure than those via MFS due to its use of biometrics. Since individual account holders must be biometrically authenticated before accessing their accounts, organisations that send money via this channel can be more confident that the intended recipient will be accessing the funds. Agent banking is also interoperable. This means that a DBBL agent banking customer can send funds to a Bank Asia agent banking customer, and vice versa.

Agent banking has thus the potential to both contribute to increased financial inclusion in Bangladesh, as well as to serve as a payment channel for development organisations. As such, it is a channel worth exploring by any development organisation that makes bulk disbursements or promotes financial inclusion.

■ *FIN-B Desk, InM*

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A Cashless Economy: Winners and Losers

The recent decades are watching a phenomenal development: every year, new payment methods are coming out-more convenient and more modern. Since the 1980s, businesses and individuals have been offered more solutions to conduct their payments and make their purchases. Ranging from debit cards to credit cards, and from wire transfers to IOUs, contactless payments are on the rise globally, to the extent that many wonder if we still need cash at all! People are now increasingly asking the question: do we really need cash anymore?

In 2015, Visa alone earned $13.8 billion in revenues, and this excludes the share taken by the world's banks. There are reasons that the two largest corporations in the world – Apple and Google – are focusing their efforts on mobile payments. In 2015, only 3 per cent of payments were made using mobile phones; mobile payments reached $1 trillion in 2016, and the digital wallets accounted for about $1.34 trillion in global spending in 2017. Cash payments in Australia, for example, are declining rapidly. Cash accounted for just 10 per cent of all payments in 2017 and, by 2022; this will fall to 2 per cent, making Australia a virtually cashless society!

Many financial experts argue that we don't need cash. For the general public, the question is not generally considered relevant, so they are excluded from the debate. The question, however, boils down to: who would win and who would lose if cash disappears?

The disappearance of cash remained a social fantasy in the past, but that doesn't mean it cannot occur. While the supporters of cashless economy hold that it would bring nothing but benefits for all involved, others warn that many may emerge as losers as well.

Winners and losers

Banks are the most enthusiastic champions of the war on cash. Some banks have already implemented it making their branches cashless. In 2016, Citi Bank of Australia decided to stop managing cash in its agencies reflecting the commitment to digital banking. The banks generally hold that it is in the interest of the customers and at their preference that they move towards cashless transactions. Many banks tempt to drop cash altogether, because it doesn't represent a profitable source of revenue. Increasingly, the small volumes of cash handling that the people are doing can be handled by ATMs to get cash out and by ATMs to put deposits back into the system. Going cashless makes sense for most companies; for online stores, for credit card companies, for municipal governments with new payment methods like Apple Pay, Bitcoin and Blockchain Wallets, Google Wallet and so on.

The governments usually oppose with very feeble resistance to the banks' lobbying pressure, as they also have something to gain with the disappearance of hard currency. The central banks see in the production and management of cash an unnecessary expense. And the law enforcement agencies tend to dislike cash, as their investigations lead them to arrest criminals who have piled up their illegitimate earnings in banknotes. This often leads to the misconception of associating cash with crime. Fiscal authorities also dislike banknotes which hurdle their collection of taxes. With the advent of cashless and computerised financial world, the governments can more easily track wrongdoers, investigate criminal networks and increase their tax revenues and bases by shedding light on every part of the economy.

Economist Kenneth Rogoff of the US says that law-abiding citizens rarely need $100 bills, yet there are 34 of them in circulation for every woman, man, and child in the USA. This shows that the bills circulate mainly in the underground economy.

A cashless society may work well for many, but there will be victims in the transition to a cashless society; and as usual, the victims will be the people who can afford it least, the poor.

The notes and coins that have been used for centuries cost money to produce, they help to facilitate criminal transactions and they make it easier to avoid paying tax. So the move to a cashless society dominated by electronic transactions, contactless payments and tap-and-go smartphones should be good for every society. But this is not necessarily so. Like any technological development, there are winners and losers. In a cashless society, the poor and elderly can find it difficult to access funds and pay for essential services. Evidence from the UK shows that only 4 per cent of the adults rely on cash that include some of the most vulnerable members of society. When the people who rely on cash day-in day-out, 39 per cent are aged 65 or over and 62 per cent have an income of less than 9,000 pounds (around $16,170).

Thus, when there are winners, there are also losers in a cashless economy. Some are worried about the enormous power that the government would have if it could monitor every single citizen on a computer screen. True power comes from knowing exactly where someone is spending his/her money, and curbing the ability to make any transaction at all in cash. If someone wants to stop, all they have to do is to freeze the account. As computerised transactions are logged in with details, amounts, location, time, and parties involved, a cashless world would amount to living in a society where the citizens would always feel the presence of the threatening eye of their governments watching over his/her shoulder in the conduct of every business or transaction.

The absence of hard currency would also lead to a significant transfer risk, from the banks to the citizens. For example, the developed economies at present are marked by low interest rates in general. As a result, the citizens may be tempted to withdraw their money from the banks, where they earn little or even lose value in real terms. In a cashless society, every citizen's savings would be trapped in the banking system, no matter what the returns are. Individual citizens and businesses would therefore bear the brunt of whatever economic turbulence that may occur, with the banks remaining rather safe. In a cashless society, when there is a loss it would necessarily be the citizens who would be the sufferers.

Further, we could be in danger of leaving more vulnerable sections of society behind. And there are implications for privacy when every transaction can be logged and monitored; or reliability of protections against hacking and cybercrime in the electronic world or backup plan in place if the technology fails during an outage.

For the less affluent and the poor, the transition to a cashless society creates huge problems. The losers in the race to digitise currency are creating two new classes of people who are defined by their access to digital banking. If the governments and the financial institutions do not act to include the less affluent people, the 'financially disenfranchised populations' will continue to remain isolated. The poor will become poorer; while Apple, Google and similar corporations will become richer.

Further, one of the major concerns about going cashless is how easy it makes it to spend money online or with the touch of a card or smartphone. And one does not even have to pay for the goods upfront, with AfterPay let order online and receive the goods before deciding whether you want them. Thus, managing spending has become much more complex without the tangible reminder of dollar notes and coins in our wallets and purses.

And, what about the money management by the next generation? It can be difficult to teach young kids about money when they see us paying for goods so effortlessly without handing over any cash. Are they equating swiping a card with paying a physical Taka note?

Tips to control spending in a digital world

It is pretty likely that the cashless economy is not too far – and when it does come, the effects are bound to make the daily lives easier for many of us in the way smartphones have; but some people will inevitably feel the squeeze. Do the poor need always to carry chip and pin devices?

As individuals, it definitely makes sense to invest in businesses that appear to be winning the digital currency race; but as a society, it makes more sense to invest in ways to help the financially excluded to get access to the new digital currency.

The digital revolution is no different to past innovations in evolving the capacity for doing good and bad to society. While the smartphone no doubt makes it far easier to pay a big bill without too much trouble, it also makes it easier to track spending and set up a budget. For realising the benefits, one needs to follow five tips:

- Often go out without the credit card to control temptation—you can still pay for essentials, but you need to use notes and coins.
- Consider moving from using a credit card to a debit card, so that you are not spending money that you do not have—even if it is only tap and go.
- Teach your kids about money by giving them a list of things to buy with a specific amount of cash—if they run out, they will need to adjust their budget rather than access easy credit.
- Use the online advantages of monitoring your spending.
- Ringfence some of income from temptation by setting up an automatic transfer to a higher interest savings.

As the move to a cashless society changes our money habits, the challenge is to harness the power of the new technology to make a positive difference to the way we spend and the way we save.

■ *Mustafa K Mujeri, Economist and Executive Director*
Institute for Inclusive Finance and Development (InM)

Going Cashless?

Many believe we are moving towards a cashless society in which all financial transactions are digital. Many financiers and government authorities favour bidding adieu to cash-- there'd be lower crime rates with no physical money to steal, financial crimes and money laundering would be much harder to commit if there's a record of every payment you ever receive, we would save money by not printing bills and coins, people would have ease of use when managing their cash, and it would make international travel so much easier. You may be sold. The pros are pretty convincing, but there are many who are against this move towards a cashless society and say that many citizens would be extremely disadvantaged by this switch.

Many workers, such as tipped wage workers, still rely on cash to support themselves. The demand for digital offerings has led to less branches and ATMs, as well as easily accessible cash services. Some cannot obtain a bank account because they don't have the resources to consistently maintain a bank account or they don't understand the banking system. There are also many people who have been blacklisted by larger banks for failing a credit check or holding a record of financial indiscretions like overdrafts or bounced checks.

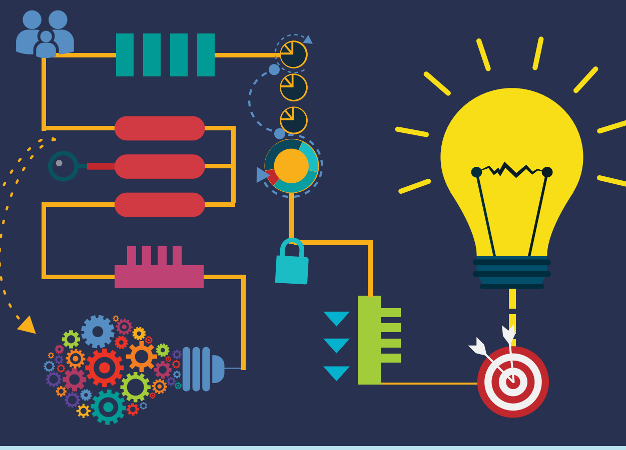
According to the World Bank, 1.7 billion adults globally do not have a bank account. And many more are underbanked, meaning they have a bank account but no credit, cannot afford fees or high interest rates, and/or do not have a bank branch in their community. Likewise, many members of the elderly population would also struggle with a digital system as many do not have access to smartphones or do not feel comfortable using digital offerings.

Aside from these people groups, there are more universal cons of going cashless. Cash may be easier to steal, but with the growth of hackers, digital systems are not entirely safe from data breaches and theft. In fact, if your bank account is drained by a hacker in a cashless society, you'll have no alternative source of money. While technology is growing and improving, it is not without fault. Technology issues would leave you without access to your money.

While there are great benefits and conveniences associated with digital technologies, there is still a need for cash and cash services. It's important, as we move forward with digital banking, to keep in mind all of our customers and make sure we're not leaving anyone behind.

■ *FIN-B Desk, InM*

An Eye for Innovation



The policymakers in Bangladesh strongly recognise the importance of financial inclusion and accord it a high priority to address the widening income inequality gap, promote economic empowerment and protection of low income households and MSMEs, and unlock the growth potential of the country's fast-expanding middle class. Expanded opportunities to save securely, invest in productive activities, and protect against unforeseen shocks meet the urgent needs of the un- and underserved. This also drives the domestic demand, a key engine of growth for Bangladesh.

In the recent past, a succession of technology breakthroughs combined with mobile phone technologies present significant opportunities to scale up financial inclusion to an unprecedented level in Bangladesh. Further, there is a moral obligation for us to do more to help the millions who still live in poverty and are highly vulnerable to deprivations and financial hardship. Bangladesh needs to avail all opportunities to explore solutions from different perspectives with 'an eye for innovation'. Indeed, the policy makers need to improve their capabilities in technology and innovation--recruiting talent, establishing dedicated team and intensifying partnership with the private sector-- to help them see things a little differently. While there is no shortage of ideas on new and innovative ways to increase financial inclusion, the key challenge is to acquire ability to scale up and achieve sustainability.

There are three major areas where an eye for innovation is needed. First, putting on a new lens to spot the opportunities from existing innovations that can be tailored to financial inclusion in the country. Second, identifying and working on the blind spots by driving efficiency gains with technology-enabled financial inclusion. Third, having a clear picture of the policymakers' role in promoting an enabling environment for financial innovation and technology.

Putting on a new lens

At present, technology is being used by financial institutions to improve operations – from improving customer services to constructing better models to manage risks more efficiently and effectively. In many cases, strategic partnerships with fintech companies are established to achieve similar outcomes. The advent of robo-advisers and algorithmic underwriting are some examples. These developments have largely evolved within the mainstream customer segments and have proven to be effective. Clearly, opportunities exist to leverage on capabilities that are already in place to create specific applications for financial inclusion. With proven application, the prospects for achieving greater scalability, faster time to market and increased take-up are much greater.

The country's financial institutions are now investing in technology that helps improve the collection and mining of financial and non-financial data to gain richer insights into customer preferences and behaviours. These capabilities also create immediate opportunities to identify specific barriers to financial inclusion for different target groups whose needs are shaped by different priorities, experiences, values and norms. For example, cultural biases can be an important factor that is not fully appreciated and understood as a factor that limits higher levels of financial inclusion among women. Among lower income groups, a more granular level of analysis on income patterns is needed to structure solutions that address the irregularity in loan repayments. Financial inclusion for the ageing population is another critical area that requires more understanding. Many financial products and services offered today have age limits that create barriers to accessing financial services. This may have to be changed to ensure inclusive financial systems for the ageing population. Technologies that enable better data collection and analytics can support deeper research to fill this gap while mitigating the risks to providers of financial solutions.

Similarly, distributed ledger technology eliminates the need for centralised transaction validation and shortens the settlement chain, effectively lowering costs of real-time remittances. By incorporating adequate Know-Your-Customer (KYC) requirements, distributed ledger has the potential to address de-risking. Robo-advisers could potentially be adapted to increase financial literacy and support customers in less accessible locations. The adoption of open Application Interfaces (API) facilitates a sharing environment whereby improvements build on existing innovations could shorten the time to market for more offerings.

Working on the blind spots

The reduction of poverty and greater social empowerment is one of most enduring achievements of Bangladesh. Building on this momentum, greater financial inclusion over the next decade must be rooted in a deep understanding of the unique circumstances faced by the people who remain excluded from the formal financial sector. This involves increasing the arsenal of financial inclusion tools that can overcome both the geographical and cultural barriers to deliver meaningful financial services to the excluded. The provision of financial services to the underserved and unbanked must also be economically viable for the providers. In this aspect, the smart usage of technology can be a game changer in lowering the cost of financial intermediation.

In turn, this will unlock the opportunities to progress from the single, narrowly-focused products which are typically offered by traditional financial institutions to a broader range of relevant products and services tailored for the underserved segments. The ability to clearly demonstrate and consistently track efficiency gains over time can attract more providers into the space, while driving continuous efficiency improvements in delivering financial services to the underserved.

A framework for evaluating financial inclusion efficiency can provide powerful incentives to harness technology in the most optimal way. This should drive lower the costs of delivering inclusive financial services over time. Sustainability also calls for strengthening of financial institutions that provide services to low-income and vulnerable groups. The misconduct or underperformance of such institutions can have a disproportionate impact on the poor simply because they have lower buffers. It can also significantly set back financial inclusion efforts by further entrenching the mistrust of formal financial institutions.

It is critical for such institutions to exemplify strong and socially responsible corporate governance, and to have the appropriate technical expertise that will enable them to expand product offerings, increase outreach and develop alternative delivery channels. They must also be adept at identifying and managing financial and operational risks inherent in their business models. This requires investments in systems and in the development of talent with deep knowledge within the institutions.

Promoting an enabling environment

Regulations need to be technology-neutral and outcome-focused, proportionate to risks, and harmonised across sectors. A technology-neutral approach allows the policymakers to assess the merits of innovations based on the outcomes, without fear or favour for the underlying technology. Regulation should be proportionate to the risks that products or institutions present to the broader financial system. This requires continued efforts to strengthen the capacity among the regulators and supervisors to assess the benefits and cost of regulation. Only then can we move from proportionality as a concept to practice.

Regulations among different sectors should also be harmonised to focus on activities that should be regulated, rather than the institutions conducting such activities. For example, if an e-commerce platform collects, pays interest on and mobilises deposits, a banking license may be necessary as public interest is involved. Second, communicating clear expectations to the market while incorporating feedbacks through engagements with the private sector is important. Introducing a sandbox approach may be useful which allows fintech solutions to be tested in a controlled environment, with appropriate risk mitigation in place.

Further, a clear commitment by the government can secure the political capital needed to create the infrastructure and policies to accelerate financial inclusion such as unique identifiers and mandatory electronic G2P payments. Policymakers should also seek opportunities to promote the interoperability of supporting infrastructure for new financial innovations. This will preserve healthy competition and strong incentives for providers to continue innovating value-add solutions that meet the real needs of consumers.

Quite often, small changes lead to major breakthroughs, if approached with an open mind and shared interests between the providers and the policymakers to genuinely serve the best interests of the unserved segments of society. The agent banking initiative is an experiment in policymaking and regulation that has proved to be successful in both protecting the integrity of financial transactions, while significantly increasing financial inclusion. The agent banking initiative leverages on existing high-volume touch points such as shops and post offices to reach the rural population and perform basic banking transactions on behalf of financial institutions. It has enabled many excluded, particularly in the rural areas, to conveniently access financial services, while saving huge costs of building brick-and-mortar bank branches.

The time is now for Bangladesh to deliver on the financial inclusion promise to the millions of unbanked and vulnerable people who continue to live in the most challenging financial circumstances. With an 'eye for innovation', we can certainly avail the opportunities that will deliver the promises.

■ *FIN-B Desk, InM*

Most Bangladeshi Women Lack Bank Accounts

Rahima Begum radiates confidence as she goes to her labour union office in Gazipur to work in the morning. She is working for one of Bangladesh's labour unions, representing ready-made garment workers, for two years. Before that, she was sewing clothes in a factory, a job she took when she was 18. In her young career, Rahima has risen through the ranks and become financially independent. But despite making a regular income for the past four years, she opened a bank account only two years ago.

'I did have a job, but there was no money left at the end of the month', she says. 'I simply didn't see the reason to open a bank account'.

When she left the factory and took a job with the union, she found she could finally start saving. Now she uses her bank account to set aside up to $12 every month.

But Rahima is in the minority. While women's participation in the formal workforce is rising, women's access to financial services in Bangladesh remains low.

Bangladesh has a gender gap in account ownership of 29 percentage points, one of the highest of the world, according to the World Bank's 2017 Global Findex database. This wasn't always the case. As recently as 2014, the gap between men and women's access to accounts was 9 percentage points – the average for the developing world. Women's bank account ownership in the country has increased by 10 per cent to 36 per cent since 2014, but it still lags far behind men's at 65 per cent.

Why has the gender gap got wider? Until recently, bank accounts were not common in Bangladesh – virtually nobody had one, regardless of their gender.

But that has changed in recent years. Although the vast majority of transactions in Bangladesh still take place in cash, a growing trend towards wiring salaries to people's bank accounts has seen many salaried workers open accounts for the first time.

'We are turning to a digital society where financial transactions will be increasingly made through bank accounts', says Farhana Nargis, Research Fellow at the Institute for Inclusive Finance and Development (InM).

As men are more likely to be employed and to have higher-paying jobs, the growth in account ownership has been almost entirely among the male customers, she says. And because of wider issues of gender discrimination, women are left behind.

'We need to work consistently to create awareness of the benefits of savings and formal accounts to women', says Nahid Akhter, Senior Research Associate at InM. 'Also we should undertake financial inclusion programmes under both public and private financial institutions to encourage small savings of women', she says.

Researchers working for increasing women's financial inclusion believe there are several reasons for the gap. Farah Muneer, Senior Research Associate of InM points to patriarchal social norms that limit women's mobility, confining their roles to the household, and giving men most of the financial decision-making power.

'Most of the sectors in which women are engaged in are exploitative and employers prefer payments in cash over bank transfers', Nahid observes. Farhana says there will continue to be a gender gap in account ownership in Bangladesh as long as there is a gap in workforce participation.

'It's actually not very surprising to see that women aren't opening more bank accounts, given their lower participation in the formal labour force', Farah says. In Bangladesh's cash-heavy society, the only motivation for many people to open a bank account is when their employer decides to pay their salary electronically instead of handing it out in cash.

With labour force participation of Bangladeshi women at around 35 per cent – compared with 80 per cent for men – women are far less likely to receive a salary, giving them no reason to open a bank account.

And for those who do work in the formal economy, some are discouraged by their employers from opening a bank account – electronic transfers offer more transparency, making it harder for employers to underpay workers or take a cut from their wages.

To help more unbanked women get access to financial services, several companies have recently begun offering basic financial services using text messages or mobile phone apps. Requiring little administrative procedure or paperwork, they make it easier to send and receive money, especially for women in rural areas who live far from the nearest bank branch.

Some of these women are trying to earn an income, but they're not able to invest or develop any kind of asset because of lack of financial inclusion. That's a big risk if the country wants to achieve high economic growth and rapidly reduce poverty.

But the reach of many solutions is limited, as they are only available to women who have a mobile phone. According to GSMA, an organisation representing the interests of mobile operators worldwide, women in Bangladesh are 33 per cent less likely to own a mobile phone than men and 63 per cent less likely to use mobile internet.

'There's a relatively large gender gap in mobile phone ownership between men and women in Bangladesh – meaning that women at the start are already disadvantaged to use mobile money since they don't have access to the technology to use it', says Dorothe Singer, a World Bank economist who co-authored the Global Findex 2017.

That means many women still need a bank nearby in order to access financial services. But the branches' limited opening hours and locations, often far from where many women live and work, make it difficult for women to fit bank visits in around their jobs and family obligations.

By neglecting to reach out to women, policymakers and financial institutions are not only leaving a large share of the population without substantial long-term savings, but also risk missing out on massive economic potential, says Farhana. She says even small initiatives would help, such as banks setting up help desks specifically catering to women or going door-to-door to educate women on the benefits of bank accounts.

Back in the office, Rahima gets deeply involved in a union meeting to rally public support for better working conditions in the garment factories. She knows that as a working woman in Bangladesh who is making enough to put money into savings, she is an exception. And she must work on helping more women to get to the point where she reached two years ago. 'After all, it's not just about having a bank account, you also need to have money to put into it', she murmurs to herself.

■ *FIN-B Desk, InM*

Time to Turn CSR into CIR

It's high time for Bangladesh to broaden the scope of the mandatory corporate social responsibility (CSR) spending and effectively facilitate the turning of the concept of CSR into corporate innovation responsibility (CIR) to support research and innovation.

The companies should be spending money from the CSR fund to tech-incubators located in academic institutions approved by the government. The government may also expand the scope of spending CSR budget on incubators funded by the government, or any agency or public sector undertaking of the government, and making contributions to universities, research laboratories, and autonomous bodies engaged in conducting research in science, technology, engineering and medicine aimed at promoting the SDGs.

This has the potential to give rise to more public-private partnerships (PPPs) in scientific discovery, innovation and technical education, a tradition that is well developed and followed in many countries but not so in Bangladesh. This will encourage our companies to support research in the areas of their expertise or interest. So far, Bangladeshi companies have a poor record of investing in research, development and innovation.

With research funding from CSR, the companies would become more willing to support innovation that may potentially help their own business as well. Pharmaceutical companies are a case in point. These companies may then easily marry the two objectives of supporting research and drug discovery as well as doing social good in the process.

The banks and financial institutions, which do not have much expenditure on R&D, may also look for investing part of their CSR budget in research on financial inclusion, digital banking, and new technologies in digital financial services.

■ *FIN-B Desk, InM*

Crowdfunding and Financial Inclusion

INTERVIEW WITH
MARLOES NOPPEN

Marloes Noppen manages Investor Relations for Symbiotics Netherlands BV. She has experience in impact investing and has a background in advisory for impact investing for both funds and private investors. She is also the Financial Director of Symbiotics Netherlands. Marloes is most interested in the sweet spot where impact and return collide.

Q: ***What is crowdfunding? How does it work, and how would you categorise it - what family of funding does it belong to?***

Marloes: Crowdfunding is exactly what it says: funding by a large number of parties. It is intentionally broad. Funding can mean equity investments, debt, pre-purchasing products or donations. The parties can range from retail investors to institutional investors. Crowdfunding allows for a lot of flexibility and is therefore not that easy to fit into a box. Definitely, it would fall into a fintech solution.

Q: ***What does the crowdfunding landscape look like in the inclusive finance sector? How has it evolved? Where is it most used in the world, and for what kinds of projects?***

Marloes: Crowdfunding for inclusive finance has in many ways evolved like inclusive finance itself. It started out as a non-profit activity and has become increasingly for-profit and more heavily supervised. Crowdfunding started out with the ability to donate money to microfinance institutions, via marketing stories of the end-client. Non-profit organisations began to offer loans to microfinance institutions with zero per cent interest. Other platforms such as France-based Babyloan, began to replicate this model. These days, crowdfunders are mostly regulated and many of them are for-profit. For example, the Europe-based Lendahand and Plumseeds are for-profit crowdfunding platforms operating as investment companies. While Lendahand caters to retail customers, Plumseeds only serves professional institutions.

While in the beginning, many of these platforms were founded in developed markets, we are increasingly seeing crowdfunding platforms popping up in emerging markets. Milaap in India and Mekar in Indonesia are great examples of this. They mostly focus on microfinance and SME finance, but a number of platforms have started incorporating other critical services such as renewable energy and education.

AN INTERVIEW WITH MARLOES NOPPEN

Q: ***What potential do you see for crowdfunding to accelerate financial inclusion? Can crowdfunding really benefit financially excluded or underserved people?***

Marloes: Crowdfunding is powerful because, unlike traditional finance, it is a tool that is available to the masses. This broadens the spectrum of investors beyond specialised investors. For years within the sector, we have been talking about taking impact investing – which to a large extent consists of inclusive finance – mainstream. Crowdfunding is a unique tool to do so. Will it really benefit financially excluded or underserved people? This is a question that has been around for a while now. Extremely rigorous research methods have been used to see if microfinance really has an impact, and the results are not conclusive. It would be naïve to claim that crowdfunding – largely financing the same financial institutions – would have a different impact. Many end-clients will see little about how these financial institutions are funding themselves. What we do know is that there is a funding need, and the more capital we manage to mobilise, the smaller the gap.

For the investor the advantage is that he or she can directly select their favourite investment opportunity. It allows the investors to pick and choose specific investments according to their own appetite and values.

Crowdfunding is powerful because, unlike traditional finance, it is a tool that is available to the masses.

Q: ***What successful examples of platforms have you seen that allow retail investors around the world to finance micro, small and medium-sized businesses?***

Marloes: We see that platforms that are successful have three things:

A They have a consistent deal-flow. On a continuous basis there are new deals presented. These investees have been analysed rigorously, including for impact.

B The platform is professional and communicates in a transparent manner about the risks.

C The platform has a loyal and committed crowd.

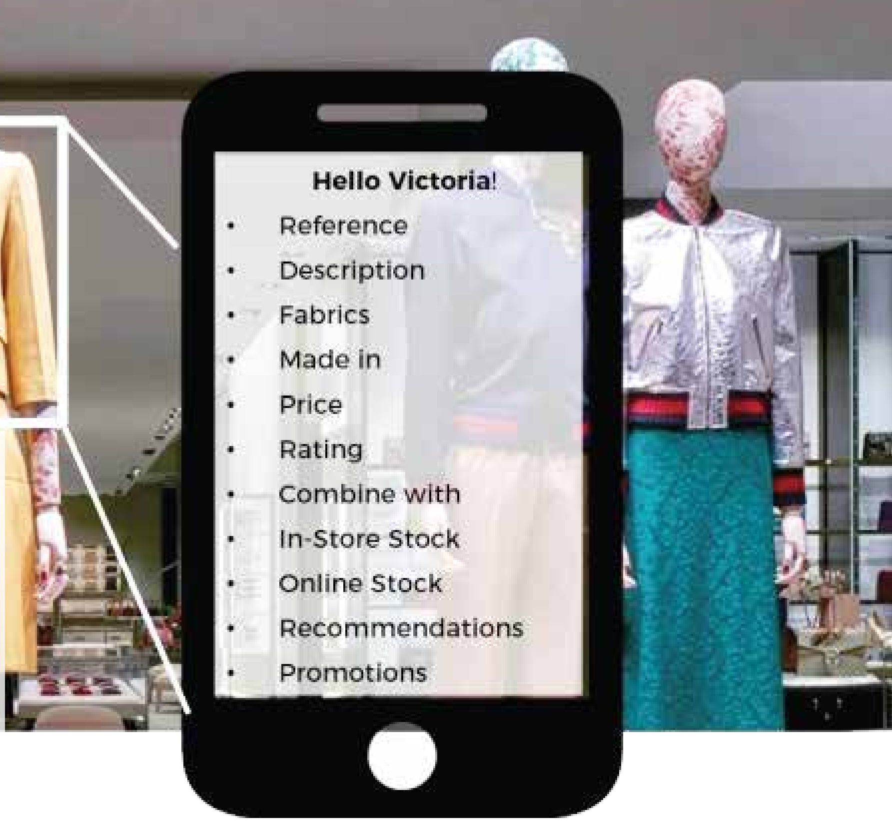
Q: ***What kind of regulatory issues come into play with crowdfunding? For example, how are clients protected – both those on the lending and on the borrowing end? Are the crowdfunding platforms subject to any kind of regulation?***

Marloes: We should view online funding platforms as an additional funding stream for financial institutions. Most capital still stems from DFIs and larger institutional investors. Financial institutions are almost without exception regulated as the sector has professionalised. Crowdfunding is undergoing the same trajectory. More and more regulatory bodies are requiring specific licenses to operate crowdfunding platforms. Within the EU, this is most often a MiFID (Markets in Financial Instruments Directive) license for investment companies. Both Lendahand and Plumseeds mentioned earlier operate under that license. That means there are high requirements set on processes and procedures, seeking to protect both the investor and the investee.

Q: ***What are the main constraints and challenges to developing crowdfunding in low-income countries?***

Marloes: The main challenge to developing crowdfunding in low-income countries is the maturity of the financial sector itself. Even in mature countries such as the Netherlands, the regulator is not very clear about how to regulate crowdfunding companies. We do see the sector become more and more regulated, but it still remains a reasonably young and small phenomenon. In some low-income countries, capital is difficult to come by and frequently informal. This might not be the most favourable breeding ground for crowdfunding. But that doesn't mean there aren't great examples coming from low-income countries. Mekar in Indonesia is just one of them.

Immersive Technology and Fashion World



The fashion industry is always a hotbed for new trends, and technology is no exception. Immersive technology—virtual reality (VR), augmented reality (AR), and mixed reality (MR)—has the potential to transform the way the fashion industry creates, presents, and retails its products.

The Catwalk

Fashion brands, plus other brands wanting to get involved with fashion, can stand out and get noticed through their use of new technology on the catwalk. In 2014, Topshop staged the world's first virtual catwalk. Four lucky winners sat in the window of the flagship Oxford Circus store and donned bespoke virtual reality headsets and headphones that played the show live from the Tate Modern. The winners were not only able to see the models walk directly past them but look up to the Tate Modern ceiling, to the celebrities sat virtually next to them. They were also kept updated with a moving Twitter feed.

More recently, British telecommunications and internet service provider, Three, partnered with London Fashion Week to announce its wider 5G rollout with an MA Fashion Central Saint Martins show. The event fused fashion with the latest technology, including spatial audio, haptic feedback, a 46-meter projection for the runway and an array of aromas. The show forms part of Three's long-term collaboration with Central Saint Martins. The partnership also produced the world's first 5G mixed-reality catwalk in February 2019.

Try-Before-You-Buy

Offering a digital 'try-before-you-buy' allows retailers to close the gap between online and offline channels. A customer can try-on the product on a screen and see how it looks, or how makeup suits them.

Many brands have embraced try-before-you-buy AR tech with millions of people using it. For example, Dior used augmented reality to allow consumers to try on sunglasses using their smartphones. Via a new filter on Instagram, users could add the DiorSoLight sunglasses onto their faces in the image. These AR filters offer practical benefits to consumers, but as they are designed to go viral, they also offer huge growth opportunities for brands.

According to International Data Corporation, the retail sector is expected to spend $1.5 billion on augmented reality and virtual reality technology in 2020. We've already seen brands utilise the tech this year—ASOS kicked off the year with the launch of 'see My Fit'. The AR tool allows viewing an outfit on 16 different body shapes to give shoppers an idea of what the clothes would look like on themselves.

'With this trial of See My Fit, we're using the latest AR technology to put the power in our customers' hands, so they can choose to view a dress on the model that they most identify with, in a way that wouldn't be possible using traditional model-shooting techniques', Tim Carey, senior content manager at ASOS Studios, says.

The In-store Experience

Everyone is talking about the death of the High Street, could technology help shops survive? XR can certainly be used as a differentiator and a reason for people to visit a physical store, rather than buy online. In fact, many retailers are already embracing immersive technology.

For example, Zara uses augmented reality to bring virtual models to life in-store. The two-week initiative was rolled out across 120 stores globally. It allowed customers who downloaded the Zara AR app to hold up their phone to certain store windows or a sensor within the store and see models come to life on their screens—walking and talking—wearing selected items from the Zara range, which they could click through and buy. Zara is not the first brand to use AR. Brands such as Burberry and Gap have also dabbled.

Smart mirrors can enhance the shopping experience in a useful way by allowing customers to try on different colours and styles easily. MemoMi promises to re-invent the experience of luxury shopping with 'trying on without taking off'. This high-fidelity, digital imaging software platform delivers live colour change to what you are wearing or allows you to try on clothes, add accessories, plus change patterns and colours without actually trying on a single item. Patented technologies precisely map and evaluates data to provide accurate, personalised recommendations in real-time.

The Oak Mirror is another product that aims to transform the in-store experience, focusing on the fitting room. Acting as both a mirror and touch screen, shoppers can use the interactive surface to change the lighting of a fitting room, or contact sales associates to request additional colours or sizes or 'complete the look' with accessories.

■ *FIN-B Desk, InM*

S-Commerce: Catalyst for Women's Financial Inclusion

In Bangladesh, the booming social commerce (s-commerce) sector, which entails businesses showcasing and selling their products and services through popular social media platforms, can indisputably help foster financial inclusion for women despite persistent challenges.

Within the fast-growing e-commerce industry, women entrepreneurs have opted for an informal variant to start and operate their small businesses through s-commerce. While these businesses use social media to advertise and sell, they mostly receive payments offline, via cash on delivery. S-commerce has several distinct advantages for women. It not only requires low initial investments, but also allows them to bypass a cumbersome business regulatory environment. Bangladeshi women seem to have successfully harnessed s-commerce to generate their own sustainable income, gaining more financial control and decision-making power in the households.

A few obstacles and risks, however, remain. First, s-commerce is primarily urban and semi-urban centric, thus excluding potential female entrepreneurs and e-shoppers in the rural areas. Second, women still face deep-rooted socio-cultural constraints--including strong barriers to market access--in a predominantly patriarchal society. The latest data from the IFC Enterprise Finance Gap shows that in Bangladesh only 6 per cent of MSMEs are owned by women. There are also the inherent privacy issues directly related to higher social media exposure. Moreover, the lack of basic digital and financial literacy prevents many low-educated women from participating in buying and selling activities.

The Bangladeshi women must also overcome the big obstacles when it comes to financial inclusion. According to the Global Findex report, the gender gap in account ownership grew from 9 per cent in 2014 to 29 per cent in 2017 (65 per cent for men vs. 36 per cent for women). And female entrepreneurs keep struggling to access credit from banks and NBFIs. The data of the Bangladesh Bank on SME loan disbursement show that women-owned enterprises received only 7.35 per cent of the total credit granted to the CMSMEs during Q1 of 2019. This was even lower at 4.07 per cent for new female-led businesses--although they account for 10.45 per cent of recently launched SMEs across the country.

While s-commerce creates compelling economic opportunities for women, the private sector must also support large-scale initiatives to significantly reduce the gender gap in financial inclusion. The banks and fintech companies can act as a powerful catalyst in this regard by building adequate service platforms that better accommodate this market segment. As Bangladeshi women now dominate both the supply and the demand sides of s-commerce, facilitating their access to digital finance clearly represents a win-win move for any effective strategy to promote growth and innovation in the sector.

■ *FIN-B Desk, InM*

Empowering Women Microentrepreneurs in Philippines: Mobile Broadband

Qualcomm® Wireless Reach™ is collaborating with a social enterprise called Hapinoy on the Mobile Money Hub programme, which uses smartphones, 3G connectivity, and specialised mobile applications to empower Nanay (Tagalog for 'mother') microentrepreneurs in the Philippines to offer new financial services to their communities and grow their sari-sari stores into sustainable family businesses. Sari-sari stores are small, neighbourhood convenience shops that Nanays often operate out of their homes. Nanays typically engage in this microbusiness to supplement their family's income.

For the Mobile Money Hub programme, Hapinoy and Wireless Reach developed a holistic programme that provides Nanays who become Mobile Money Hub agents with Android smartphones, education and training in mobile financial literacy, access to capital via microfinance institutions, and new business opportunities using mobile wallet technology. Participants use their 3G devices to sell airtime and offer newly developed mobile financial services. Offering features such as access to money, remittances, and bill and loan payments generates higher store traffic and new revenue streams for Nanays while contributing to the financial well-being of their families and communities.

The Mobile Money Hub programme, which was launched in 2014, has resulted in:

1 Development of a needs-driven, locally relevant, holistic application that provides Nanays access to financial services.

2 Enrolled, educated, and trained Nanays to use project-provided mobile devices as Mobile Money Hub agent.

3 Entrepreneurs offering remittance and airtime services that have proven to be vital during emergency situations.

4 Hapinoy continues to develop a 'business-in-a-phone' package that will enable many more Nanays to become successful and sustain Mobile Money Hub agents who offer access to new products and services in their communities.

These show how Mobile Money Hub agents are making a difference in their communities:

Nanay Bella Sadongdong's store is located next door to the local hospital, and most of her customers are patients' relatives. 'Sometimes, I have to deliver the remittance money inside the hospital because some of my clients cannot afford to leave their relatives alone', says Sadongdong. She has many stories of being awoken in the middle of the night to help provide an immediate loan for potentially lifesaving surgeries or medical procedures.

Nanay Peonyfe Antoc's store is located near a temporary relocation site for 200 families who were displaced by a typhoon. Her remittance business gives these families the convenience of receiving money locally rather than spending their money on transportation to go and retrieve the money downtown, far from their homes.

Many of Nanay Alicia Dumdum's customers are students who are studying far away from their families. Mobile money access enables them to receive much-needed money from their parents for daily expenses or school projects.

By examining the effective strategies, challenges, and outcomes in the Philippines as well as across the entire programme portfolio of Wireless Reach, several lessons can be drawn to help innovators achieve success:

Plan purposefully for mobile device implementation and usage by effectively educating and training participants.

Develop applications and services that are locally relevant and created from needs assessments of end users and their communities.

Monitor and measure project results with meaningful metrics that determine impact and success with validated outcomes.

Create a sustainable, scalable ecosystem that assists all parties in a public-private partnership to reach their respective goals.

G20 Principles for Financial Inclusion

Despite advances in financial inclusion, about half of the adults in Bangladesh still remain excluded from access to financial services. This restricts their ability to save, to borrow and to protect themselves and their families against unforeseen risks and natural disasters. To counteract this, and increase the access to and usage of financial services for the poor, many innovative approaches have been adopted in the country. These range from agent banking to delivering financial services through the mobile phone networks. New institutions have been established; new products devised; and new technologies harnessed to reach un- or underserved markets. Changes in legislation and regulation have been introduced to help provide the right conditions for innovation to thrive while protecting consumers and the financial system.

The G20 Principles for Innovative Financial Inclusion provides a set of practical recommendations for the policymakers to move forward. This includes nine valuable insights that together form a set of conditions that ignite innovation for financial inclusion while safeguarding financial stability and protecting consumers.

Principle 1: Cultivate a broad-based government commitment to financial inclusion. The best results can be achieved when financial inclusion is treated as an integral component of overall financial sector growth and development strategies. In practice, this can be ensured through (i) addressing policy and regulatory issues related to innovation, consumer protection and payments, facilitating new approaches and ensuring that excessive regulation does not stifle growth; (ii) adopting a collaborative approach to financial inclusion that engages all players, including the private sector; (iii) supporting inclusion programmes with financial education and/or by developing payment systems and infrastructures; and (iv) collecting data to support proportionate and evidence-based policy, which in turn maintains the safety and soundness of the system.

Principle 2: Implement policy approaches that promote competition and provide market-based incentives for delivery of sustainable financial access and usage of a broad range of affordable services (savings, credit, payments and transfers, insurance) as well as a diversity of service providers. For the government, this means there is a crucial role to play in facilitating the development of market structures that promote entry. One key aspect is the design of appropriate market-based incentives for all — from traditional banks to prospective agents to telecoms companies, NGO-MFIs and customers themselves — that encourage the development of a broad range of sustainable, secured, and affordable financial services, such as savings, credit, payments, and transfers. At the same time, these incentives should aim to attract a wide range of providers, as this can help improve both access and usage.

For example, Bangladesh can build a broader and more diverse domestic insurance market, by relaxing agent banking regulations, promoting linkages between insurers and NGO-MFIs, and allowing composite insurance services to be offered through micro-insurers. It can allow NGO-MFIs to partner with insurers to assist with the claims settlement process, including collecting proposal forms, collecting and remitting premiums, and providing insurance policy administration services.

Principle 3: Promote technological and institutional innovation to expand financial system access and usage, including addressing infrastructure weaknesses. The application of new technologies, such as mobile phones or the introduction of new institutional arrangements, such as banking agents allow rapid expansion of services to reach excluded populations, while at the same time reducing the costs of service delivery.

Principle 4: Adopt a comprehensive approach to consumer protection that recognises the roles of the government, the providers, and the consumers. The need is to establish regulations that (i) promote transparency in pricing and services; (ii) create a dispute resolution mechanism for consumers; and (iii) identify an appropriate authority to enforce protection.

For the agent banking services, for example, highest standards of consumer protection may require regulations that make the service provider fully liable for their agents. And requiring the providers to establish out-of-court redress mechanisms; ensure that agents maintain data privacy standards on par with banks; train agents in Anti-Money Laundering (AML) best practices; post their customer service contact channels and disclose all applicable fees and charges at the agent's facilities, and ensure that safety and privacy features of data storage and transmission are robust enough to protect customer funds and information.

Principle 5: Develop financial literacy and financial capability. For the consumers, it is important to have: (i) financial literacy — the ability to understand basic information about financial products and services; (ii) financial capability — the ability to apply the understanding to make informed choices about their finances; and (iii) redress mechanisms — the ability to resolve disputes through a safe and recognised mechanism. Without financial literacy and capability, the regulation itself cannot protect consumers and can only increase operational costs. Effective financial capability initiatives should focus on providing practical, easy-to-understand and impartial knowledge so that the consumers can make informed choices.

Principle 6: Create an institutional environment with clear lines of accountability and coordination within the government; and also encourage partnerships and direct consultation across the government, the businesses, and other stakeholders. For successful financial inclusion, a lead agency is needed to coordinate among the government agencies and manage the consultative process with the stakeholders. For developing coordinated policy, it is important to understand the incentives of each player in the value chain, and how these could be affected by regulation.

Principle 7: Utilise improved data to make evidence-based policy, measure progress, and consider an incremental test and learn approach by both the regulators and the service providers. The constraints emerging from the lack of data can temporarily be overcome by adopting a test and learn approach that enables to examine new services and untried business models under controlled conditions. This enables to strike an appropriate policy-regulatory balance between safety and soundness on the one hand, and growth and development on the other.

Principle 8: Build a policy and regulatory framework that is proportionate with the risks involved in such innovative products and services, and is based on an understanding of the gaps and barriers in existing regulation. As any innovation involves risks, the challenge is to create a regulatory framework that is strong enough to protect the financial system and institutions against the risks, yet not so severe that the costs of regulatory compliance deter service-providers from entering the market. To strike the right balance, existing regulations should be carefully analysed to establish whether their demands on service-providers and customers are proportionate to the risks. This diagnostic exercise will pinpoint regulatory gaps that need to be filled to enable innovations to flourish and develop effective tools to mitigate the risks.

Principle 9: Develop the regulatory framework reflecting international standards, national circumstances and support for a competitive landscape: an appropriate, flexible, risk based AML/CFT regime; conditions for the use of agents as a customer interface; a clear regulatory regime for electronically stored value; and market based incentives to achieve the long-term goal of broad interoperability and interconnection. In fact, increasing inclusion often improves compliance with international standards: AML/CFT recommendations in particular are better served by a more inclusive financial sector which provides increased ability to trace and monitor transactions.

■ *FIN-B Desk, InM*

Source: G20 Financial Inclusion Experts Group—ATISG Report

Using Data to Improve Children's Health

Verah Okeyo's father earned about $30 a month as a supervisor at a flower farm near Lake Naivasha in Kenya. Her mother was a midwife whose work included educating expectant and new mothers about health and sanitation. The family lived in their own house. The flower farm's owners made sure Verah and her three siblings were provided with education and healthcare.

Okeyo lost her parents when she was 16 – her mother from an illness, her father not long after, from the heartbreak of his wife's passing. Despite that, looking back, 15 years later, Okeyo realises she had a relatively privileged life growing up compared with many children in Kenya who have much less – especially when it comes to healthcare.

So when Okeyo became one of the data journalism grantees winners in the Microsoft News grant programme in collaboration with the International Centre for Journalists (ICFJ), she used the opportunity to learn more about child mortality rates in Kenya. It is a topic she often covers as a health care reporter. She wanted to know why, over time, mortality rates have declined in some of Kenya's 47 counties but increased in others.

To tell the story, Okeyo used Power BI to visualise the data, county by county.

'In Kenya, if you belong to the have-nots, which is more than 70 per cent of the population, your rights, particularly for health, are going to be trampled on a lot', she says, 'I grew up without much, but I was never denied health care, and health care with dignity'.

She learned that early on when, as a student journalist in college, she went to report a story at a maternity ward in a public hospital:

'I remember seeing three women in a bed', so I told the nurse, 'Those three women must be very good friends for them to stay in one bed like that'. The nurse looked at me and she rolled her eyes, and she said those three women were in that bed because there were no other beds. And that they just had surgery. And I found that so appalling. Everybody was looking at me, as if 'Why are you surprised? This is how public health in Kenya works'.

It was her 'aha' moment.

'People sleep on the floor sometimes in public hospitals, they share beds sometimes, there's no running water in some hospitals', she says.

Part of Okeyo's project involved digging through demographic data going back to 1965, two years after Kenya won its independence from Britain. She learned that pneumonia is a primary cause of death for children in remote areas of the country, and diseases such as rabies, kalaazar (transmitted by the bite of a female sand fly) and African sleeping sickness are often the leading causes of mortality in children ages five and younger.

Those diseases are part of a health classification known as 'neglected tropical diseases' because they are exactly that – ignored in terms of education and attention around the world, yet they can also be fatal if they go untreated.

'Neglected tropical diseases are not only neglected by funding organisations, but by health care workers who do not even know about some of them', Okeyo says. 'You find these diseases among the poorest of the poor, because many of the diseases are brought about by not having proper food, access to clean water and to sanitation. These diseases kill people'.

Her work in public health follows in the footsteps of her mother. 'She used to go to very, very difficult-to-reach areas, and tell them things like if they wash their hands, they will not get diarrhea. For me, this is continuing the work my mother had started'.

To tell the story, Okeyo used Power BI to visualise the data, county by county. During the process, the data led her to poor and remote areas of the country, something Okeyo felt was important for the investigative team to do to interview people beyond 'the usual counties' near Nairobi.

The interactive data visualisation and stories for the project are shared with the public via a web portal. She said the coaching and education she received from both Microsoft and ICFJ has helped her to become a '21st century journalist', as well as a stronger one.

She also organised a recent panel discussion including a Kenyan health official and a UNICEF representative to talk about the project's findings. She's very determined to keep the conversation going about the need to improve health care and education for those most in need. 'My main aim is to put neglected people in the public sphere'.

■ *FIN-B Desk, InM*

Financial Inclusion in Action

Nobel Prize winner Richard Feynman once said: 'It doesn't matter how beautiful your theory is, it doesn't matter how smart you are. If it doesn't agree with the experiment, it's wrong'. Feynman was discussing physics. He might just as well have been talking about financial inclusion.

Financial inclusion theories abound on how to include low-income populations in the financial ecosystem by giving them access to financial products. More success has been achieved in driving access to financial products than in their actual usage. For example, in Kenya, 85 per cent of adults own a payments product, whereas only 2 per cent of consumer purchase transactions are noncash. In Mexico, these numbers are 31 per cent and 4 per cent respectively, and in South Africa they are 67 per cent and 6 per cent.

The benefits of financial inclusion are realised when financial products are used. The understanding of how usage occurs has been elusive to date. The key to driving financial product usage is to create value for all stakeholders. The theory works in practice. The South African Social Security Agency (SASSA) electronic benefits disbursement programme shows that payments product usage can be achieved when value is created for all stakeholders involved in the payments ecosystem.

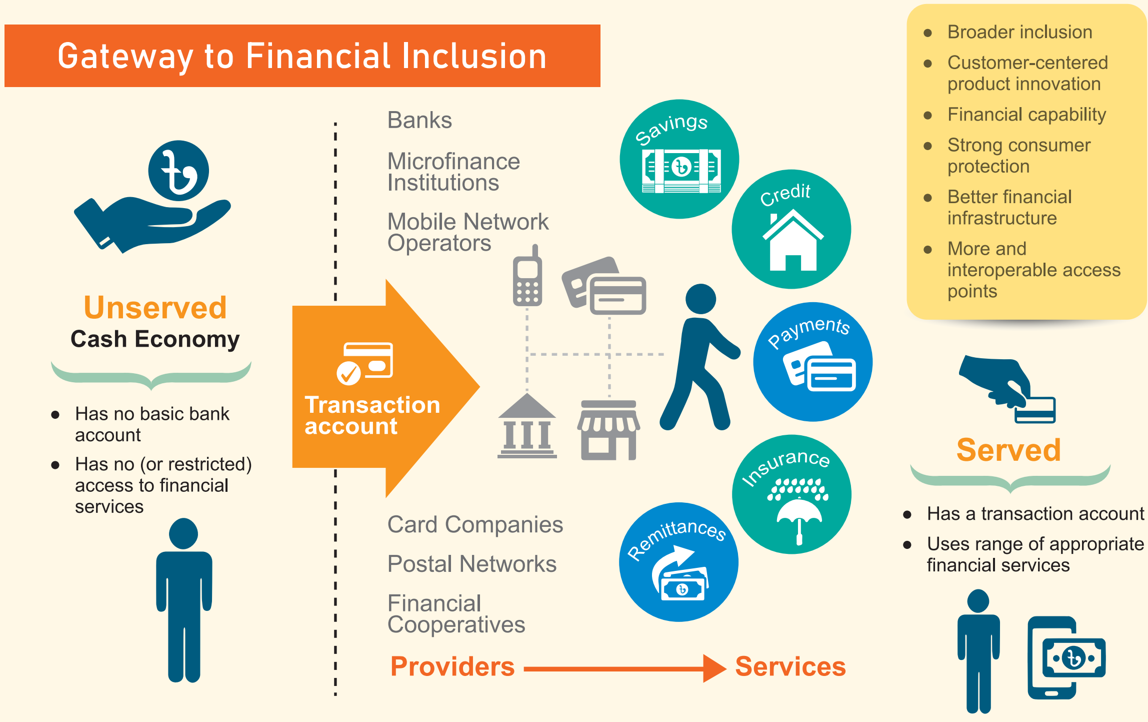
The electronic benefits disbursement system uses biometrics to validate the recipient's identity. Now the recipient does not have to travel long distances to collect money, nor have to worry about someone taking it. But while the South African government was eradicating fraud and realising the benefits of the eradication, they may not have been able to predict the additional benefits that flowed in from the programme as the biggest driver of increasing financial inclusion in the country.

The programme creates value for retailers as well. The retailers that accept the debit card benefit from higher foot traffic and sales, as many of these retail locations are convenient for consumers to withdraw cash in addition to purchasing goods. The cardholders have three options when using the SASSA card at merchant locations: make a point-of-sale (POS) purchase, withdraw cash without making a purchase, or make a purchase and withdraw cash simultaneously (cash back with purchase). The SASSA card usage trends towards using the card for purchases and away from using the card to access cash.

Digging deeper into usage, it is found that the beneficiaries use their cards to pay for day-to-day expenses, such as groceries. Grocery stores are the most popular places to withdraw cash. Beneficiaries consider them to be safe and secure. Withdrawing cash safely at a grocery store is a major trip driver that leads to the vast majority of total POS volume taking place at those retailers.

It is also seen that not only are cardholders making more purchases with their card, but they are also spending more per transaction. The SASSA case data demonstrates how financial product usage is driven by creating value for all stakeholders involved in the payments ecosystem: the government, merchants, and consumers.

■ *FIN-B Desk, InM*



Agritech Startups Changing Face of Indian Agriculture

Imagine a farmer keeping track of livestock remotely using a mobile phone, or checking soil quality before sowing, or getting timely weather information that helps to protect crops.

Such a scenario may not be too far away, given the advent of the 5G mobile communication standard and artificial intelligence-enabled Internet of Things, which agritech startups are using to provide solutions to farmers and bring business and scale to agriculture in India.

Agritech startups are set to play a dominant role in disseminating information to farmers and maximising their profits in the near future, experts predict. However, growth in this sector will be spurred only with a strong financial inclusion policy, faster data penetration and enabling government support. Still, there is potential, as reflected in the mushrooming of agritech startups.

Smartbell, an animal health monitoring solutions company, has developed sensors that can be mounted on collars or ears to monitor the movement and location of cattle and their health.

About 70 per cent of the cattle in India are affected by preventable diseases. Smartbell's devices can also be connected to large cooperative dairy producers and cattle insurance companies.

Many startups in the remote agri-service business are inspired by the government's DigiGaon campaign which aims to digitally connect every village and educate every rural citizen about the significance of Digital India.

While some states have established progressive policies, there's still a long way to go, says Kunal Prasad, cofounder of Cropin, an agritech startup that provides software solutions to agribusinesses globally. From financial policies to data policies to incubation policies, there's a lot more support that is needed from the government. Apart from this, connectivity remains a hurdle, especially in small and remote landholdings, where intervention is needed the most," Prasad says.

Whirlybird, a Maharashtra-based startup, works on curbing post-harvest losses. It provides farm management solutions and soil and meteorological sensing as well as real-time and customised farmer advisory services. A report by Down to Earth magazine points out that Indian farmers incur Rs 92,651 crore in post-harvest losses annually, the primary causes of which are poor storage and transportation facilities.

■ *FIN-B Desk, InM*

FINANCIAL INCLUSION SUCCESS STORIES

Bangladesh's development community must take all opportunities to bundle its support to reach more of its economically active citizens who remain excluded from formal financial services and have to rely on the informal ones that are often less reliable and more expensive. As the government advances its national financial inclusion strategy (NFIS-B), the community can draw on important lessons learned from the successes and failures to-date globally.

• Learning from the earlier demand side lessons

The initial microcredit revolution shows that poor families in the informal economy are valuable clients, and that it is possible to serve them in large numbers sustainably. Today, the microfinance sector that has grown from these innovations with its estimated 35 million clients remains a notable success of sustainable, non-government and private sector growth in Bangladesh.

But over the past few decades, we have also learned that poor households need access to the full range of financial services to generate income, build assets, smooth consumption, and manage risks--financial services that a more limited microfinance model cannot provide.

New strategies need to recognise these broader needs. They also need to recognise the importance of financial literacy, building consumer financial capabilities, and for consumer protection regimes that take the conditions and constraints of poor families in the informal economy into account.

• Capturing the benefits of business model innovations

The microcredit revolution opened an ingenious way to provide credit to the poor without collateral: using the joint-liability loan that replaced physical collateral with social collateral to allow the poor to pledge for one another. But the business model challenge for other financial services is different. For small denomination savings and remittances, the key challenge is the need for ultra-low transaction costs; for insurance, risks must be pooled and managed at actuarially-relevant scale. There is no such thing 'as small is beautiful' in insurance.

New strategies need continued product and business model innovation so that we can reach more people with a broader range of products at lower costs. Such innovation is already happening, for example leveraging mobile-phone based business models. But ultimately no single type of provider will be able to overcome the very different product-specific business model challenges. What is needed instead is a variety of financial service providers that create an ecosystem that serves the poor profitably and responsibly.

• Creating an enabling and protective environment

Responsible market development requires a regulatory environment that balances the needs of advancing access to finance, along with ensuring stability of the financial system, and consumer protection. Globally, policy makers are recognising that financial exclusion is a risk to political stability that impedes economic advancement. The Global Financial Standard-Setting Bodies are changing their guidance to respond to this need to facilitate financial inclusion. National leaders are experimenting with new approaches such as tiered know-your-customer requirements that lower the threshold identification requirements for low-ticket size transactions. The governments around the world are also increasingly focusing on creating the domestic infrastructure that supports market development, such as nationwide unique identities to facilitate customer enrolment and protection.

More than half of the working-age adults globally, an estimated 2.5 billion people, are excluded from formal financial services according to the Findex data. An increasing body of evidence shows that appropriate financial services can help improve household welfare and spur small enterprise activity. There is also macroeconomic evidence that shows that economies with deeper financial intermediation tend to grow faster and reduce income inequality.

This explains why a large number of countries are making commitments to advance financial access and are pursuing national financial inclusion strategies. Supporting the efforts is both an opportunity and an imperative. We urgently need meaningful financial inclusion country success stories for others to emulate.

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Finance for Impact

Alexander R. Malaket is the President of OPUS Advisory Services International Inc., a Canadian consultancy established in 2001 with a focus on international business, trade and trade-related financing, as well as international development and economic inclusion. Mr. Malaket has researched and authored thought leadership reports, programme assessments and reviews, public and international policy reports and has participated in or chaired numerous international initiatives for industry bodies and other institutions.

The lack of access to financial services really leaves small firms in a vulnerable position, in particular in the developing world. There are major barriers which prevent the MSMEs from gaining access to reliable, affordable and sustainable financial services. Small business, including microenterprises live and die by cash flow and access to working capital, and face fundamental challenges in accessing timely and affordable financing on a global basis, and particularly in developing and emerging economies. Mr. Malaket says, “Barriers to access include a range of issues, both on the demand side and the supply side. Financial literacy among small business owners is limited; the ability of small firms to articulate bankable proposals is a recurring and well-documented challenge. Traditional suppliers of financing solutions – banks and others – have tended to under-serve the MSME segments, partly due to risk optics and the absence of credit data, cost profile, the need for significant coaching and resourcing relative to other client segments”.

In developing and emerging markets, infrastructure challenges exacerbate the problem, though there is increasing focus on financial and economic inclusiveness from a variety of directions that will, over the medium term, facilitate greater focus on MSMEs based in developing markets. Trade, specifically, is evolving from a bilateral 'one-buyer, one-seller' view, to a more holistic, supply chain and ecosystem view, which brings into focus, the need to ensure the commercial and financial health of suppliers, the majority of which are based in developing markets.

Often the regulatory environment is incompatible with the goals of significantly improving access to financial services for MSMEs. Political leaders and regulators recognise the importance of MSMEs, including as drivers of economic value-creation and major contributors to job-creation. At the same time, advocates for MSMEs frequently point to complex regulatory requirements, standards, quality and a range of issues that complicate cross-border activity. Mr. Malaket admits, "I would tend to suggest that regulatory authorities are challenged by a very broad and complex remit, and that some of the regulatory requirements and expectations – including the absence of global alignment – create unintended adverse consequences that need to be managed and that require effective, consistent advocacy in support of SMEs and MSMEs".

This is less a matter of incompatibility, rather a matter of ensuring that regulatory authorities are aware of the direct and indirect impact of their work, and of the alternatives that can be pursued to ensure inclusiveness, including among SMEs and MSMEs.

"It seems like there is more innovation happening in financial inclusion now than ever. The critical issue is how innovation and technology should be used to solve financial inclusion problems, in particular for MSMEs", observes Mr. Malaket. There is both increasing innovation and increasing focus and attention on the issue of financial and economic inclusiveness, and technology is recognised as a key enabler of economic inclusiveness, particularly in developing economies where the ability to 'leapfrog' legacy technologies has proven very effective in achieving material progress.

The use of technology to incrementally improve existing processes, practices and modes of interaction is fine, but in the context of economic inclusiveness, what is required is rather more transformational in nature. Mobile phones enabling access to financial service, drone-based delivery of medications to communities in remote parts of the world, 3-D printing and its disruptive impact on global supply chains, the widespread use of online platforms to enable cross-border trade – all are examples that will address financial and economic inclusion in some way.

For enhancing financial access that have positively impacted SMEs in concrete terms, Mr. Malaket acknowledges the excellent work of the International Trade Centre in Geneva and other entities and organisations with a specific mandate around supporting SMEs – the SME Finance Forum of the World Bank is an example, as is the World SME Forum which was a direct outcome of Turkey's Presidency of the G20 in 2015.

Initiatives by PayPal to provide working capital loans to SMEs on the basis of transaction volumes or Alibaba to provide online trade finance for cross-border users of the platform are specific illustrations of evolutions in the e-commerce and online trade space.

In the traditional financial sector, growing uptake of Payables Finance programmes enable small suppliers – many located in emerging markets – to access financing on more favourable terms available to their large global buyers, with banks or others intermediating these programmes. The World Trade Symposium, likewise, is initiating a working group to contribute in concrete terms, to MSME access to trade financing, in the context of the broader mission which brings together trade, finance, technology and economic inclusion.

The traditional financial institutions (e.g. commercial banks) have faced a challenging post-crisis environment as a direct result of the actions of part of the industry itself, and continue to deal with the consequences of the global financial crisis, partly through necessarily stringent regulation, and partly through an erosion of trust. While banks are, in many parts of the world, primarily commercial enterprises driven by profitability and the need to create shareholder value, they are at the same time, an important part of the economic and social fabric of the economies which they serve and in which they thrive.

In the midst of complex, high-cost capital and compliance requirements that vary across jurisdictions, the resulting consolidation and de-risking across the industry, and the disruption caused by financial technology (fintech) firms, banks need to consider some existential questions about their role as businesses and as corporate citizens. This must include moving beyond rhetoric to concrete solutions aimed at supporting SMEs and economic inclusion. Innovative partnerships and the judicious application of technology to redefine business models aimed at supporting SMEs must be part of such an evolution, and the wider deployment of specific services around, for example, supply chain finance techniques, can help make SMEs both reputationally and commercially attractive for banks and financial institutions.

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LESSONS FROM CHINA'S FINANCIAL INCLUSION

Over the past 20 years, China has emerged as one of the world's financial inclusion success stories. While much attention has been paid to the rapid innovation and massive scaling of Chinese fintech companies, China's successes in financial inclusion reach beyond fintech. Account ownership has increased significantly and one of the largest agent banking networks in the world has been established. And a robust financial infrastructure has been developed that underpins these successes.

While China is in some ways a unique environment, there are still valuable lessons to be learned from both its successes as well as its remaining challenges. From these lessons, three critical areas can be highlighted that are fundamental to addressing financial inclusion in all countries:

Fintech and Digital Financial Services: Risks and Rewards

Agent-Based Models: Reach and Sustainability

Role of Government: Promoter versus Enabler

Reaching underserved consumers in remote and rural areas in a cost-effective manner is a major obstacle to financial inclusion for most countries. China addressed this obstacle by facilitating the establishment of one of the largest agent banking networks in the world, via a combination of enabling regulation, subsidies, directives to providers, and funneling the distribution of social transfers through bank cards.

Yet China's model requires adjustment if it is to facilitate long-term and sustainable financial inclusion. Many agent-based service points have low traffic and provide a limited range of services. The Chinese experience highlights the need to consider sustainability and commercial viability when expanding access points. Further steps are needed to allow for the development of more sustainable and innovative agent-based business models.

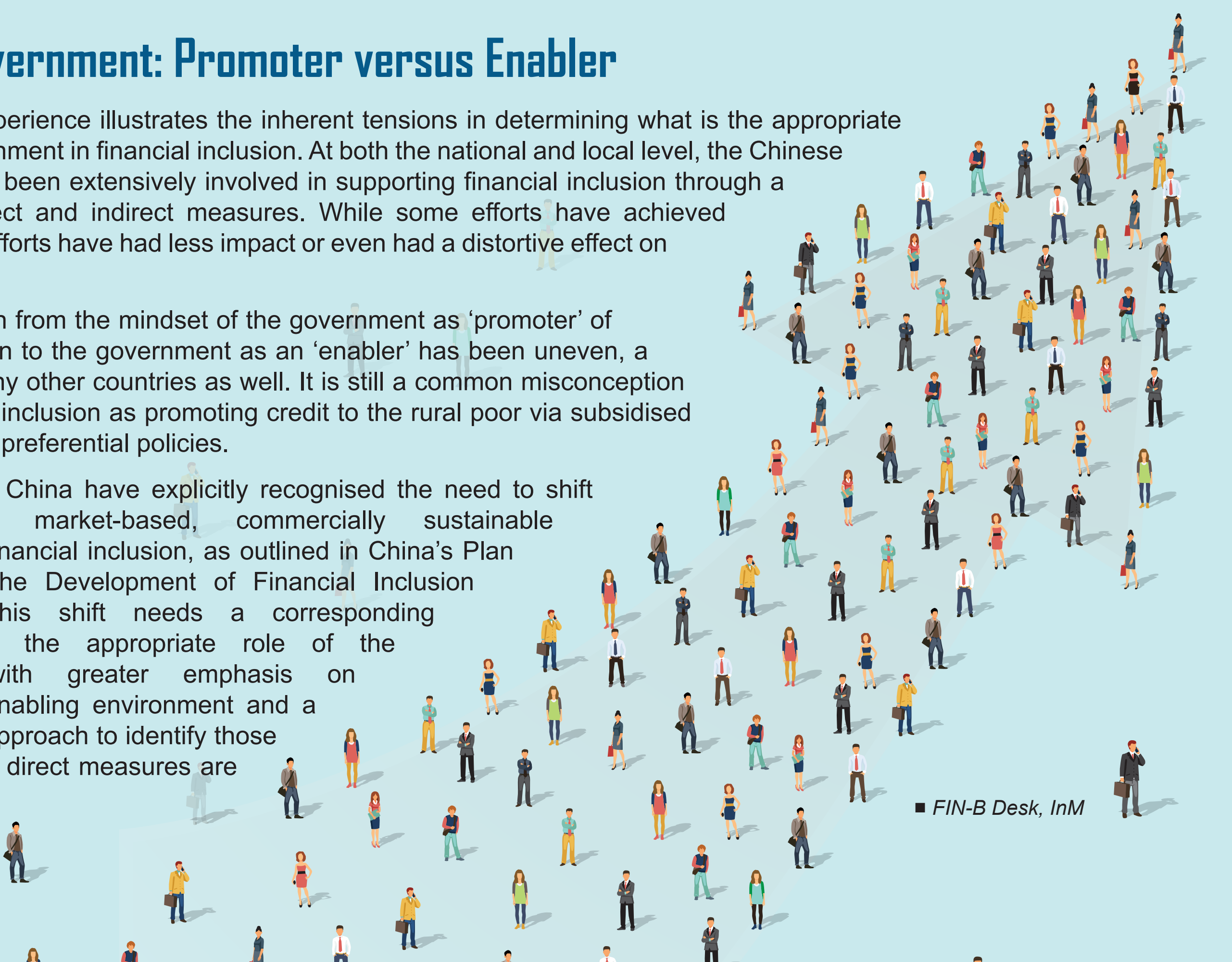
Fintech and Digital Financial Services: Risks and Rewards

China's fintech industry has grown rapidly to reach millions of new consumers with a range of digital financial products and services. One of the key factors behind the success of digital finance in China is the regulatory space provided for innovations in digital finance. Chinese regulators allowed for entry of innovative new providers, products, and business models, such as the use of online, network-based business models integrating financial services into existing e-commerce or social media platforms (e.g. Alipay, Tenpay, Ant Financial).

The Chinese experience demonstrates both the risks and the rewards of this approach. Hundreds of millions of consumers now have access to innovative, low-cost, and easily accessible digital financial products and services more tailored to the needs of retail consumers. But instances of fraud by fintech companies have also caused harm to consumers, particularly in the peer-to-peer (P2P) lending industry. Striking the right balance between allowing for innovation and managing risks is the critical task for any policymaker seeking to encourage digital financial inclusion.

In this regard, the 'test and learn' approaches such as the use of regulatory sandboxes and more active monitoring of innovative providers and products hold promise. Similarly, there is improved understanding of what adaptations are needed to financial consumer protection frameworks to address the risks of digital finance.

Role of Government: Promoter versus Enabler



The Chinese experience illustrates the inherent tensions in determining what is the appropriate role of the government in financial inclusion. At both the national and local level, the Chinese government has been extensively involved in supporting financial inclusion through a mix of both direct and indirect measures. While some efforts have achieved success, other efforts have had less impact or even had a distortive effect on the market.

China's transition from the mindset of the government as 'promoter' of financial inclusion to the government as an 'enabler' has been uneven, a challenge in many other countries as well. It is still a common misconception to view financial inclusion as promoting credit to the rural poor via subsidised approaches and preferential policies.

Policymakers in China have explicitly recognised the need to shift towards more market-based, commercially sustainable approaches to financial inclusion, as outlined in China's Plan for Advancing the Development of Financial Inclusion (2016-2020). This shift needs a corresponding recalibration of the appropriate role of the government, with greater emphasis on improving the enabling environment and a more nuanced approach to identify those instances where direct measures are still warranted.

■ *FIN-B Desk, InM*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Mishaps & Misfortune can strike "ANY SECOND"
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Personal Accident
Travel
cancer/kidney failure/ Stroke/Heart disease etc
Hospitalisation Plan
Fire
Protect against the horror of financial burden that follows
Open the umbrella of a BGIC policy
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INSTRUCTIONS FOR PREVENTING CORONAVIRUS

Wash your hands frequently with soap and water for 20 - 30 seconds.

While sneezing or coughing use a tissue or cover your face with your elbow.

Avoid touching your face, nose, or eyes with unclean hands.

Discard any used tissues in a lined bin with a lid, then wash your hands.

Practice social distancing and avoid congregating in large groups. Avoid hugging and shaking hands.

If you have a fever, cough, or difficulty breathing, avoid close contact with others.

Maintain at least 3 feet but ideally 6 feet (1-2 meters) of distance from people with symptoms.

After returning from a high-risk country or region, self-quarantine at home for 14 days.

STAY HOME
STAY SAFE
BE POSITIVE

Institute for Inclusive Finance and Development (InM)

Web: www.inm.org.bd

ব্যাংকিং এখন হাতে হাতে
ব্যাংক এশিয়া সবার সাথে

আর্থিক অন্তর্ভুক্তির পথচলায় এক অনন্য মাইলফলক

ব্যাংক এশিয়া মাইক্রো মার্চেন্ট অ্যাপ

যার মাধ্যমে আর্থিক সেবা পৌঁছে যাচ্ছে দেশের প্রত্যন্ত অঞ্চলে

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