

Digital Financial Inclusion, Bank Stability and Sustainable Development



Digital financial inclusion (DFI) may be considered as the extension phase of financial inclusion (FI) where advanced technologies are applied towards achieving 'financial inclusion for all'. It is seen as a change agent that can bring about a revolutionary transformation in the financial system. Basically, DFI denotes financial services that are carried out remotely in a cashless manner using different electronic devices from which both parties (e.g., providers and receivers) gain benefits.

Considering the importance and the prospects of DFI, banks across all countries including Bangladesh are on their way to implementing digital financial services (DFS) (e.g., FinTech, E-wallet, and other cashless transactions) in a full-fledged manner, although many banks have already launched DFS in a minimal way and others are paving the way to doing so. This is because wider inclusion of easily accessible financial services helps banks attain stability, financial advancement, and a flourishing financial sector. Further, ensuring banking stability sends out a message about the economic stability of the country that consequently leads to achieving sustainable development. However, although DFI has brought a myriad of positive changes and benefits for the excluded and underprivileged people, sometimes its improper implementation and utilisation may become a burden for those who are unable to afford it. Thus, DFI may also have negative impacts on the financial system, which could be distressingly affected by excessive financial innovations.

The impacts and prospects of DFI are no longer abstract -- rather, the present compulsion is their proper execution. It is now widely agreed that the adoption of digital finance will have a significant impact not only on financial inclusion, but also on inclusive economic growth. Digital finance has the potential to provide access to financial services for millions of excluded adults in developing economies, the majority being women. Widespread adoption and use of digital finance could increase the GDP along with creating new jobs.

Recent cross-country studies provide empirical evidence that greater DFI has a significantly positive impact on banking stability, indicating that DFI stabilises the banking sector. An integrated inclusion of digital finance is not merely a channel of ensuring banking stability, rather it ensures inclusive and sustainable development. Therefore, DFI can be seen as a change agent that can bring about persistent development in the overall financial sector of a country. In this regard, the implementation of several policies deserves careful consideration.

Digital financial literacy for all should be ensured along with ensuring that people have electronic devices supported by the latest technology and different applications germane to DFI that must have an uninterrupted

internet connection. Insufficient or a lack of seamless internet connection may discourage people from enjoying digital financial services. For smooth operation of DFI, financial literacy is a must since adequate access to DFI alone cannot ensure its proper utilisation if there is a lack of financial literacy. So, to make people financially literate, campaigns, seminars, workshops and similar other events could be organised. Then, unbanked people, especially women, living mostly in the rural areas would be encouraged to become banked. As opening an account, in most banks, requires a minimum amount, banks should review this requirement so that the poor people can open an account smoothly. Then, banks could provide services through which people can remotely open an account and enjoy all types of banking facilities.

Awareness campaigns regarding the prospects of the use of digital finance could be arranged. Timely DFS (e.g., FinTech using artificial intelligence and machine learning) could be introduced that will enhance banking stability and efficiency, which will spur inclusive economic growth.

Such types of DFS will inspire people to become ‘savings-minded’ and more savings will lead to sustainable economic growth. Moreover, banks, in order to tackle the cloning of ATM cards, debit cards, credit cards, hacking, and other technological threats, should implement updated software and database so that hackers cannot breach the data. To prevent card cloning, banks should launch a money withdrawal facility via scanning a QR code with a mobile phone. Banks must have a strong team ready with vast and sound technical knowledge to provide clients with uninterrupted and painless services, which will stimulate people en masse to come under the umbrella of DFI. After all, there is a strong, independent, proficient, and unbiased regulatory body (Bangladesh Bank) that supervises all the activities in terms of DFI and adopts innovative and time-tested policies to make it a successful journey.

Report Inventory

Comprehensive Rural Finance Study

At the completion of the three-year study on ‘Comprehensive Rural Finance’ which is supported by the Bangladesh Bank (central bank), InM has prepared a total of 22 analytical and survey reports, policy papers/policy briefs, and background reports for Bangladesh Bank and relevant policy makers. These reports cover various aspects of the dynamics of rural finance as well as policy issues and recommendations for promoting access to and

use of financial services by rural households and enterprises, using both field survey data/and secondary information on the country’s rural financial system. These reports are expected to assist Bangladesh Bank and other policy makers in designing future strategies and policies for ensuring inclusive rural transformation and fostering the country’s inclusive and sustainable development.

Sl. no	Title	Reference No.
Analytical and Survey Report		
1.	Reshaping Rural Finance in Bangladesh: Key to Building Prosperous, Equitable and Inclusive Rural Society	Study Completion Analytical Report: Summary Results and Major Recommendations
2.	Pathways To Smart and Inclusive Rural Bangladesh: Key Recommendations for Reshaping Rural Finance	Comprehensive Summary of Major Recommendations

Sl. no	Title	Reference No.
3.	গ্রামীণ বাংলাদেশ অসুভূক্তিমূলক উন্নয়ন প্রসারের আর্থিক খাতের সমস্যা ও চ্যালেঞ্জ: ভবিষ্যত যাত্রা পথের জন্য কৌশলগত সুপারিশের সারসংক্ষেপ	Analytical Summary Report in Bangla: Major Findings and Recommendations
4.	Bangladesh: Report of the Rural Finance Survey 2023	National Survey Report
Policy Paper and Policy Brief		
1.	BANGLADESH: Review of Rural Finance System and Policy Implications	Policy Paper No. 2025-01
2.	Access to Finance: The Smart Vehicle of Empowerment for Vulnerable Communities in Bangladesh	Policy Brief No. 2025-01
3.	Dynamising Rural Enterprises in Bangladesh: Access to Finance is the Key	Policy Paper No. 2025-02
4.	Financing Industry Based Clusters in Rural Bangladesh	Policy Paper No. 2025-03
5.	Rural Women Entrepreneurship and Access to Finance: Challenges and Opportunities in Bangladesh	Policy Paper No. 2025-04
6.	Access to Finance of Rural Farming Households in Bangladesh: Challenges and Opportunities	Policy Paper No. 2025-05
7.	বাংলাদেশের গ্রামীণ নারী উদ্যোক্তাঃ সফলতার পথে চ্যালেঞ্জ এবং অর্থায়নের ভূমিকা নীতি	নীতি সংক্ষেপ ২০২৫-০১
8.	বাংলাদেশে গ্রামীণ কৃষি পরিবারের অর্থায়নঃ সুযোগ, চ্যালেঞ্জ ও সম্ভাবনা	নীতি সংক্ষেপ ২০২৫-০২
Background Report		
1.	Changing Face of Rural Finance in Bangladesh: Achievements and Future Challenges	Background Report No. 2025-01
2.	Financial Needs of Selected Marginalised and Vulnerable Communities in Bangladesh	Background Report No. 2025-02
3.	Access to Finance for Rural Entrepreneurs in Industry Based Clusters of Bangladesh	Background Report No. 2025-03
4.	Access to and Use of Financial Services by Rural Entrepreneurs in Bangladesh	Background Report No. 2025-04
5.	Access to Financial Services by Rural Women Entrepreneurs in Bangladesh	Background Report No. 2025-05
6.	An Overview on Rural Finance in Bangladesh Structure, Policies and Priorities	Background Report No. 2025-06
7.	Supply Side Analysis on Comprehensive Rural Finance	Background Report No. 2025-07
8.	Access to Finance of Farming and Non-farming Households in Rural Bangladesh	Background Report No. 2025-08

Sl. no	Title	Reference No.
9.	Penetration of Agent Banking and Mobile Financial Services in Rural Areas of Bangladesh	Background Report No. 2025-09
10.	Regional Variation in Access to Finance by Rural Households in Bangladesh	Background Report NO. 2025-10

Policy Brief

Breaking Climate Change, Poverty and Inequality Nexus in Bangladesh: Can 'Resilience Dividend' Pave the Pathway?

This Policy Brief features the major findings of the **Bangladesh Poverty Watch Report 2024: Climate Change and Poverty Nexus** prepared by InM in collaboration with the Center for Inclusive Development Dialogue (CIDD) published in May 2025. The focused analysis of the intricate relationship, particularly in the climate-vulnerable regions of the country, highlights the impact of climate-induced hazards on livelihoods and poverty. The emerging policy priorities and the challenges faced by the affected communities are highlighted in the Policy Brief.

Bangladesh continues to remain acutely susceptible to the impacts of climate change. Extreme weather events such as rising temperatures, droughts, cyclones, floods, riverbank erosion, salinity intrusion, and sea level rise endanger the lives and livelihoods of millions. These threats are deeply interconnected with the country's existing challenges of poverty, inequality, and environmental degradation, forming a complex and potentially devastating nexus.

In response, Bangladesh has undertaken several national initiatives, notably the National Adaptation Plan of Action (NAPA) and the Bangladesh Climate Change Strategy and Action Plan (BCCSAP). These strategies emphasise an integrated development approach that incorporates climate change management and promotes a transition towards a low-carbon economy.

The Policy Brief identifies three critical pathways through which climate change exacerbates poverty and inequality:

- ▶ **Increased exposure** to climate-related hazards;
- ▶ **Greater susceptibility** to climate-induced damage; and
- ▶ **Weakened capacity** to recover and adapt.

These impacts are further shaped by structural socioeconomic disparities and governance inefficiencies. In Bangladesh, greenhouse gas (GHG) intensive activities predominantly benefit affluent groups who are better able to insulate themselves from climate impacts through greater access to protection and adaptation measures. In contrast, poorer and marginalised communities remain disproportionately exposed and vulnerable, often excluded from the benefits of climate interventions. This reinforces a vicious cycle in which climate change further deepens poverty, food insecurity, and social inequality.

To reverse this cycle, climate resilience must be placed at the centre of Bangladesh's development agenda. The analysis advocates for a transformative approach that targets marginalised and intersectional groups through policies that simultaneously address poverty reduction, inequality, and climate resilience. This requires inclusive and climate-sensitive planning, effective institutional coordination, and the empowerment of local initiatives.

In Bangladesh, the approach to deal with climate change, poverty and inequality needs to cover five strategic elements:

- Inclusive and poverty/inequality sensitive climate adaptation.
- Climate-sensitive poverty/inequality reduction initiatives.
- Maximum exploitation of cross-cutting and sectoral synergies.
- Desired coherence and coordination within and among relevant institutions.
- Strengthening and supporting local initiatives.

These programmes need to be underpinned by tools such as integrated vulnerability assessments, resilience monitoring, and poverty/climate adaptation toolkits. It is vital to outline clear implementation pathways that take both short- and long-term dimensions into account, operating at national and sub-national levels, and adaptable over time.

Policy actions are required to prioritise interventions based on the severity of climate impacts and their anticipated effectiveness—particularly in climate hotspots such as coastal regions, floodplains, haors, islands, and riverbank erosion zones. Strong community participation, inter-agency coordination, and robust monitoring and evaluation mechanisms are essential to ensure that interventions are both effective and equitable. Additionally, evidence-based policymaking must be supported by comprehensive data on poverty, inequality, climate change, and environmental trends.

International cooperation also plays a crucial role. Addressing the climate crisis requires urgent global mitigation efforts. Low-income, climate-vulnerable

countries like Bangladesh need international support through mechanisms such as the Loss and Damage Fund (LDF), as proposed at COP28. If properly implemented at the grassroots level, the LDF could become a vital instrument for achieving climate justice. Moreover, high-emission countries must take responsibility for reducing GHGs through development-friendly solutions and assist vulnerable nations in enhancing social protection, sustainable livelihoods, and resilience-building.

Bangladesh has a valuable opportunity to build long-term climate resilience and reduce the immediate impacts of climate change on poverty and inequality through inclusive, forward-looking policies. Investments that may involve high initial costs—such as renewable energy, infrastructure, urban transport, and ecosystem restoration—are essential to avoid locking into carbon-intensive development paths.

The Policy Brief conveys a clear: poverty reduction, inequality mitigation, and climate action cannot be pursued in isolation. They are intrinsically linked and must be addressed through a unified, integrated framework. With strategic policies, effective coordination, and sustained global support, Bangladesh can move from a vicious cycle of vulnerability to a virtuous cycle of resilience and inclusive development.



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