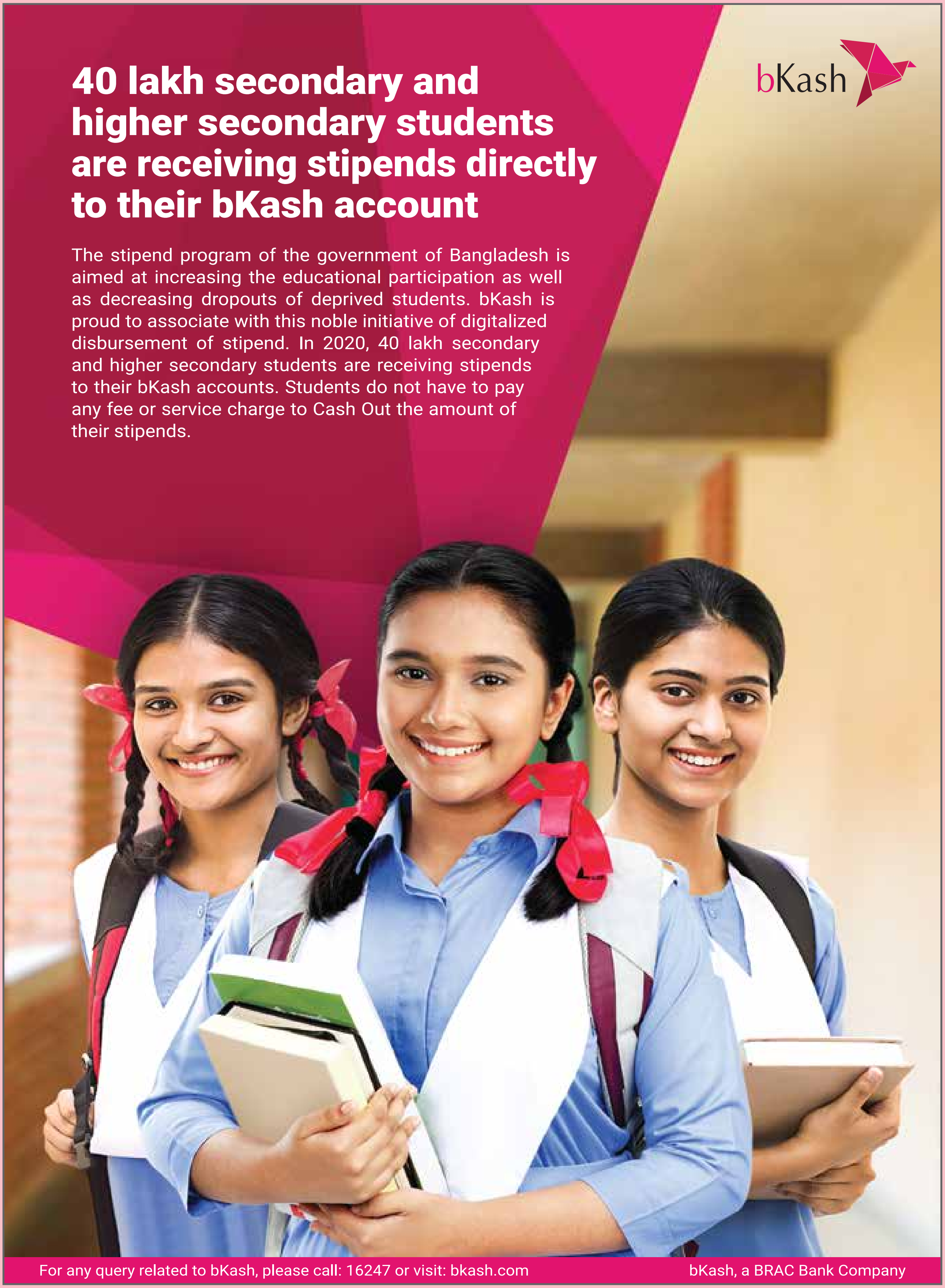
FIN-Biz
Finance for All
Volume 3 | Issue 2 | December 2020

Covid-19 and Uncertainty
Future of Banks
Digital Literacy
Transforming Financial Capabilities

Innovative Inclusion: Opportunities for Banks

ISBN 978-984-34-4496-7

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



bKash
40 lakh secondary and higher secondary students are receiving stipends directly to their bKash account
The stipend program of the government of Bangladesh is aimed at increasing the educational participation as well as decreasing dropouts of deprived students. bKash is proud to associate with this noble initiative of digitalized disbursement of stipend. In 2020, 40 lakh secondary and higher secondary students are receiving stipends to their bKash accounts. Students do not have to pay any fee or service charge to Cash Out the amount of their stipends.
For any query related to bKash, please call: 16247 or visit: bkash.com
bKash, a BRAC Bank Company

FIN-Biz
Volume 3 | Issue 2 | December 2020

Editorial Team

Editor
Mustafa K Mujeri

Assistant Editor
Farhana Nargis

Cover
Tahidul Islam

Photographs By
FIN-B Desk
Internet

Graphic Artist
Tahidul Islam

Advertising, Sales and Distribution
Fatima-Tuz- Zohora

Editorial and Marketing Queries
finb@inm.org.bd
www.inm.org.bd/about-fin-b/

ISBN: 978-984-34-9584-6

Printed by
Asiatic Civil Military Press

FIN-Biz is published half yearly. Views expressed in articles and other materials are those of the authors; these do not necessarily reflect the opinion of the Editorial Staff or FIN-B or InM.

All rights reserved by InM. For permission to reproduce any material of Fin-Biz, contact finb@inm.org.bd

Published by

Financial Inclusion Network, Bangladesh
an initiative of InM

Institute for Inclusive Finance and Development (InM)
PKSF Bhaban, E-4/B, Agargaon
Sher-e-Bangla Nagar, Dhaka - 1207, Bangladesh
InM Training Centre, House# 30, Road# 03, Block: C
Monsurabad R/A, Adabor, Dhaka - 1207.
PABX: +88-02-8190269, 8190364, Fax: +88-02-8190364
E-mail: finb@inm.org.bd, Web: www.inm.org.bd/about-fin-b/
Electronic version:
http://inm.org.bd/publication/

TK. 250 | www.inm.org.bd/FIN-B

FROM THE EDITOR

The lack of accessible, affordable and appropriate financial services has always been a problem for countries like Bangladesh; which brings out the urgent need for creating effective and inclusive financial system. With emphasis on financial inclusion, non-traditional and digital financial services are expanding rapidly creating a new era of possibilities for accessing financial services.

The present digital age demands easy access, convenience, efficiency and speed which have shaped a massive market for the FinTech industry. Bangladesh's financial regulators are working towards creating an interoperable digital transaction platform in which financial transactions, transfers, e-commerce, m-commerce, bill and merchant payments, remittance exchanges, machine-to-machine payments and other financial services will be made by fintech organisations.

Successful implementation of the platform along with further development and innovation in mobile financial services will help to move closer to financial inclusion for all and a cashless society; and impede financial fraud, terrorism financing, money laundering and other economic crimes.

The banks and financial institutions need to align themselves with newer technologies and the innovation industry at large and with the fast-shifting dynamics of the country's financial sector. This inevitably entails going beyond the traditional banking model to satisfy different markets and the new groups of innovative customers.

CONTENTS

FIN-Biz
Finance for All

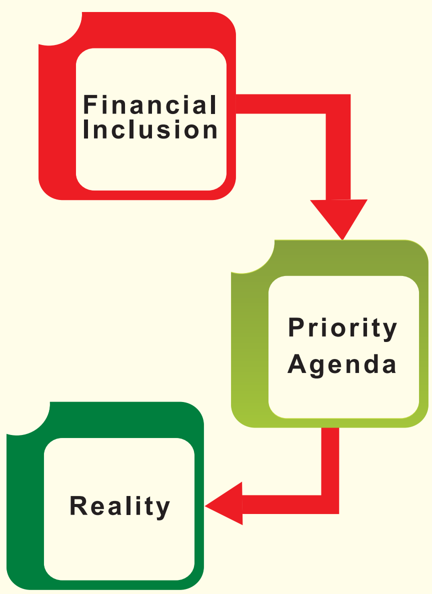
INSIGHTS AND IDEAS
FROM FINANCIAL INCLUSION
NETWORK BANGLADESH (FIN-B)
An initiative of InM

DECEMBER 2020
VOLUME 3 | ISSUE 2

TIME FOR A VISION FOR FINANCIAL INCLUSION

At **InM**, we are excited about developing the country's financial sector that can serve and include nearly half of Bangladesh's people who currently have no access to formal financial services. Such access will ensure improvements in the quality of life even for the extreme poor. From managing vulnerability through savings and microinsurance products, to taking advantage of entrepreneurial opportunities through microenterprise loans, to safely receiving remittances—all these benefits can leverage real-life transformations for the low income families in the long-run.

While working with financial inclusion, the practitioners face several questions: How many people do not have access to any bank account? What other services need to be provided to help the poor better manage their resources? How can quality and reliable financial services be provided such that the poor can make the most of these services? What are the barriers to using financial services at the bottom of the pyramid? Which are the institutions best equipped to provide access to quality financial services to those who need them? And there are many more.



However, there seems also to exist a gap in the present perceptions about financial inclusion in the country. What exactly is 'financial inclusion'? Is it the same as 'banking the unbanked'? Are emerging models such as mobile and agent banking or other technology-enabled replicable models are the solution to financial exclusion?

In the real life, for people to benefit from financial inclusion, it is important to ensure that all people who use them have access to a full range of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the users.

For ensuring the above requirements, financial services have to be delivered by a wide range of providers and reach everyone who would like to use them, including the poor, women, disabled, disadvantaged and other excluded populations. There are four dimensions which are essential to consider while addressing the above concerns: type of products and services provided; how they are provided; who offers these services; and who receives them.

In Bangladesh, the problem of access to finance at the base of the pyramid is well-known. And a solution is emerging through transforming microcredit into microfinance and finally towards appropriate finance and financial inclusion. And the key issue now is to transform financial inclusion from a priority agenda into reality. What Bangladesh needs is a big push to pave the road towards financial inclusion for all with a clear vision on the destination. Now is the time to take action!

■ *FIN-B Desk, InM*

Four Skills for a Better post Covid-19 Society

The Covid-19 pandemic is no doubt a great human tragedy; moreover it has also shaken the pillars of existence of human society and raised expectations of changes in human behaviour that will lead to a better post-Covid 19 world.

For the post-Covid 19 society, one key challenge is to change our decision making process and become more knowledgeable about the future. It is apparent that the conventional approaches are no longer sufficient; we need new skills.

Skill 1 New Perception of Literacy: Literacy no longer should be interpreted simply as the ability to read and write; it has a broader and more insightful meaning. At present, we live in a globalised and rapidly changing world; and even smaller changes have huge global consequences due to deeper connectivity.

Perhaps it is time for us to take a step forward to cope with this new challenge, and emerge as more 'future literate' society. The skill will allow us to better comprehend the future. These future images will drive our expectations and investments for changes.

The UNESCO is building future literacy globally with local actors through organising future Labs in schools and communities. The goal is to demonstrate that imagining the future is accessible and the capacity to imagine can be improved. The UNESCO convened the first Global Futures Literacy Design Forum in December 2019 in Paris for pushing future literacy. The goal is not to think of the future as an add-on; it is to be be integrated, like reading and writing, with what we do and what we think.

Skill 2 Systems Thinking: Nearly all challenges related to the Covid-19 concerns the 'systems'. A system has three important elements: a scope or function, parts, and relationships. In a system the effect of interventions may appear distant in space and time, but they may not be such in reality.

Systems thinking refers to a mindset to think, communicate and learn about systems to make the full picture clearer, improve and share the understanding of problems and see how to face them effectively in practice. For instance, a systemic picture of the Covid-19 pandemic will explore its impact on different areas, such as social, technological, economic, environmental and political. In effect, this provides us with the magnifying glass to spot the strategic themes that need to be faced in an integrated manner.

Skill 3 Anticipation: At present, we depend on signals for the future; these signals are not real as yet but these have the potential to emerge as reality if circumstances permit. As such, there are futures in progress at present although these are not clearly visible.

The anticipation skill requires us to learn how to recognise these possible futures and to use this augmented knowledge to shape our decisions and actions at present. In practice, this helps us in modifying our habits and behaviours to remain better prepared to face the future.

Skill 4 Strategic Foresight: The Covid-19 and similar disruptive changes require strategic choices and decisions which will shape the future. This is no doubt a big challenge that requires strategic thinking on the part of the government, private businesses, institutions, organisations and, above all, the people to better understand the current changes and the future which may be different from the present in significant ways.

Strategic foresight is based on future studies that are explorations of alternative futures and investigate the options that underlie possible, plausible, probable and preferred futures. Moving away from the assumption that the future is a continuum of the present towards a better understanding of changes and multiplicity of the future allows us to develop future-proof strategies that can anticipate the consequences of alternative futures.

Essentially, the need is to ensure a leap from a reactive approach to an anticipatory approach through managing the above competencies into our skill sets. No doubt the present pandemic has created an opportunity to make a breakthrough to bring a better post Covid-19 society, which will be more inclusive and socially sustainable that makes all humans safer, happier and healthier and treats them as equals.

■ *FIN-B Desk, InM*

Innovative Inclusion: Opportunities for Banks

COVER STORY

Traditionally, banks do not view financially excluded individuals and MSMEs as profitable target customer segments. However, technological advances are increasingly reducing the cost of serving these customers and opening up a potentially significant growth opportunity for the banks. Driving greater financial inclusion will not only boost higher GDP growth but could also increase revenue earnings significantly by the banks.

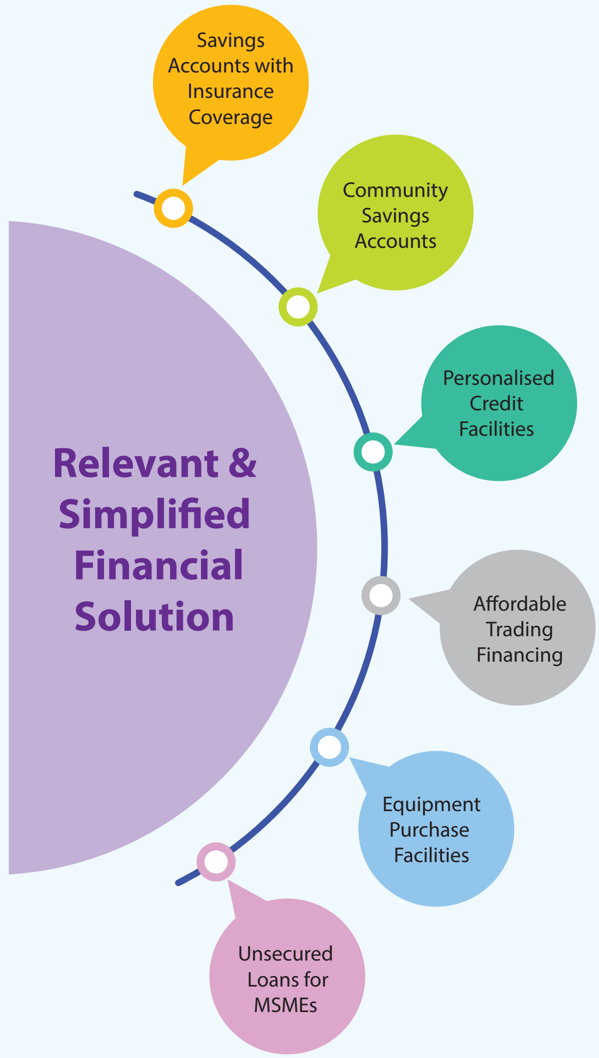
Financial inclusion growth opportunities by the banks are the greatest in markets that embrace technology-led innovation, and which have a clear and supportive policy framework for financial stability. The technology and infrastructure drivers cover a number of elements, such as high levels of mobile adoption and e-payments, national digital identity systems, credit data infrastructure, open access to digital data, currency digitisation and other technological innovations.

Policy and systemic drivers are also needed including strong customer safeguards, responsible financial literacy and education programmes, bankruptcy regimes, regulatory incentives for banks, diverse financial ecosystems, and interoperable financial systems.

With the right infrastructure and policies, banks need to adapt their operations to achieve profitable financial inclusion that focus on three actions.

Customise offerings to raise relevance and deepen account adoption

While the regulators may require the banks to offer basic accounts, simplify onerous documentation or allow agent banking to increase financial inclusion, such measures do not always deliver the desired results. Standardised accounts may not meet the specific needs of specific communities. For example, a traditional monthly loan payment may not be possible when an individual or MSME relies on a seasonal income stream. This can result in underutilisation of such accounts and may leave customers not truly financially included.



To drive financial inclusion, banks must structure highly relevant and potentially simplified financial solutions that meet the specific needs of their customers at an affordable cost. This requires building deeper customer understanding and a compelling customer proposition. Examples include savings accounts with insurance coverage, community savings accounts, personalised credit facilities, affordable trade financing, equipment purchase facilities or unsecured loans for MSMEs. By assuring that their product portfolios have a sufficient mix of innovative products and services, banks can earn the loyalty of newly onboarded customers and drive cross- and up-sell opportunities.

Innovate channels to reach more customers at lower cost

Digital channels provide greater convenience for customers at a lower cost for the banks and have been instrumental in helping providers overcome challenges related to infrastructure and geography in many countries. Moreover, digital technology can streamline the lending process, enable direct origination of loans and significantly reduce decision times, while also enabling greater transaction volume.

However, digital channels may be the lowest cost to operate, effective financial inclusion may also require a ‘bricks-and-clicks’ distribution model that includes a physical branch presence to build trust and confidence, perhaps supplemented by correspondent agents (such as post offices and supermarkets). Such a model can still operate efficiently if automation is employed effectively. For example, in dense urban areas, banks could build no-frills mini branches or kiosks that offer standard products. Similarly, a correspondent agent model could serve as a local touch point for offering basic financial services in previously unbanked locations and regions. Partnerships with correspondent agents can also lead to integrated product or service offerings that deliver greater value to new banking customers. Physical locations could further promote financial literacy awareness and drive future demand for banking products.

Creatively mitigate risk to address absence of credit histories

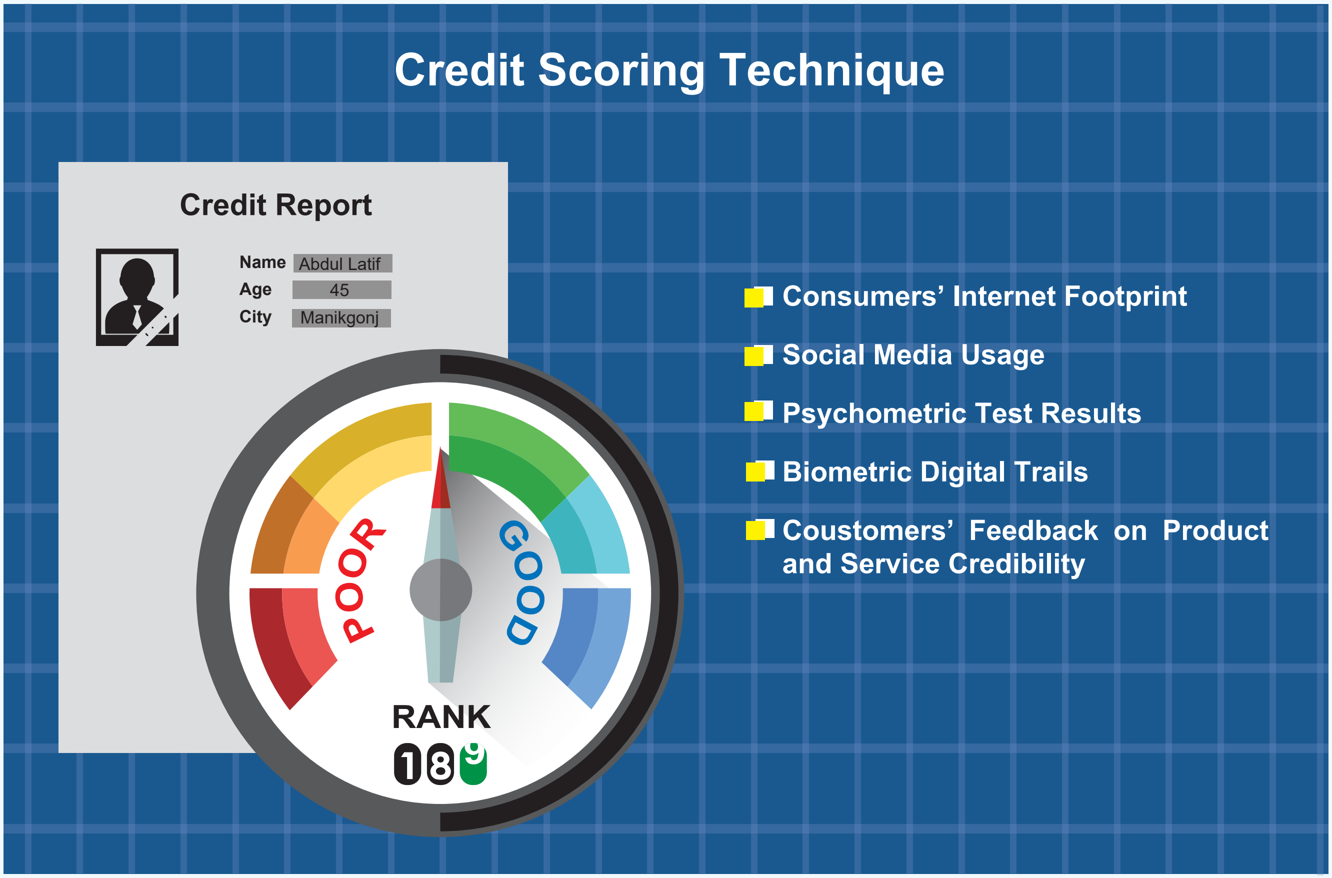
Most financially excluded individuals and MSMEs do not have the financial track record that banks traditionally rely on to support lending decisions, nor do they necessarily have access to proven identity, address and security

details. This effectively cuts off their access to bank credit. To illustrate, agriculture contributes approximately 15 per cent of Bangladesh's GDP and yet loans to the sector account for less than 3 per cent of the commercial banking credit portfolios. Farmers' access to conventional bank loans has been limited by the lack of typical credit scoring data and consequently, many are forced to secure credit from informal lenders and pay exorbitant rates. By developing creative credit profiling techniques, banks could boost lending to the sector and help close the financing gap to Bangladesh's agriculture sector.

The NGO-MFIs and others are pioneering in this space, developing new techniques and credit scoring analytics for individuals and businesses. These also explore nontraditional data, such as consumers' internet footprint, social media usage, psychometric test results and biometric digital trails, as data sources to assess lending risk. Many MSMEs also have digital footprints related to e-commerce, so reviewing their customers' feedback on product and service credibility can provide data to evaluate business viability and creditworthiness. Banks should partner with or emulate these nonbank counterparts to develop innovative techniques to fill potential customers' credit history gap.

Effectively, the approach that financial institution takes to driving inclusion depends on its business model. Some may prefer to focus on developing innovative products or credit-scoring techniques, while others may opt to transform delivery channels. For example, NGO-MFIs are already aligned to small customers, which place them in an advantageous position to focus on customising products. In contrast, telecommunication companies and FinTechs are probably better suited to utilise innovative channels and alternative credit-scoring techniques.

While these nonbank financial institutions and ecosystem players stand to benefit, banks with established branch networks, may emerge as the primary winners of the revenue opportunities that could be created by greater financial inclusion. There has never been a better time for the banks to seek revenue growth through financial inclusion. The banks that could seize this opportunity today — and they have the opportunity to strategically customise offerings, utilise and innovate channels, and creatively mitigate risk — will be well positioned to capture the newly created market share and play a transformative role in Bangladesh's economic growth for years to come.



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

Covid-19 and Uncertainty: A New Reality for Microentrepreneurs

For most of the microentrepreneurs, businesses have changed in an instant with the arrival of the coronavirus. And things are changing every day! The businesses are forced to shut down; workers are sent home; and the suppliers are feeling the pain. Livelihoods of a large group of people have been disrupted.

This kind of uncertainty is being felt by millions of micro, small and medium enterprises (MSMEs) across Bangladesh. How the government, banks, and other financial and development institutions react to the situation will be essential to their survival. There are increasing concerns regarding the viability of these businesses and there is much to do to help these struggling MSMEs.

In Bangladesh, running an MSME is no doubt challenging; particularly for women in the rural areas. These businesses face huge credit gap even during normal times. The pandemic has widened the gap significantly. At present, the MFIs and banks are as critical as doctors for the MSMEs. These institutions need to have more ‘heart’ to solve their immediate problems. Now more than ever, it’s important for the banks and fintechs to specifically include women in their Covid-19 responses.

There are several measures that the financial institutions need to take urgently, including affordable finance, emergency loans, and grace periods for repayments on existing loans. Additional technical assistance and support with training, legal advice, contracts, and access to markets are also critical; not just money is adequate.

Without essential liquidity, capital, and expertise, many MSMEs won’t be able to weather the storm. The government needs to work with the microentrepreneurs, financial institutions, and fintechs to help address the challenges.

In Bangladesh, women and women-led businesses are vital drivers of economic growth and prosperity. The MFIs experience low nonperforming loans, deposit stability and higher customer loyalty when they provide comprehensive financial and operational solutions to women-led businesses. But too often, women are overlooked in the design of financial solutions by the banks.

The MFIs and banks need to come forward with fast track funding which can be used in offering trade finance, working capital support to help MSMEs to pay their bills and their workers, and long-term financing enterprises experiencing disruptions in supply chains. They should also ramp up efforts to provide investment, advisory expertise, and other support to help the MSMEs to respond to and overcome the crisis.

■ *FIN-B Desk, InM*

‘Democratising’ Bangladesh’s Payment Services

Payment providers across the world are rushing to provide better services for their customers. Bangladesh is no exception. As pioneers, the country’s financial technology (fintech) companies are bringing about positive changes and overhauling the payment services with the help of new technologies.

The year 2020 is emerging as the beginning of the next-generation networks. Worldwide, billions of networks are being connected ubiquitously to create a better-connected and intelligent world of technology. Most of the manual machinery – even the paper currencies in the wallets – are going through a massive digital transformation. The use of cash is reducing drastically; e-money is emerging as the future of financial transactions. In an ambit of burgeoning e-services, mobile financial services are becoming a convenient and smart solution to people's financial needs.

Over the years, Bangladesh has emerged as a gold mine of opportunities. Along with high economic growth and rapid social progress, every aspect of human life is undergoing rapid changes. Digital financial services are ushering rapid paradigm shifts in consumption pattern and demand structure in the changing society. Mobile money is replacing traditional financial services as it provides a much easier and better way to reach the customers' doorsteps and ensure broader financial inclusion.

Only a decade ago, just 15 per cent of the adults had access to formal banking system in the country which is now rising rapidly, with a large share of the unbanked population getting access to financial services through mobile financial services (MFS). Among the 16 MFS providers in Bangladesh, bKash did a great job perfectly at the initial stage. While bKash is still working efficiently in the mobile market, others – like Rocket, Nagad, SureCash, and the like – are catching up rapidly. When bKash started, the focus was on providing MFS to every part of the country, starting from the grassroots level. By reaching out to every citizen with basic financial services, and democratising the whole payment industry, bKash played a pioneering role in realising ‘Digital Bangladesh’.

The future of fintech is a string of interactive and user-friendly apps – and the mobile financial service providers have already started producing these apps. With the launch of a simple app by bKash in 2018, financial transactions started its journey towards revolution across the country. In 2019, bKash renovated the app with an advanced design to maneuver multifarious utility.

These apps serve numerous financial needs of the customers: self-registration, sending money, adding money from banks to mobile wallets or wallets to banks, taking out cash, making payments at a wide range of merchant points, paying utility bills, buying tickets, topping up mobile balances, receiving geocentric offers at a variety of shopping outlets, paying credit card bills, and many more.

Beginning in 2020, automated processing, artificial intelligence (AI) banking, blockchain, cryptocurrency and similar innovations are likely to emerge as key movers. According to Forbes, investment in fintech will exceed $30 billion by 2020. This investment will help the world transform into a cashless society. It is also likely that blockchain in fintech will reach $6,700 million by 2023 in the United States alone. The rest of the world will emulate the trend no doubt. Experts predict that more partnerships are likely to emerge among fintech companies in 2020. According to Deloitte's research, 84 per cent of business executives believe blockchain will become the mainstream.

According to Forbes, peer-to-peer, or digital, lending – another segment of fintech – was worth $43.16 billion in 2018. It is likely to reach $567.3 billion in 2026 reflecting an annual growth rate of 26.6 per cent. According to McKinsey, the biggest fintech product worldwide is digital payment – which comprises 25 per cent of the fintech ecosystem. Statista says that mobile payments will break the $1 trillion mark in 2020. At present, three out of every four people worldwide use a fintech service – according to Finances Online. In effect, fintech is creating an enormous network of digital money.

No doubt, what the customers want is instant and hassle-free payment. Tech giants – such as Google, Apple, Tencent, and Alibaba – have already created their payment platforms rich with features like biometric access control, fingerprint recognition and face detection. The most popular payment methods in China are WeChat Pay and Alibaba's Alipay. Alipay is now the world's largest mobile payment platform with an estimated worth of $75 billion, according to Investopedia.

In Bangladesh, bKash has a partnership with Alibaba's Ant Financial. They are creating programmes and offers based on users' transaction patterns, AI and location. AI is expected to improve the accuracy, security and personalisation of transactions. It will also help monitor customer's financial behaviour and innovate new services like digital lending, insurance, and others.

At present, nearly half of Bangladesh's adults are financially excluded. However, the scenario is likely to change quickly. People's consumption behaviour is changing fast and the usage of different e-services is rising rapidly due to increased use of internet and modern technologies. According to Internet World Stats, Bangladesh has the second-highest internet penetration rate in South Asia with 57.2 per cent of the total population under the internet coverage. Mobile internet has changed the banking experience with the rise of e-banking and tech-driven MFS. No doubt, rapid growth of mobile subscribers and internet users will be one of the major drivers for realising ‘Digital Bangladesh’ within a short time.

■ *FIN-B Desk, InM*

How Digital Literacy Can Transform Education

The term ‘digital literacy’ may appear self-explanatory to many: implying that a digitally literate person knows how to use the digital technology. But, in reality, it is highly understated. Traditional literacy is not just the ability to read or write – it actually refers to the capacity to reflect, analyse and create.

A truly literate person should have the capacity to reflect on what is behind a book or a story, who is the author, what led him/her to write it, what were the circumstances and contexts under which it had been written, and so on. After all, a person who can just read the words and sentences is not quite ‘reading’ the book, if he/she does not understand what the characters are doing and why. It is also important to grasp the meanings, the reasons why the author has written it and what social and cultural significance it carries.

For digital technology, the open universe of information and near-infinite possibilities available on the internet can offer the students with the building blocks of digital literacy: how different platforms are built, the basic concepts of computing even without going into the code and real glimpses into what is happening behind the scenes when we use a system.

Digital literacy is the doorway to other literacies to ensure that technology serves the best interests in all respects. One can develop algorithmic literacy to understand the bias in artificial intelligence (AI) systems or how a search engine system works; or data literacy to comprehend how/when/where data is collected, how it is aggregated and retained, by whom and with what potential consequences; or political and economic literacy to understand what technologies are owned by whom, what industries are shaped by technology in what manner, how technologies shape public and political life and the relationships between corporate and public/political interests.

For our education system, it is important to teach the building blocks of digital literacy, from basic computing concepts to how platforms are built. The key will be to move towards a new ‘human-centred’ approach to technology education in our schools and universities. For the transformation, two major interventions may be conceived: first, change the perspective of technology education to link it more closely to the country’s political, economic, cultural, and human dimensions; and second, redefine the concepts of design and digital literacy in the curricula and teaching methods.

For the purpose, educational institutions need to expand and revise their curricula for a digital future of the students that is inclusive, sustainable and participatory. It is true that Bangladesh’s education system treats science and engineering education as technical--and hence neutral—instead of socially constructed. As a result, we have plenty of courses in which software designing is taught to the students but they are seldom offered any course in which software designing is integrated with social dimensions such as understanding the physical and social conditions under which the software will ‘work’ in its true sense.

As social and cultural dimensions are integrated with technology education, the technically educated persons will be better equipped to think deeply about how the systems they design will transform the society. A more realistic horizon will be created for those who can translate across technical and social domains as technologies are innovated and rolled out in society.

The country’s education system has the responsibility to prepare the youth to work and enter the labour market. But its responsibility is also to prepare them to be creative, reflective, and compassionate humans with social and ethical values. With human development as a key dimension, it is unrealistic for Bangladesh to think of technology as compartmentalised without recognising the deep influence of social dimensions on technology adaptation.

■ *FIN-B Desk, InM*

Beyond the ID: Automatic Identity Verification & KYC with AI-Powered Technology

Identity theft and account takeover are on the rise, with cyber-attacks targeting the financial sector increasing 238 per cent from February to April 2020, according to a VMware Carbon Black report.

Now more than ever, as businesses deal with the financial stressors of the global health and economic crisis brought on by Covid-19, there has never been a more crucial time to establish trust between organisations and consumers. Online ID verification is a great starting point in building trust, but how do you really know who is holding that ID at the other end?

Defining ID and identity verification

Most organisations use some method of identity verification during the digital onboarding process. Some ping databases to see if an individual exists in the real world. Some use ID verification to check the authenticity of a user's government-issued ID and to ensure it has not been digitally manipulated. ID verification provides a strong trust anchor for online businesses, but it fails to assure that the user holding the ID is in fact who they say they are.

Online identity verification takes the verification process one step further and involves both an ID scan and the capture of a corroborating selfie to ensure that the person holding the ID is the same person shown in the ID photo and that they are physically present during the transaction. In this way, identity verification serves many benefits to organisations seeking to build trust in their online channels.

Five ways it pays to go beyond the ID

So, what are five ways identity verification can add real value to your organisation?

1. Fraud deterrence: The addition of a selfie requirement and liveness detection has a chilling effect on online fraud and account takeover. The simple act serves as a strong fraud deterrent for many scammers who prefer not to share their own likeness with the company they're looking to defraud and reduces attempted fraud attempts by as much as 90 per cent (based on Jumio's benchmark analysis).

2. Simple and familiar user experience: Two-thirds (67 per cent) of consumers are comfortable using biometric authentication today, while 87 per cent say they'll be comfortable with these technologies in the near future, according to IBM. Thanks to the broad adoption and familiarity of facial recognition integrated within the most popular smartphones – think Apple Face ID and Samsung's facial recognition feature – this trend is rapidly increasing.

3. Security checks: With identity verification, we go one step beyond ID verification by conducting a variety of security checks to verify that the user's selfie matches the photo on the government-issued ID, and that the selfie is real.

4. Certified liveness detection: Given the rise of spoofing (the act of using a photo, video o different substitute in lieu of an actual selfie), Jum employs state-of-the-art 3D liveness detection to ensure that a new customer is physically present when creating their online account.

5. Higher levels of assurance: Online identity verification delivers a much higher level of identity assurance compared with traditional methods of identity verification such as knowledge-based verification, credit-bureau pings and database solutions that are no longer reliable/secure thanks to large-scale data breaches, the dark web and other sophisticated hacking techniques (e.g. SIM swap fraud, man-in-the-middle attacks).

Pros and cons of identity verification

The challenge that organisations face is to create a seamless identity verification process while simultaneously reducing friction and deterring fraud. The pros of Jumio's online identity verification certainly outweigh the cons and can help organisations easily verify their users online in seconds and help companies improve conversion rates, comply with AML and KYC regulations and better detect fraud.

Now is the time to take the next step in your online verification process with AI-powered identity verification. If you're looking for a verification process with higher assurance – especially for organisations dealing with high-risk transactions and sensitive information or operating in regulated industries (where the cost of non-compliance can be costly) – the choice is clear to go beyond ID verification and take the next step with identity verification.

■ *FIN-B Desk, InM*

Financial Innovation Key to Accelerating Financial Inclusion

Across the world, technological revolution and globalisation are fostering the growth of financial innovation that is adding more and more people to the digital financial platform. In digital and efficient platforms, financial transactions are quick and convenient as well as less costly due to offerings of innovative financial products and services by a wide range of providers including banks, NBFIs, MFIs and mobile services providers (MSPs). These providers deliver services to their clients at ease that no one thought even a decade back.

In Bangladesh, every day more and more people are opening their accounts with financial services providers (FSPs) to receive hassle-free services. Technological advances are enabling the MSPs to provide services in the rural and difficult-to-reach areas. Because of high growth of financial technology (fintech), rising numbers of people are joining the financial services industry by receiving and providing value that is ultimately helping Bangladesh towards achieving the SDGs including rapid and inclusive growth. Financial inclusion is also contributing towards rapid poverty reduction by providing new opportunities to the poor and unbanked people.

An efficient and inclusive financial system provides a wide range of financial products from savings and loans to risk management to the poor and unbanked people. The access to formal financial products and services can impact positivity in the economy because they can invest in education and development. Nowadays, unbanked people can receive formal financial services like a loan from a bank's agent to start a business that fosters entrepreneurship. Besides loans, unbanked people can save their income with the FSPs to earn some returns on surplus money.

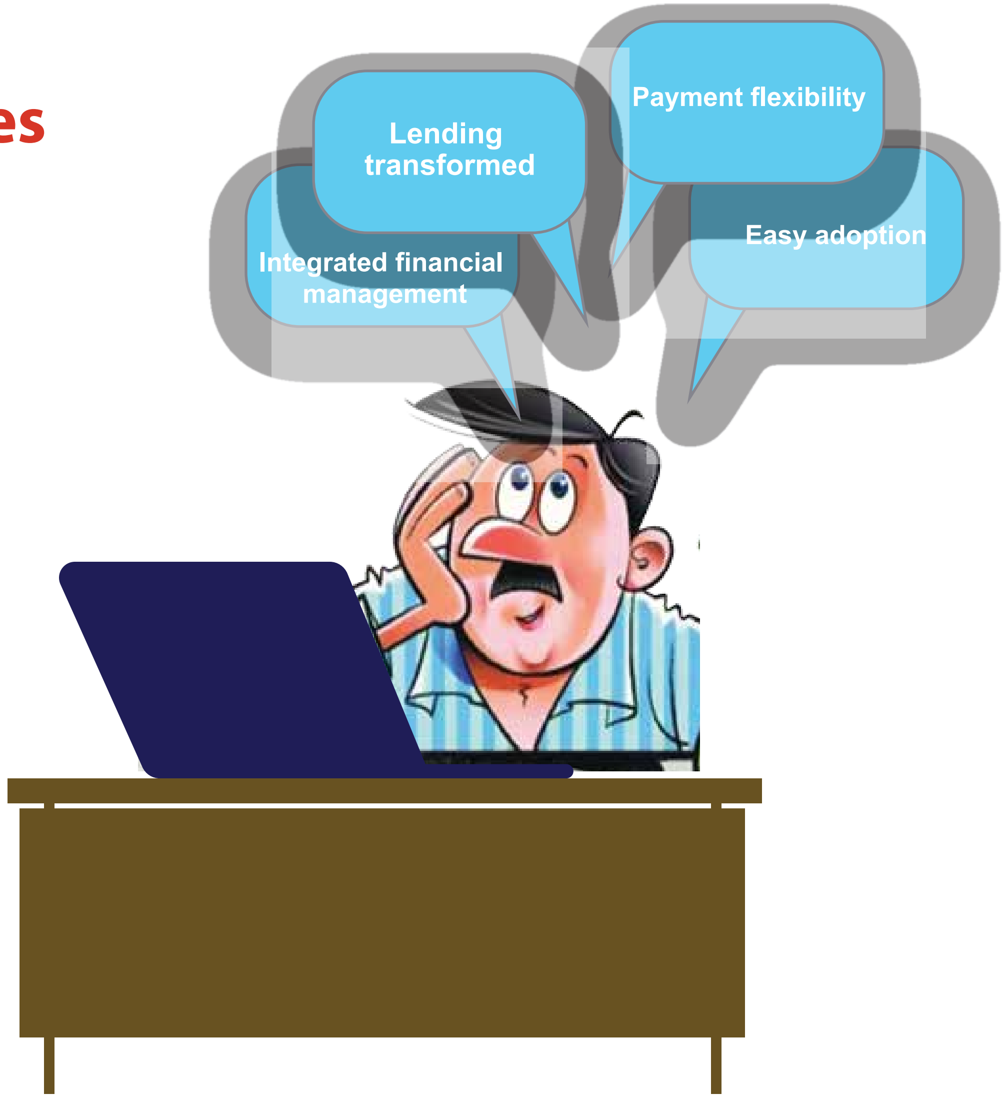
Digital technology in particular is the game-changer in the financial services industry like in many other industries. Digital financial services (DFS) are showing credible evidence of almost unlimited potential to accelerate financial inclusion in the country. The growing competition between the banks and fintech companies is creating new channels for offering DFS by both the banks and fintech companies creating new scope for financial innovation, sharing of benefits (and shortcomings too) of innovative and traditional financial services, and emphasising customers' usage knowledge for using fintech based financial services.

The process of globalisation is also playing a crucial role in developing fintech through the interaction between finance and IT. Small and micro businesses are developing fintech based services and offering financial services to their customers efficiently, conveniently and safely. Mobile wallets are facilitating digital financial transactions using mobile phones. The fintech firms are changing the nature of financial services industry and offering customer-oriented financial products and services by adding speed and flexibility to traditional products and services. Additionally, fintech is creating a positive impact on the banking system since banks can now access a large market at a low cost. In Bangladesh, still more than 55 million adult (15+) people are unbanked, and the fintech companies can support innovations to create secure, convenient, and affordable products for these unbanked potential clients. Moreover, the usage of banking services is still low in Bangladesh, especially online banking or electronic banking (e-banking) or internet banking (i-banking) services. Besides, the demand for mobile banking (m-banking) is gaining extensive popularity because of the easy access to the mobile phone.

The fact remains that the uses of internet banking, mobile banking, short message service (SMS) banking, electronic banking, agent banking, mobile money accounts, and mobile wallet banking is increasing rapidly in Bangladesh. The robust growth of the mobile ecosystem is contributing towards convenient engagement in financial inclusion and automated financial products by the unbanked population. No doubt, innovations in financial products and services delivery from fintech companies are rapidly closing the gaps in financial inclusion in Bangladesh.

■ *FIN-B Desk, InM*

Transforming Financial Capabilities of Small Businesses



Few things have the potential to cause rapid, widespread change like technology. The evolution of fintech-powered innovations has transformed the financial services industry in only a few years, changing how businesses, both large and small, manage their finances, pay bills and borrow money.

The change has been a challenge for brick-and-mortar lenders, forcing them to adapt in order to keep up with upstart alternative lending companies.

This trend has been good for businesses, particularly smaller enterprises, making finance automation, data analysis and flexible financing options within reach. In other words, these give them more financial freedom. As a result, more small businesses now have tools to save money and become more competitive.

Lending transformed

Perhaps the best example of the fintech-led change is in the lending business. Now banks and online lending companies alike use technology to speed up the loan application process and the way in which they evaluate a borrower's creditworthiness.

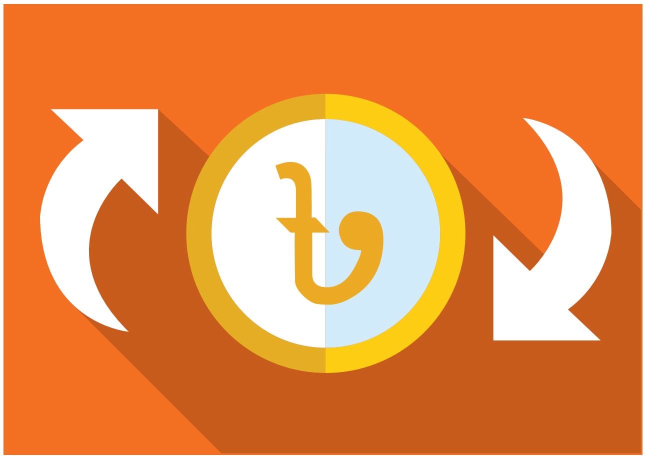
By relying on a broader set of financial data, online lenders often make financing available to small businesses with higher risk profiles than a traditional lender would. As a result, these alternative lenders have cut into the lending business of traditional financial institutions.

This competition, however, has ultimately made many brick-and-mortar lenders stronger. Increasingly, forward-thinking financial institutions are partnering with alternative lending companies and other fintech businesses, using them as a conduit for expanding their lending business, rather than go through the costly process of developing software on their own.

By teaming up with these fintech firms, financial institutions are improving their own internal underwriting and clearing some of the obstacles that they have faced when extending small business loans, including documentation, compliance, cost, and underwriting.

Integrated financial management

The use of cloud-based applications to link a company's finances under a single platform is also transforming businesses, especially smaller firms. The technology can streamline various back-office functions, enabling firms to automate many tasks, including payments, customer invoicing and payroll processing.



By syncing up financial accounts, businesses can set up bills to be paid automatically, all while keeping an accurate tally of their expenses. No more wading through receipts in physical or electronic formats to try to sort out whether a bill has been paid.

Meanwhile, applications that automatically track employees' hours and generate the required payroll are saving businesses money by minimising errors. The all-in-one approach gives businesses a real-time view of their finances, which is the key in accurate cash flow management.

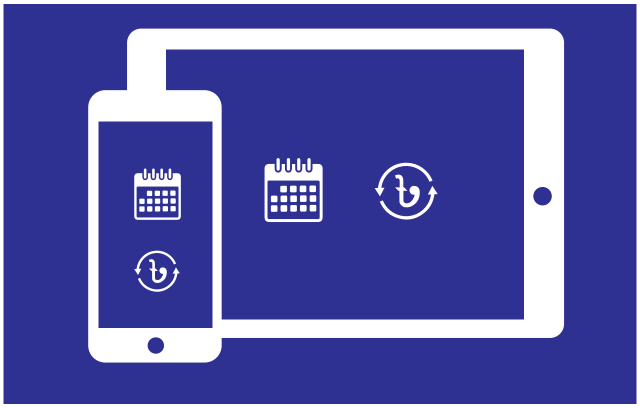
One byproduct of a cloud-based financial management system is that all of the transactions generate a data trail that can yield valuable insights that would have ordinarily not been accessible to smaller firms. Consider the data that result from the invoicing process. Businesses that use a platform that can automatically generate invoices to their customers can use that data to make a better assessment of their potential cash flow gaps well in advance.

The same technology can be leveraged to examine whether a project is on track to be profitable, or to identify which products or services the company should prioritise to maximise sales.

Payment flexibility

Some of the most innovative financial services applications revolve around the area of payments, whether it's in the context of peer-to-peer money transfers, e-commerce, or from an employer to their employee.

Some of the more recent fintech innovations are also



giving small businesses more financial flexibility. One example: enabling businesses to use credit cards to make payments in situations where it wasn't previously possible, such as when the recipient doesn't have an existing merchant account.

Rather than using their cash, businesses can make payments over email, without the need to share sensitive credit card information, which minimises the risk of identity fraud. Such a payment feature makes it possible for cash-strapped businesses to tap their credit to cover the cost of rent or any other expense without the need for the recipient to have the means of processing a credit card payment.

Contrast this with the traditional methods available to businesses: Writing a check, which often takes a couple of business days to clear, or a bank transfer, which takes time to set up.

Easy adoption

While adopting new technology may feel uncomfortable, most of the business-facing fintech tools have adopted usability conventions from consumer-facing apps, so training is minimal. Post adoption, the gains are meaningful: automation pushes more and more administration to the background so business owners can focus on growth, work-life balance, or whatever they find most beneficial with newfound free time.

■ *FIN-B Desk, InM*

Building Digital Products for MSMEs: Simplicity is the Key

According to the BBS Economic Census 2014, Bangladesh has nearly one million micro, small and medium enterprises (MSMEs), which have created jobs for about eight million workers and contribute significantly to the country's GDP. The MSMEs matter for Bangladesh as they are a major driving force for the Bangladesh economy,

While MSMEs are well-known for their stability and for generating incomes for the low income populations in both rural and urban areas, they are mostly hesitant to adopt new technologies due to various constraints. Although some momentum was created among the traditional MSMEs to embrace digital financial services and accounting solutions prior to the Covid-19 pandemic, subsequent lockdown and the severe financial impact on these enterprises have accelerated the need for digital transformation of the MSMEs in the medium term.

In several MSME activities such as wholesale and retail trade, accommodation and food services, education, human health and social work and manufacturing, digitisation is not only a necessity but an issue of survival. In this respect, tech startups can contribute immensely to the MSMEs sector as Bangladesh has a large market with several unmet technological needs. This is a great opportunity for both the startups and the MSMEs, and a win-win situation for both.

The startups need to capitalise on this unique opportunity for building accounting and inventory management and other softwares for small businesses. The key to acquiring MSME users lies in the simplicity of the products. The software should internalise the concept of simplicity and empower an entrepreneur to stay on top of his/her finances, collect payments on time, keep track of inventory, generate required reports, and make smarter business decisions. For instance, the app does not need to have 'credit' or 'debit' sections, as most MSME owners have little or no knowledge of accounting terms. The app may classify a transaction as income or expense on its own.

The users may also be given the option to use the app offline or online, as not everyone is comfortable putting their data online. The mindset towards digital solutions is changing; and Covid-19 has no doubt given a big push to the change process.

To take this opportunity, the startup entrepreneurs may sit with the owners of different kinds of MSMEs to understand their challenges to build the most appropriate apps and provide MSMEs with the right digital-based credit balance recording solutions.

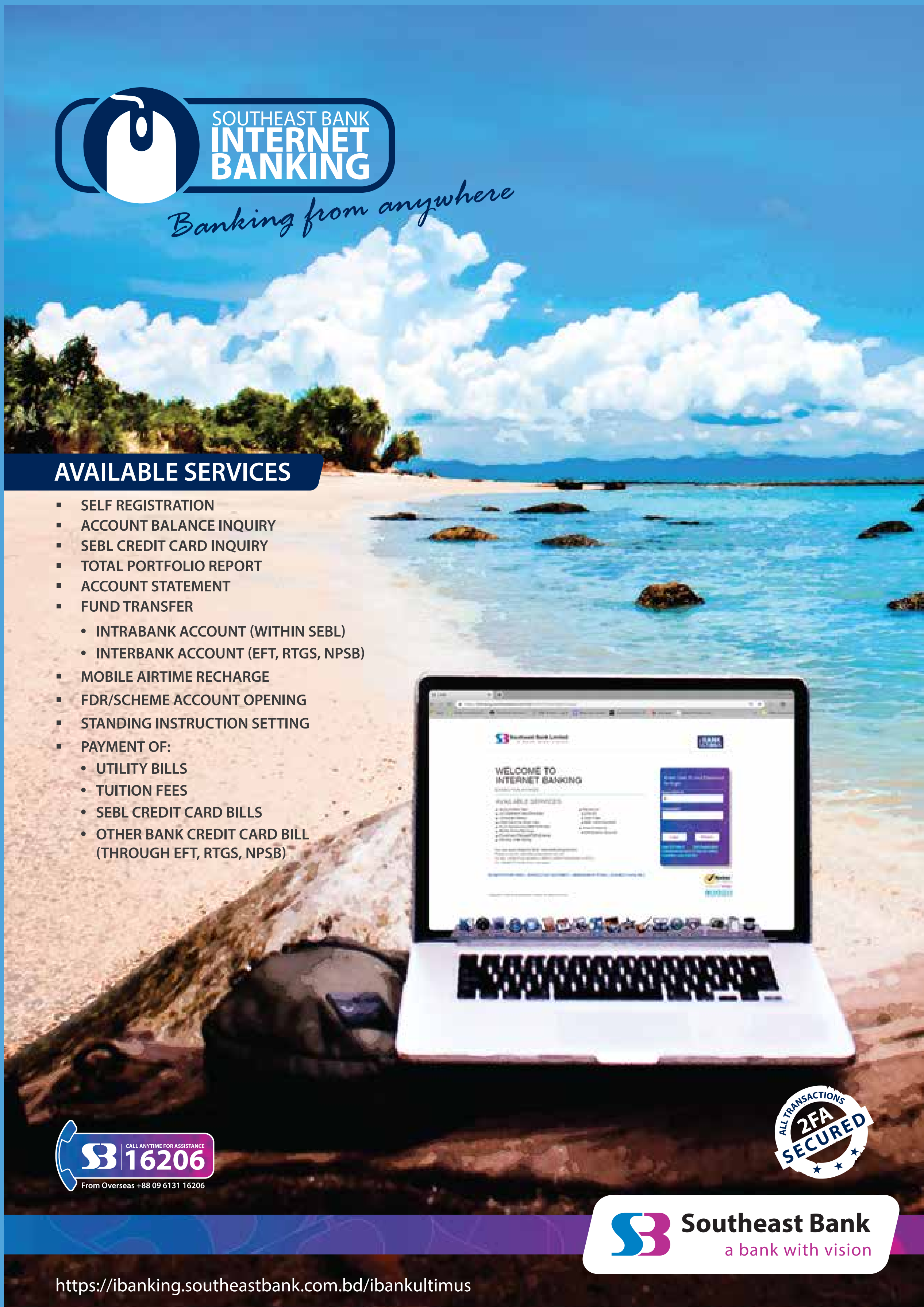
A report by the Global Alliance for Mass Entrepreneurship (GAME) in June 2020 identifies simplification of business through digitisation as a key recommendation for improving economic dynamism and accelerating MSMEs growth. The MSMEs in Bangladesh need to digitise and streamline processes in order to enable a reduction in timelines, decrease parallelisation, and ease formalisation by creating key platforms such as labour compliance, information wizard, integrated inspection system, and single window for starting a new business.

Starting a new MSME in Bangladesh takes lot more time than one can conceive for completing the multi-step processes such as procuring licenses and getting required services. The entrepreneurs also face several challenges. These include a lack of singular source for MSME information, too many portals for different government and regulatory processes, lack of parallelisation (that is, entrepreneurs can only complete registration after getting the previous one), lack of transparency, and many more. These challenges can be effectively addressed by digitising the processes for MSMEs. The need is to develop enterprise solutions that are simple and less expensive and more suited for the MSMEs offering an end-to-end business process solution.

The MSMEs want easy, plug-and-play solutions, without new features and complexities. These should have the essentials. Thus, solving Bangladesh's MSMEs problems requires spending time on the ground, not blindly importing solutions from another country. One needs to spend time in the domestic market to understand the problems and build solutions for the market. Further, these digital products for the MSMEs should be priced based on what these entrepreneurs can actually pay.

The startup entrepreneurs may also offer bundles, trials, and customer support services for the MSME products being retailed. In practice, easy-to-try bundles and a human touch for customer support can realise tremendous adoption. The MSMEs want a single point who they can directly call in case of any query with the product. One cannot deny that, for many years, complex processes, compliance burdens, and the complicated processes required for setting up of enterprises have been major bottlenecks for the growth and formalisation of MSMEs. Although simplicity and cutting down on new features may appear counterintuitive to many, it probably remains the successful way to go for building products for MSMEs in Bangladesh.

■ *FIN-B Desk, InM*



SOUTHEAST BANK
INTERNET
BANKING
Banking from anywhere
AVAILABLE SERVICES
SELF REGISTRATION
ACCOUNT BALANCE INQUIRY
SEBL CREDIT CARD INQUIRY
TOTAL PORTFOLIO REPORT
ACCOUNT STATEMENT
FUND TRANSFER
INTRABANK ACCOUNT (WITHIN SEBL)
INTERBANK ACCOUNT (EFT, RTGS, NPSB)
MOBILE AIRTIME RECHARGE
FDR/SCHEME ACCOUNT OPENING
STANDING INSTRUCTION SETTING
PAYMENT OF:
UTILITY BILLS
TUITION FEES
SEBL CREDIT CARD BILLS
OTHER BANK CREDIT CARD BILL (THROUGH EFT, RTGS, NPSB)
WELCOME TO INTERNET BANKING
ALL TRANSACTIONS 2FA SECURED
CALL ANYTIME FOR ASSISTANCE
16206
From Overseas +88 09 6131 16206
Southeast Bank
a bank with vision
https://ibanking.southeastbank.com.bd/ibankultimus

'Golden Rules' of InM's Dissemination Agenda

InM's main agenda is in the realm of inclusive finance; and an important part of its mandate is communicating the benefits and wide-scale impact of financial inclusion. We share this message with financial institutions, policymakers, and private entities-- to name a few--encouraging them to join our mission.

As an organisation, we are acutely aware that we have a strong story to share, and the story must be transmitted powerfully to our audience. The design of the story must not contain heavy text and complex graphics to distract our audience. The dissemination style is a key tool of effectively communicating with the audience. We need to find a storytelling style that matches the strength of our story.

Steve Jobs--Chairman, Chief Executive Officer (CEO) and Co-founder of Apple Inc. -- was well known, among many other things--for his presentation skills. When he used to speak, the audiences didn't just listen. They literally hung on his every word. This made him very good at one particular part of his job--selling the Apple brand and their products. We need to captivate our audiences the way Jobs did.

Research is the key component to finding the best solution that would fit our unique dissemination needs. We should know what other organisations are doing in regards to dissemination and how other institutions are addressing similar issues. With the right frame of mind, this could open a whole new world in front of us: articles, blogs, videos, comic strips, books and speeches on how to design good presentations and dissemination tools.

There are many good advices on how to make effective presentations. Guy Kawasaki's strict 10/20/30 rule shows that for a one-hour time slot, your deck should have no more than 10 slides which you present in 20 minutes with a font size no smaller than 30 points. Edward Tuft argues the uselessness of presenting hierarchal bulleted lists in his essay, 'The Cognitive Style of PowerPoint'. Nancy Duarte stipulates in her book 'Slide: ology: The Art and Science of Creating Great Presentations' that to be a presenter 'you need to think like a designer and guide your audience through ideas in a way that helps… their comprehension'.

While the text heavy slides with eye-crossing bulleted lists and complicated graphics should be avoided at all costs, the actual rules may, however, have to vary depending on target audience. For example, while researching on the delivery channels for a new financial product for rural women, we should be keeping local women's needs and perspective in view--always remembering that one size does not fit all. We must programme our presentations the same way.

For InM's dissemination agenda, we try to observe a few 'golden rules':

1. In making a presentation, the presenter is the star, not the slides. The slides should not be referred to as the presentation; as this creates the belief that the slides are the main source of information when, in reality, the presenter is the main source and the star. As Steve Jobs said, 'the presenter is the presentation'.

2. We plan to communicate the most important points only; and key words or images of the most important points are reflected in the slides.

3. We work with the slides; not dependent on them. We realise that public speaking makes most people uncomfortable at least to a certain degree; but the slides are for the audience's reference, not for the presenter.

4. We do not put any slide, if it doesn't fit. If needed, we make a reading deck; since as a presenter we sometimes need the detailed text. In particular, if a lot of numerical data is involved, a reading deck can be helpful.

InM professionals are working relentlessly towards implementing the new dissemination designs; along with receiving feedback about the changes. The staff members are also working constantly on formatting new templates that can help them to more clearly convey their messages and make them more effective messengers for our mission.

The great thing about dissemination in this age of technology is: new and better ways of conveying messages are constantly evolving. At InM, we are always prepared to embrace innovative disseminating techniques; we understand that the power of a well-told story has the strength to inspire, move to action, and ultimately change the reality.

■ *FIN-B Desk, InM*

Involving Institutional Players in DFS

With Bangladesh reaching fifty next year, there is a lot for the country to be proud of. With high growth exceeding 8 per cent per year, Bangladesh has the 34th largest economy in the world along with an impressive 80 per cent mobile telecom penetration. 'Digital Bangladesh' is emerging as a strong economic pillar for future that shows the need to give digital finance the needed momentum it deserves.

Bangladesh's estimated 12 million middle class people are likely to triple by 2025, indicating growing numbers of middle income tech-adaptable young consumers. The growth will not be limited to major cities; it will come from all over Bangladesh. This is a challenge for digital financial services, as all fundamentals point towards strong usage of digital and mobile financial services by the consumers.

For mobile financial services (MFS), the success case of bKash in the past was largely dependent on fund transfer and remittance with focus on rural and peri-urban consumers. In 2018, bKash released smartphone app (currently with one million plus android downloads) which goes more towards digital wallet integration. In terms of financial inclusion, both the strategy and the penetration have seen a phenomenal success.

At present, MFS is moving into urban markets in the form of digital wallets – and this is a lot tougher. The urban and affluent consumers are mostly smartphone users and have a good understanding of how digital wallets work. With better understanding, there also comes a set of valid concerns which may inhibit growth.

While MFS providers have focused largely on OTC-based remittance services to grow, other high human capital intensive industries like RMGs, financial services (including microfinance), consumer services industry and agriculture may also drive the transaction digitisation wave.

There can be additional benefits of targeting institutional conversion like having access to a ready captive audience (RMGs industry alone employs over 4 million individuals of which 80 per cent are females), financial inclusion (57 per cent of the adult population do not have a bank account), incremental efficiency in financial management and bringing transparency and traceability in the system (ensuring proper and timely payments by the RMGs businesses).

The NGO-MFIs are the potential drivers of digitisation, and can play important roles. The MFIs face high transportation costs due to poor infrastructure and a high percentage of customers living in the rural areas. To save transport cost and reduce staffing needs and cash risk, MFI services are being pushed towards digitisation. This in turn increases access to information and the opportunity to scale more rapidly.

Such drives also encourage the customers to adapt to digitisation, realising the benefits of increased information, increased ease of use, and reduced risk. One recent study shows that the digitisation of microfinance could reduce travel and wait time for customers by as much as 75 per cent, translating into savings which could feed a family of five for a day. With a large number of MFIs operating in Bangladesh and more than 30 million customers, the sector can be a twin engine to drive digitisation along with the RMGs sector.

Several bottlenecks to the process are also there ranging from stickiness to legacy systems (including existing payroll software), cost of change, fear-factor of moving to a digital system and coming under the 'regulator's net', absence of a digital ecosystem (like digital payments for everyday consumption) hindering consumer adoption, workforce management and capacity building.

It is true that retail DFS conversion has always been in focus in Bangladesh. But at present, institutional conversion could be the powerful driver to drive transaction digitisation in the country. With lowered costs, DFS would provide Bangladesh with better transparency, less friction, e-traceability of money flow and, above all, accurate economic transaction data. Fintech companies need to give a deeper look into these issues which will probably generate exponential growth of DFS in future.

■ *FIN-B Desk, InM*

An Opportunity and Imperative for Bangladesh

With Bangladesh's determination to reach all economically active adults by 2024—both women and men—who are still excluded from formal financial services and rely on informal ones that are mostly less reliable and more expensive, drawing lessons from past efforts are important to build future models.

In Bangladesh, the microcredit revolution in the 1970s and 1980s shows that the poor households in the informal economy are valuable borrowers; and it is possible to successfully and sustainably serve them in large numbers. Today's microfinance industry has been built on these earlier innovations; and remains a notable success of Bangladesh's public-private partnership in social progress and poverty alleviation.

But, over the last few decades, we have also realised that the poor households need access both to 'appropriate' finance and a full range of financial services to generate income, build assets, smooth consumption, and manage risks--financial services that a limited microcredit model cannot provide.

For moving forward, Bangladesh's new strategies for providing financial services to the poor need to recognise these broader needs, and design financial products accordingly. They also need to recognise the importance of financial literacy and access to digital financial services; of building consumer financial capabilities; and of creating consumer protection regimes that take the conditions and constraints of the poor households in the informal economy into account.

Business model innovations

To begin with, the microcredit model innovated an ingenious way of providing credit to the poor without collateral—under which joint-liability loan within a group replaced physical collateral with 'social' collateral. The model works well for credit products; but the challenge for the business model for other financial services is very different. For small savings and remittances, the key challenge is the need for very low transaction costs; while for microinsurance products, risks must be pooled together and managed at the actuarially-relevant scale. For insurance, 'small is beautiful' does not apply.

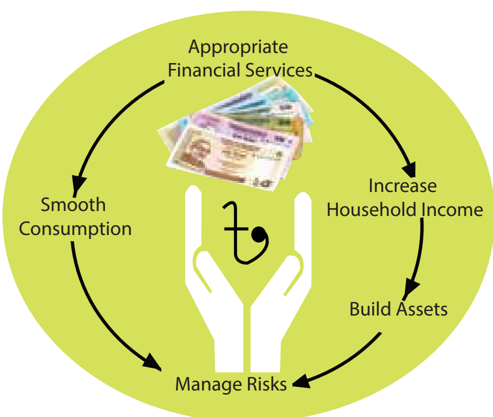
For meeting the varied needs of the poor households, successful new strategies will have to adopt continuous product and business model innovations to reach a wide spectrum of population groups with a broader range of products at lower costs. Such innovations have already started in Bangladesh, such as leveraging the digital and mobile-phone based business models and the agent network.

The reality, however, is that no single provider will be able to overcome the very different product-specific business model challenges. Instead, what is needed is multiple operation of a variety of financial service providers that can ensure an ecosystem in which the poor will be served both profitably and responsibly.

Safe enabling environment

For responsible market development, a regulatory environment is needed that can balance the needs of promoting access to finance along with ensuring financial system stability and consumer protection. Globally, the policy makers recognise that financial exclusion is a risk both to political and economic stability that impedes progress. Bangladesh is also putting greater efforts towards financial inclusion and adopting new approaches, such as using tiered know your customer (KYC) requirements that lower the threshold identification requirements for low-ticket size transactions. The government is focusing on creating a domestic infrastructure that supports market development, such as nationwide unique identities (NID) to facilitate customer enrolment and protection.

In Bangladesh, around half of the working-age adults are still excluded from formal financial services. For these excluded, appropriate financial services can help improve household welfare and spur microenterprise activities. No doubt, Bangladesh with a deeper financial intermediation will grow faster and can reduce income inequality more rapidly. Meaningful financial inclusion is both an opportunity and an imperative for Bangladesh.



■ *FIN-B Desk, InM*

Trust Bank
A Bank for Financial Inclusion

ট্রাস্ট ব্যাংক
সবসময়, সবখানে, সবার জন্য

ট্রাস্ট একতা
গ্রুপ এমএসএমই ফাইন্যান্স

SME
BANKING
With Cluster Aproach

16201

Remote Onboarding and Future of Banks

A J.D. Power study in February 2020 finds that the number of new account openings at bank branches now comprises just 55 per cent of all new account openings, down ten percentage points from just a year ago. The same study finds that 31 per cent of new account openings are executed through a bank website or mobile app, up from 22 per cent in 2019 – that's a 50 per cent increase in just one year.

The shift to digital banking has already been taking place well before Covid-19, but the pandemic obviously has moved digital transformation to the front burner when in-branch activity has been severely curtailed. Consequently, financial institutions have had no choice but to innovate – and quickly – or risk losing market share and reputation to their more digitally nimble competitors.

While some consumers have long embraced digital options, others are now adopting digital banking for the first time out of necessity. Post-pandemic, the question remains: how many of these digital consumers will ever return to the branch office?

More than four in five financial institutions ranked improving the customer journey as the most important strategic priority for 2019, according to the Digital Banking Report. Unfortunately, many banks have simply cloned the new customer onboarding process used in their branch offices and replicated it on their website. This doesn't equate to a positive user journey for new customers.

Banks around the globe typically perform a common set of steps when onboarding a new customer, though the process differs depending on whether it occurs at a physical branch or online. While banks are required to perform the necessary due diligence as part of their know your customer (KYC) obligations, there are a number of onboarding steps that can be automated, streamlined and simplified to deliver a better customer experience.

Many consumers don't necessarily want their branch office to go away – what they want is a choice, whether it's online within an app, on the phone or at a branch office.

■ *FIN-B Desk, InM*




Financial Inclusion:
Rural Flavour due to Covid-19

Financial inclusion is increasingly getting a rural flavour in India due to Covid-19. It is opening up a new business window as banking correspondence (BC) is emerging as a lucrative option for many rural traders. There has been a fivefold surge in queries for opening banking kiosks during the Covid-19 lockdown. 'Earlier, we used to get 300 leads per day to open banking outlets; now we are getting about 800. Basically, these are people who have realised that banking is crisis proof and, especially, the young are opting to open banking kiosks', says Rishi Gupta, Managing Director of Fino Payments Bank.

Many industry players attribute the requests to reverse migration trends. Family members returning to the villages from smaller towns and cities with thriving BC networks act as brand ambassadors, triggering interest among the rural shop owners seeking newer business opportunities. 'It's a matter of prestige as well for some people', says Paynearby CEO Anand Bajaj, 'It's a service to the community and the nation at times of crisis'.

Enquiries from retail and travel agent shops in rural localities have also seen a marked increase in queries. Some of these have their origins in the status of banking as an essential service. 'Under this banner, shop owners are not asked by local area authorities to shut shops as our services come under essential', says Amit Nigam, COO, Bankit. Such enquiries 'more than doubled in April', he says.

With Aadhar enabled Payment Systems (AePS)--which is central to the government's DBT architecture for the distribution of relief funds--transaction volumes surging in April 2020, companies handling existing banking kiosks and channel operators are burdened with the influx of Jhan Dhan account holders anxious to receive their share of DBT relief under various schemes of PM Kisan and PM Garib Kalyan Yojana. The surge in interest to expand the BC infrastructure coincides with the national drive to expand the digital infrastructure.

Paynearby, a leading AePS facilitator, has seen 15.41 lakh applications come in from various retail outlets just in April 2020, Bajaj says. 'In a typical month, these requests would hover between 30,000 and 40,000. This is by far the highest ever registration requests we have received in three years since we have started working on increasing our merchant onboarding'.

Estimates show that there are more than 1.1 million BCs working for leading banks and payment companies. These agents are broadly classified into two categories depending on the services offered - public sector bank mitras and retail business correspondents. About 40 per cent of the BCs are associated with state-run banks and can provide nearly all basic banking services apart from loan sanctions. The rest are shops that double up as micro ATM and cash transfer points.

A banking agent in a rural or semi urban locality would require a minimum qualification of having a basic certification and cleared matriculation. For a retail banking agent, they should have a permanent establishment under their name. Ketan Doshi, CEO, Paypoint, says that the requests for application for retail based BC has seen renewed interest on the ground. However, these registration requests may not immediately convert into licence approvals. 'It's difficult at the moment to get all the registration processes underway as physical verification is also required', says Doshi.

■ *FIN-B Desk, InM*

Banking Tech

INTERVIEW WITH KONSTANTIN VAYSMAN

Chairman of Mobile Finance Group

Before founding the Mobile Finance Group, which works under the Wallet Factory brand, Konstantin Vaysman held various board and top executive positions in banks and financial institutions over more than 25 years. He increasingly realised that fintechs were the future of financial services and used his management experience, industry knowledge and IT background to create an international MFS company. In 2018, he moved to Cyprus to boost development of Mobile Finance Group on the global markets. The future potential of this sector is limitless.

Mr. Konstantin Vaysman, Chairman of Mobile Finance Group, talks to FinTech Futures (FF) about the role of mobile financial services (MFS) in speeding up financial inclusion and how they can be successfully launched.

FF: Why is it important to make it easier for unbanked/underbanked consumers to access banking services?

Konstantin Vaysman (KV): According to the most recent data from the World Bank, approximately 1.7 billion adults were unbanked in 2017. MFS have the capacity to bring financial products and services to large segments of this unbanked population.

Access to financial services reduces poverty and inequality at individual, community and even national level by helping people safeguard their savings, manage financial shocks via access to credit and even start businesses through funding from microfinance loans. They can also make cheaper domestic and cross-border payments and receive social welfare payments more easily.

FF: Why is MFS the best option for boosting financial inclusion?

KV: The traditional bricks-and-mortar banking model is a costly solution to giving people access to financial services, especially in rural areas. As the number of bank branches declines, the number of people with access to a mobile phone continues to grow.

A report issued by the GSMA in February 2019 noted that the mobile money industry is already processing more than $1.3 billion of transactions every day across 866 million mobile money accounts worldwide. Mobile money supports digital identification (enabling consumers to open an account without having to visit a branch) and breaks the monopoly of banks on the provision of financial services.

MFS is also compatible with the open banking initiatives underway in many countries that allow third parties to access customer account information, enabling consumers to manage multiple accounts from a single digital wallet.

FF: What are the key elements of an MFS strategy?

KV: This will depend on which industry the prospective service provider operates in and the purpose of the service. For example, it might be a digital transformation play for a bank; a complimentary service to create an additional revenue stream; a service to replace lost revenue from other services (as we see with telecoms companies in particular); or a product for a new service provider.

The first step in rolling out MFS is understanding the opportunities that exist in the financial services sector in each market. The next factor is regulation – ensuring that the market framework is ready for remote identification/digital onboarding and checking whether a financial services licence is required.

The most successful application of mobile money to date is the M-Pesa service developed by mobile operator Safaricom in Kenya. Mobile money now generates 30 percent of Safaricom's total revenues.

FF: What are the benefits to companies of partnering with an established provider such Mobile Finance Group rather than developing their own platform?

KV: There are various reasons why MFS providers fail, including insufficient resources and lack of commitment from senior management. Another common shortcoming is insufficient understanding of the products that should be included within the wallet and lack of experience in developing and monetising financial products.

MFS providers benefit from partnering with an established mobile wallet developer rather than developing their own platform by getting to market more quickly – typically within three to six months.

We see ourselves as a business development provider, delivering not only technical expertise but also the ability to connect market participants (such as merchants and financial institutions) and expertise across the financial services sector as well as marketing and data analytics support.

FF: What will be the next major development in mobile payments and digital wallets?

KV: Our vision for the future of mobile wallets is a one-stop-shop for financial and non-financial services.

A key trend for MFS launched by mobile network operators is cross-border and domestic interoperability, the ability to move money from traditional bank accounts to mobile-based accounts and vice versa.

Virtualisation of credit cards is another emerging trend, one we expect to lead to the disappearance of physical credit cards within the next five to seven years.

These developments are part of a wider trend towards the emergence of a digital ecosystem, which is already happening in China with WeChat and Alipay and has created a digital marketplace where customers can purchase a wide range of products. We have also seen merchants such as Walmart in the US creating their own mobile wallet platform.

Courtesy: FinTech Futures

The Battle for Financial Inclusion

Bangladesh is rapidly emerging as a leading country with regard to regulations and infrastructure that support financial inclusion. The key challenge now is: How can this opportunity be exploited to achieve more ambitious results towards fulfilling the goal of finance for all?

For rapid financial inclusion, three pillars are important: investment in creating inclusive financial systems, strengthening financial institutions, and stimulating competition. The need is to work together to provide financial services to the people who are excluded from or have limited access to financial services, including vulnerable urban communities, rural communities, women, indigenous communities, MSMEs, and other disadvantaged groups. Bangladesh can adopt a working strategy targeting three sectors:

First, the banks should be encouraged to take more advantage of the new distribution platforms, such as agent networks, digital financial services and Fintech to downscale and reach under-served communities. More support may be given to the banks to increase financing for MSMEs, especially when a larger share of microenterprises are led by women. Also, incentives may be provided to help increase financing to rural and urban microenterprises targeting vulnerable communities.

Second, MFIs as regulated institutions may be allowed to receive financial deposits to supply credit to underserved communities. Recipients should include rural microentrepreneurs and women-owned microenterprises through mobile sales outlets.

Third, Fintechs need to be more encouraged to entice markets by building new platforms and ecosystems, and showing new methods to reach and serve the potential customers.

Bangladesh needs to further strengthen its strategy to improve the approach to financial inclusion, by providing financial and non-financial solutions to a variety of institutions, banks, MFIs and Fintechs. The key will be to observe what is happening in the marketplace and use better monitoring tools. Inclusive financial systems are more efficient in allocating resources and consequently to encourage investments that benefit development, create jobs and reduce vulnerability levels of most of the population

■ *FIN-B Desk, InM*

Using CRM to Reduce NPLs: A Success Story

As the financial services Industry evolves in the digital era, mobile financial services (MFS) are showing rising potential to increase financial inclusion. Not only do MFS improve access to financial services for individuals, they also reduce poverty and improve financial inclusion.

The Commercial Bank of Africa (CBA), with headquarters in Nairobi, recognised the potentials inherent in boosting financial inclusion through mobile saving and lending products and decided to develop and launch fully digital banking services as part of a strategic initiative to serve a large and entirely new demographic – the underserved mobile money users with limited access to financial services.

The CBA partnered with a telecom operator to launch a mobile lending and saving solution that allows customers to save and borrow cash right on their mobile phones. The entire service is fully digital--requires no signing of documents and offers products for micro-savings and micro-lending.

The mobile financial service--M- Shwari--is an impressive financial inclusion success story. The new service witnessed an impressive growth - following the launch of M-Shwari, CBA customer acquisition has grown by 440 per cent. Today, CBA claims 22 million customers, compared with just 50,000 in 2010, before M-Shwari was launched.

At the heart of this achievement lies the CRM system and VeriPark's CRM solution VeriTouch, supporting new customer growth and retention. An advanced solution was required to scale the service to the exponential growth in customers. Essentially, the micro-lending concept works the same as with regular banks with some limitations. While traditional bank loans are often secured by collateral, microfinance lending tends to be unsecured. Therefore, the customers establish a new kind of relationship with the bank where the borrowers are expected to start repaying soon after getting their loans.

To manage the large volume of microloans, CBA began looking for ways to efficiently manage the collection of overdue and non-performing loans. The bank turned to VeriPark for CRM system expertise. 'VeriPark's solution was highly customised to financial services, making it a great fit for our requirements', says Richie Sobayeni, Business Process Manager – Customer Experience at CBA.

At CBA, there is an average of 600,000 collection tickets raised every month. Thanks to the streamlined workflows in VeriTouch Collection Module on the Dynamics 365 platform, the bank now manages the end-to-end collection process to ensure the collection happens within the early stages of the payment cycle. It also helps to reduce the number of customers forwarded to recovery and write-off process. The bank sends proactive SMS and e-mails to customers to remind them that their loan due date is approaching. If the loan is not repaid on time, the customers receive a second and then a third reminder.

VeriPark's CRM solution brings several other benefits to CBA, including an automated collection strategy based on the product or customer and effective activity and workflow management capability. Centralisation of the entire debt collection process, simple access to data on collection tickets, and accurate reports on debt collection are other key benefits that reduce write-offs, provisioning and improved cash-flow.

As a result of VeriPark's CRM implementation and its Collection Management module, CBA has been able to keep the percentage of non-performing loans (NPLs) very low. After an initial spike, NPLs were reduced through improved credit scoring and collection processes. Customers' realisation of the consequences of defaulting--being reported to the Credit Reference Bureau which prevents them from applying for other loans – is also an important factor for the reduction.

Following the implementation, CBA has also reduced the cost of collection significantly. The Collection module has eliminated the need for having separate systems and increased the collection team productivity as it is able to ensure the collection happens as per their agreement with the customer. Improvements in productivity and automation allow the bank to reduce the payback period of the system from five years to just two years.

However, CBA has even more ambitious plans for its mobile banking products. VeriPark's CRM Sales Management and 360 Degree Single View of the Customer modules helps CBA to identify potential customers who can be offered long-standing relationship with the bank. This means that the bank can effectively accelerate financial inclusion and bring more customers to its traditional banking business after giving them a start with its micro-lending product.

This also opens up opportunities for new revenue sources. Thanks to the 360-degree Single View of the Customer, the bank has access to detailed insights into the customer lifecycle, creating cross-sell opportunities to offer relevant products and services to the potential customers while increasing retention. By combining the customer-centric approach with the right CRM implementation, CBA aims to keep its significant role in the growth of micro-lending and the acceleration of financial inclusion in Kenya.

■ *FIN-B Desk, InM*

Digital Business Opportunities with Micro-Merchants

A comprehensive study by UNCDF of micro-merchants in Bangladesh engaged in the retail sector, particularly in the fast moving consumer goods (FMCG) operating mostly in the rural areas, shows that it has contributed an average of 13 per cent each year to Bangladesh's GDP since 2013 which is comparable to the fast-growing RMGs industry. Micro-merchants in the retail sector thus have the potential to become key players of growth in Bangladesh.

Although the business of individual retail micro-merchant is small – only one of countless neighbourhood roadside shops (*mudi dokans*) – collectively they represent an enormous market force. Bangladesh has over 1.1 million 'micro-merchants' engaged in FMCG trade with an estimated annual sale of over USD 18.35 billion according to the UNCDF study. The National Industrial Policy 2016 defines microenterprises as those which employ a maximum of 15 persons and/or have assets worth less than BDT 1.00 million, excluding land and buildings.

The study reports that the micro-merchants have a credit demand for over USD 6.0 billion a year despite the fact that they have a very limited access to finance. The micro-merchants conduct millions of transactions with customers on a daily basis. As they are present everywhere, micro-merchants are becoming more instrumental for accessing millions of customers as well as developing brand and customer loyalty. Industries are increasingly looking to these micro-merchants to access a vast untapped consumer base.

The study reports that over 49 per cent youths are 'micro-merchants' with 65 per cent of them having secondary level education or above. However, the merchant market consists of only 1.7 per cent females with a total of 1.9 million people involved. It is seen that 30 per cent of all micro-merchants have MFS accounts. Even among the poorest micro-merchants, 25 per cent have MFS accounts.

The study shows that the retail micro-merchants require access to financial services, and credit in particular. Their need for financial services is high, and the banks and MFIs are well-placed to meet the growing credit needs of micro-merchants. Micro-merchants are seen to borrow around 68 per cent of their total loans from the MFIs. With the introduction of digital technologies, the MFIs now have a new opportunity to further expand financial services to micro-merchants by embracing digital and mobile technologies in their operations.

The union digital centres across Bangladesh can become the agent banking points and this can provide a way of reaching the underserved including the micro-merchants. The MFS operators have already started working with the micro-merchants through digital wallets which can be leveraged and used for different types of payments and digitise transactions of the micro-merchants.

The financial services sector can offer savings and credit products and expand digital financial services to the micro-merchants for the mutual benefit of all stakeholders. The FMCG companies can reach more consumers with products sold by micro-merchants such as oil, rice, packet biscuits, soup, fruit juice, tea, sugar, hand cream, detergent and hosts of processed consumer goods – and at the same time help the micro-merchants expand their businesses.

Bank Asia Limited, a third generation commercial bank, and the mobile network operator, Robi, have recently formed partnership to launch micro-merchant initiatives in Bangladesh. Starting with a pilot project in Chokoria in 2019, which will be expanded to the rest of the country, the beneficiaries of the social safety net programme, such as widows, senior citizens and disabled peoples receive their payments through Bank Asia Limited from selected Robi retail points.

Bank Asia Limited customers are also able to withdraw money from their accounts from selected Robi retail points under the micro-merchants scheme of the Bank. Bank Asia's Digital Payment Channel Department (DPCD) is organising training programmes on micro-merchant operations and apps for different stakeholders including the agents and the CSOs on the digital platform since June 2020.

■ *FIN-B Desk, InM*

WhatsApp Partnering with Indian Banks in Financial Inclusion Push

Facebook Inc's WhatsApp plans to team up with more Indian banks to help simplify and expand banking services, especially to the rural and lower-income segments. WhatsApp, with its biggest market of 400 million users in India, has already tied up with banks including ICICI Bank and HDFC Bank, allowing them to communicate with customers via automated text messages on its business service.

WhatsApp will also expand pilot projects with banking and other partners to cover financial services such as pensions and insurance. The aim over the next two to three years would be to help low-wage workers and the unorganised, informal economy easily accesses three products--insurance, microcredit and pensions.

Early examples from ICICI, HDFC and Kotak banks are encouraging, with ICICI crossing 10 lakh users within months of being launched and Kotak's services having reached to more than 20 lakh users. With initial proofs of concepts in place, WhatsApp plans to open up with more banks to help simplify and expand banking services, especially to the rural and lower-income segments.

WhatsApp also plans to expand its experiment with partners in other product segments that the Reserve Bank of India (RBI) highlights as basic financial services, such as micro-pension and insurance. During the next one and a half year, WhatsApp will support multiple pilots to test potential solutions to solve these distribution problems. These pilots will be done jointly with bank partners as well as innovative tech partners. Each product will start with a small experiment and based on the results, WhatsApp will co-invest and scale the ones that show promise. The ultimate goal is for every Indian to have micro-pension and insurance from one of the partners.

WhatsApp is also looking at creating digital profiles of MSMEs through banks, which will lead to smarter modes of lending. The accelerated lending through digitisation of loans would also lead to higher GDP growth. The growing MSME economy would also impact almost a fifth of India's population through increased employment and WhatsApp will work with its banking and NBFC partners to test and validate the hypothesis.

Over the next two years, WhatsApp will open up new and innovative entrepreneurial ways. The solutions will not be WhatsApp solutions. They will be from the partners — banks and financial-service companies, along with their fintech partners. The venture model will be used. WhatsApp will take the risks through controlled models and based on user acceptance; and investment and scale up of the solutions will be made for those which deliver results.

Facebook's $5.7 billion investment in Reliance Industries' digital unit will give WhatsApp an inside track on payments for the Indian conglomerate's retail business, which aims to serve tens of millions of small shops across India.

■ *FIN-B Desk, InM*

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.

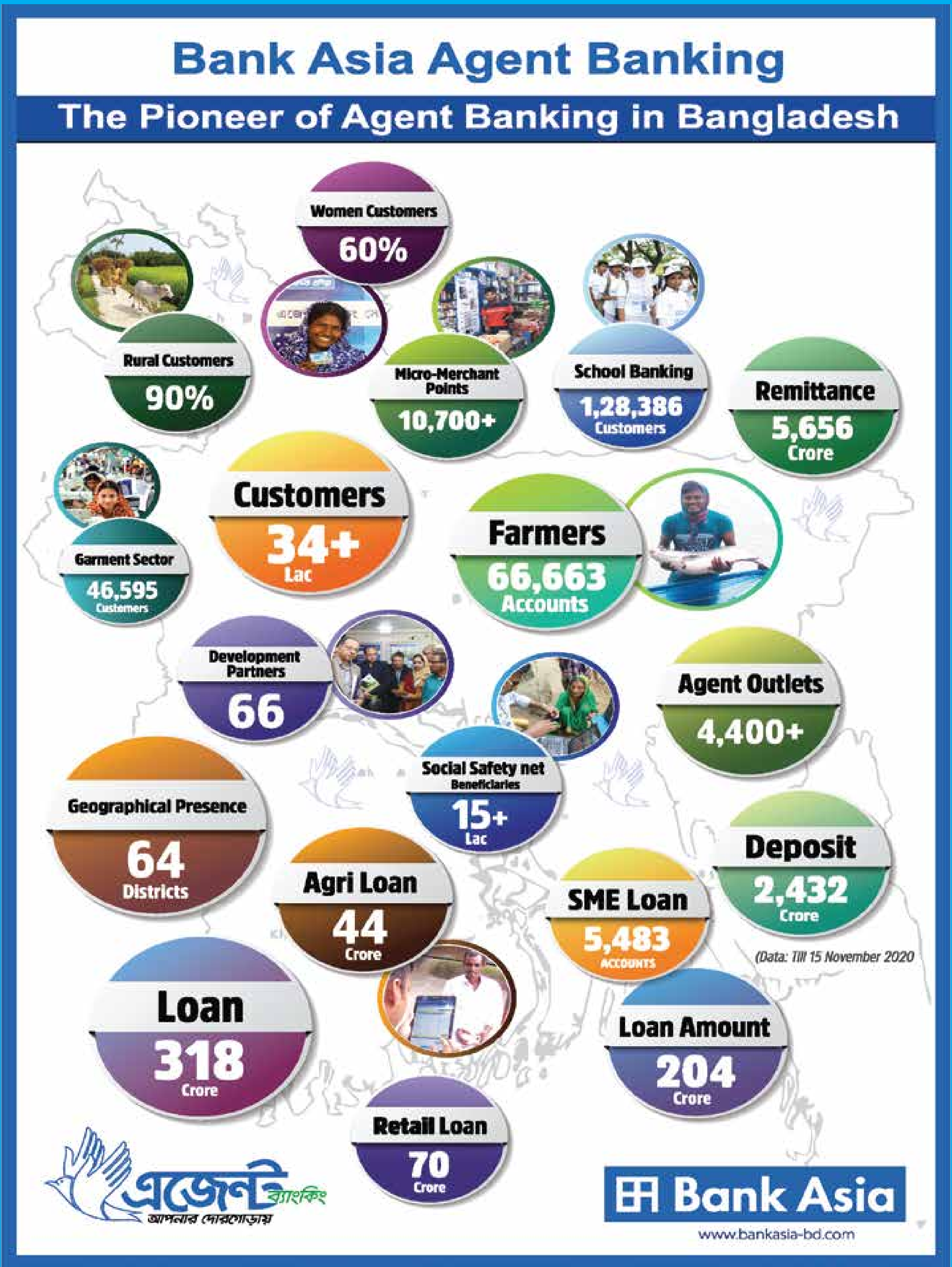
Maintain at least 3 feet but ideally 6 feet (1-2 meters) of distance from people with symptoms.

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



Bank Asia Agent Banking
The Pioneer of Agent Banking in Bangladesh
Women Customers 60%
Rural Customers 90%
Micro-Merchant Points 10,700+
School Banking 1,28,386 Customers
Remittance 5,656 Crore
Customers 34+ Lac
Farmers 66,663 Accounts
Garment Sector 46,595 Customers
Development Partners 66
Agent Outlets 4,400+
Social Safety net Beneficiaries 15+ Lac
Geographical Presence 64 Districts
Deposit 2,432 Crore
Agri Loan 44 Crore
SME Loan 5,483 ACCOUNTS
(Data: Till 15 November 2020
Loan 318 Crore
Loan Amount 204 Crore
Retail Loan 70 Crore
এজেন্ট ব্যাংকিং
আপনার দোরগোড়ায়
Bank Asia
www.bankasia-bd.com