

FIN-Biz Finance for All

Volume 4 | Issue 1 | June 2021



Financial Inclusion and Covid-19

Women's Digital and Financial Inclusion

Banks and MFIs

Financial Inclusion with Cloud Banking in MFIs

Fintech Potentials in 2021

Women's Economic Empowerment and Digital Finance



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



ব্যাংক বা মাস্টারকার্ড ও
ভিসা ডেবিট কার্ড থেকে
নিজের বা অন্যের বিকাশ একাউন্টে
অ্যাড মানি করুন, কোনো চার্জ ছাড়াই*



কিভাবে অ্যাড মানি করবেন?



বিকাশ অ্যাপে অ্যাড মানি
সিলেক্ট করুন



ব্যাংক টু বিকাশ বা কার্ড টু বিকাশ
সিলেক্ট করুন



প্রয়োজনীয় তথ্য
টাকার অ্যামাউন্ট ও OTP দিন

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Editorial Team

Mustafa K Mujeri

Assistant Editor

Farhana Nargis

Farah Muneer

Cover

Tahidul Islam

Photographs By

FIN-B Desk

Internet

Design By

Tahidul Islam

Advertising, Sales and Distribution

Tahidul Islam

Mabia Khanom

Editorial and Marketing Queries

finb@inm.org.bd

www.inm.org.bd/about-fin-b/

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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/

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FROM THE EDITOR

During the present Covid-19 pandemic, providing support to financial institutions, especially the MFIs, is of vital importance. After all, micro and small businesses are essential for social and economic recovery in this crisis. The MFIs, in line with other institutions, have taken measures to face health risks, lockdowns and economic recession, and are working towards turning around businesses linked to the financial health of the customers and changing staff behaviour and staff treatment. Funding sources of MFIs has drastically been reduced but, as the economy is gathering more strength, many MFIs are also showing promising signs of regrowth. In these challenging times, we commit to work for financial inclusion to consolidate the economic recovery in a timely, responsible and inclusive manner.

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Finance for All

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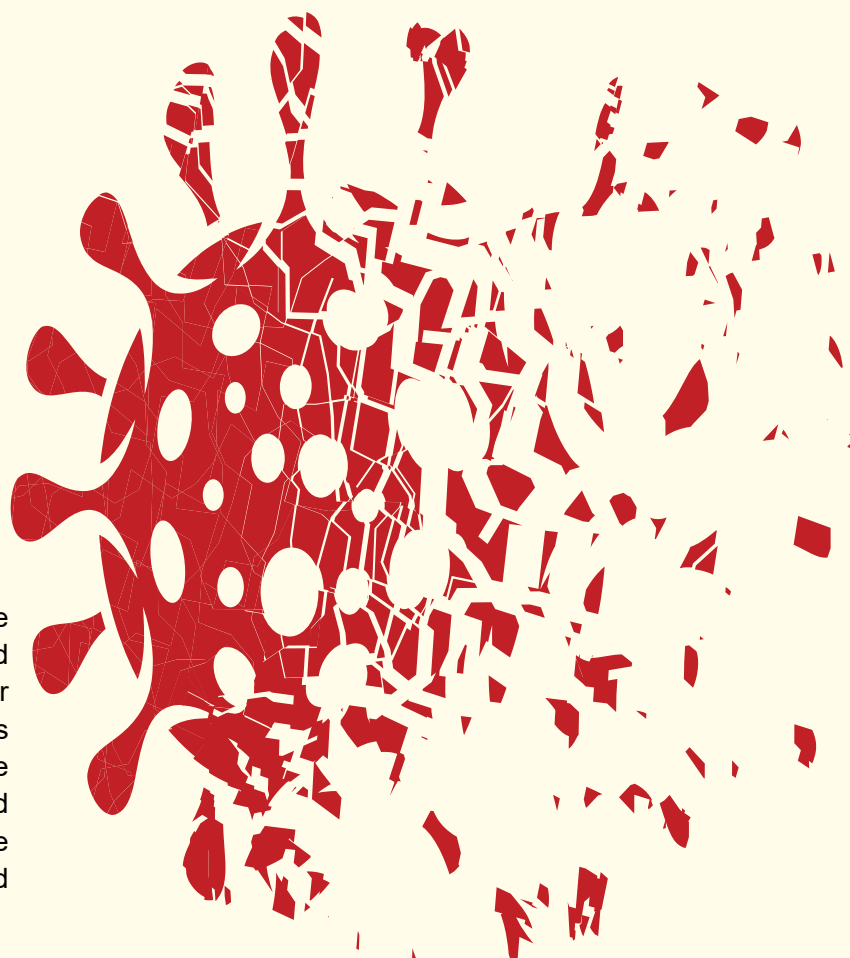
Covid-19 and Financial Risks for MFIs

Covid-19 poses significant financial risks for the MFIs and the need is to build capital buffers and ensure efficient cash management to protect their balance sheets from any disruptions. Covid-19 is probably the biggest tail risk event in a long time and no doubt it presents new challenges and significant financial risks for the microfinance sector. But it also gives an opportunity to build long-term resilience of the sector.

With disruptions in the supply chains and business operations, the MFI borrowers have suffered huge loss of livelihoods and drop in household incomes, according to several InM surveys. In these circumstances, the MFIs—which give collateral free loans to low-income groups and microenterprises—are particularly exposed to credit risks. The repayment rates for the MFIs have dropped significantly, posing liquidity risks to the MFIs.

In particular, smaller MFIs are highly vulnerable to credit risks which seriously hamper their ability to raise fresh capital and access liquidity. The key for the MFIs is to diversify their sources of funds for sustaining healthy portfolio growth. While there are significant financial risks in the near term, one positive aspect is that Covid-19 is also incentivising digitisation by the MFIs.

These efforts to transform loan collections to digital platforms would greatly improve the operational efficiency of the MFIs and help them in minimising event-based disruptions. Further, data analytics



may be leveraged for predicting portfolio behaviour, building risk models and designing customer centric products.

At present, when the risk of spread of misinformation is high, it is important for the MFIs to maintain credit discipline. Increasing engagement with the borrowers through virtual/telephonic means and sensitising the staff on fair practices code would go a long way in restoring the trust and confidence of the borrowers and rebooting their credit cycle.

What the MFIs need is to adopt responsible lending practices to ensure that the loan amounts are commensurate with the borrower's ability to repay and that there are no instances of multiple and/or overlending. The compulsion for the microfinance sector is to utilise the past lessons and work towards transforming the present pandemic into new possibilities.



Financial Inclusion and Food Security

Experts apprehend that Covid-19 pandemic may push up to half a billion people into poverty across the globe, threatening food security. Prior to the pandemic, about 820 million people were chronically hungry. Now, WFP estimates that by the end of 2020, 265 million people in low and middle-income countries will be under the threat of starvation. In many countries, job and income losses are affecting food security, defined as access to sufficient, safe, and nutritious food. The pandemic is disrupting agricultural supply chains and impacting small farmers and vulnerable populations across most low income countries.

Of course, there is no lack of food around the world. Rather, food insecurity is rooted in a massive distribution problem and a widespread inability to afford food exacerbated by Covid-19. Further, vulnerable groups including informal workers, microentrepreneurs, and poor women and children are most adversely impacted by price fluctuations. Most of the wages (more than 60 per cent) of the informal workers are used to buy food. Finding themselves without work, or with fewer working hours due to Covid-19 related restrictions on physical movement, informal workers and microentrepreneurs face increasing food insecurity, and women, who allocate more of their own resources to other

members of the household during hardship, are disproportionately affected.

As a key enabler of food security, financial inclusion has an important role to play in the mitigation of Covid-19's hardships to the vulnerable groups. Supporting the cottage, micro, small and medium enterprises (CMSMEs) is an important consideration for financial inclusion and, by extension, food security in Bangladesh. The CMSMEs form an integral part of the food supply chain in Bangladesh; and we must do more to ensure that these enterprises stay alive during this period of Covid-19 crisis.

The financial service providers (FSPs) have an important role to play in this respect. The FSPs need to address both short-term and longer-term financing options for CMSMEs. In the short-term, as FSPs themselves are struggling with liquidity constraints, the role of other actors, such as the government and the DFIs is important in meeting the liquidity crisis. Further, the government needs to play a broader role for ensuring food security.

The government needs to work towards linking the rural CMSMEs to support both small/marginal farmers and informal sector households in a mutually beneficial initiative that connects nodes of the rural supply chain. To support the vulnerable food insecure households, the government may create an

ecosystem for these households and introduce a cash support programme through which these vulnerable households can receive cash payments on their mobile phones to purchase food and essential needs along with key supplies to pursue production activities.

Similarly, the government-to-person (G2P) and person-to-person (P2P) cash transfers are effective ways to increase both financial inclusion and food security. The government, NGO-MFIs and the private sector need to work together to promote and strengthen this important vehicle for quickly delivering crucial cash to low-income households. Evidence shows that as households receive more in cash transfers, they spend more on food with positive impacts on dietary quality.

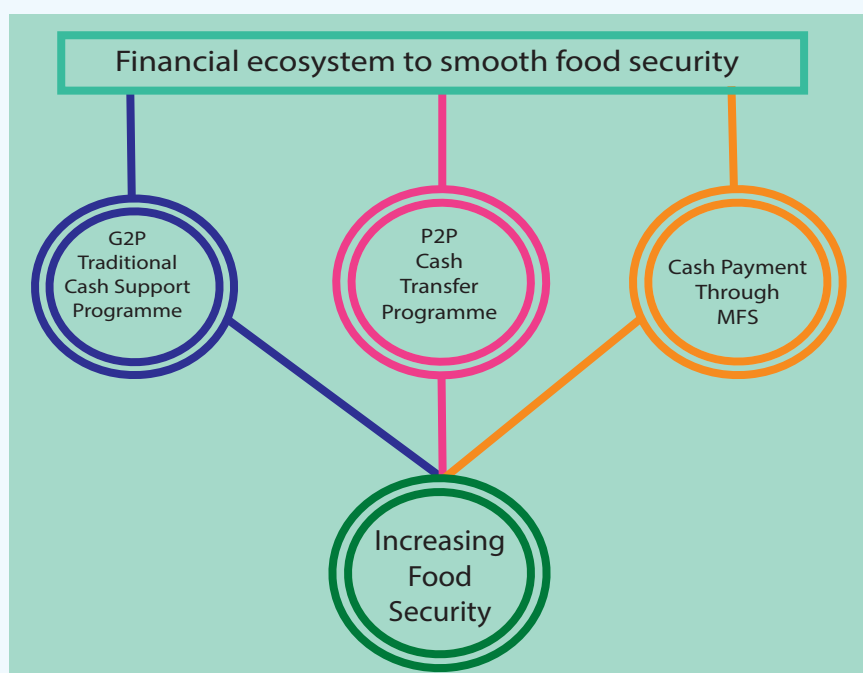
The regulatory environment and payment infrastructure can present a challenge for massive payouts, but one must also realise that the present crisis is an opportunity to fast-track improvements in payments systems, particularly through digital ecosystems. The key concern will be not to harm the interests of the poor and food insecure and put the base-of-the-pyramid households at the centre of digital cash payments.

Bangladesh, with a strong DFS infrastructure, has the ability to implement a system to help the base of the pyramid afford food and other living expenses. Bangladesh Bank can promote a more effective use of electronic payment tools by making it easier for people to open a mobile money account and by making P2P transfers free. More money could be appropriated to support the elderly, orphans and other vulnerable groups through cash transfers. In addition, fee waivers

on P2P mobile money transactions on these transfers may be considered. Similarly, a mobile payment device may be activated for cash transfers directly to households with members working in the informal sector and the elderly.

Research indicates that within households, women are at a greater risk of being food insecure. In times of hardship, such as the current Covid-19 pandemic, they are more likely to reduce their own food consumption to leave enough for the male members and children. However, access to secure financial services has the potential to promote women's empowerment and advance food security. Women

with bank accounts are likely to have greater bargaining power to allocate more household resources to purchasing nutritious food. Further, a policy of shifting cash transfers to women can be an effective approach to tackling food insecurity. This



provides an on-ramp for digital financial services while improving convenience and confidentiality of these payments.

The key will be to capture the resilience, cooperation, collaboration and hard work of all individuals and institutions to respond to this unprecedented crisis. Food security is a critical basic need, and financial inclusion is an important means of achieving it. With financial services digitising at an unprecedented rapid pace in Bangladesh, we must not forget the most basic needs including food security and how inclusive finance can serve to fulfill these for the poor and disadvantaged.

Covid-19 Pandemic: Time to Digitise Financial Inclusion

Covid-19 pandemic is forcing millions of people and institutions around the world to adapt to new ways of life, many of which were unconceivable prior to the crisis. And digitisation is perhaps the biggest feature of adaptation of the present time.

In Bangladesh, there has been a tremendous change in the mindset of the people as well. Resistance to technology is disappearing fast. Some MFIs—who are mostly the lenders to the bottom of the pyramid—report that many of their customers have also begun to acquaint themselves with the new features of digital technology. While one may argue that this may largely be attributed to boredom due to the lockdown, it is equally true that some customers are also motivated to experiment with online payments for the first time to avoid additional interest accruals to their loans. Further, since the Covid-19 pandemic still persists and there is no clear sign when a new normal will come back, it is not clear how long the micro borrowers would be able to sustain their resilience and their repayment capacity will not be impaired by the crisis.

In the present situation, there are some compelling reasons to be optimistic about the opportunity to increase the use of digital payments. Prior to the crisis, many of the borrowers themselves were earning in cash and therefore found it easier to repay their loans in cash too. However, the spread of coronavirus has made people wary of exchanging currency notes and therefore even some small essential good/service providers have begun accepting digital payments. This is likely to result in more borrowers willing to make their loan repayments through digital avenues as well.

To stay afloat, MFIs also need to continue disbursing new loans. Since most of these loans are given for livelihood purposes, the demand for these loans is relatively inelastic. However, if the MFIs are unable to supply these loans due to Covid-19 related restrictions, the borrowers' business continuity could be hampered. Although many MFIs are already disbursing loans digitally into customers' accounts and rely on online credit history checks as part of their underwriting processes, these processes have scope to be further digitised.

For creating a 'Digital Bangladesh', the country needs to build technology-driven systems and processes. For example, fintech can be used to enhance transaction-based lending using data generated by e-marketplace. Similarly, digital payments can be incentivised through financial incentives and monetary rewards. Regulatory facilitation for the digitisation of financial inclusion may be facilitated through allowing video KYC processes, which can make it possible for the lenders to introduce digital onboarding processes for new customers.

Through digitising financial inclusion, the lenders can benefit from increased scale, reach, and efficiency. The borrowers could also benefit from increased efficiency and access to more financial services. Financial inclusion could be an incentive for the people to engage in the digital economy, and more engagement in the digital economy could accelerate the impact of financial inclusion. Indeed, this could be a virtuous circle; a win-win situation for all!

The opportunity for growing digital payments in Bangladesh is expanding rapidly. All evidence points out that digital finance is a huge opportunity in the country. The penetration of smartphones and the Internet has increased greatly in the past few years, owing largely to the fall in their cost. This has propelled digital Bangladesh rapidly forward, and made it possible for various businesses to scale up – e-commerce is one of the best examples. A major barrier for digitising financial inclusion, however, is the discomfort that the customers experience in putting financial information online. Thus even if the providers may be ready to digitise but their customers may not.

But the good news is that Covid-19 seems to be turning the tides. In the midst of the crisis, there is an opportunity. The courts are allowing digital hearings, which would have seemed outrageous even to think about before. At present, the rise of online payment systems is highly encouraging, and the regulatory landscape is quite supportive to further the provision of financial services. With the appetite for digital technology now growing even among the poor segments in society--whether due to boredom or out of necessity but that is beyond the point—all logistics are in place to seize the opportunity.



Cover Story

Women's Economic Empowerment and Digital Finance

The first wave of financial inclusion for the unbanked—especially the poor women—started with microcredit in the 1970s; and microcredit itself has undergone tremendous transformation into microfinance and appropriate finance over the years to support the financial needs of the poor and disadvantaged. The pioneers of microcredit—Professor Muhammad Yunus, the founder of Grameen Bank and the late Sir Fazle Hasan Abed, the founder of BRAC—both strongly believed in the power of empowered women in transforming societies and targeted them as the primary microcredit beneficiaries.

The current excitement is about digital financial services (DFS), which is widely acknowledged to have the ability to deepen the access to finance and create new opportunities by improving flexibility, security, and privacy of transactions. There also exists a growing evidence that DFS is improving the welfare of the marginalised people by making transfers from informal support networks easier in order to help them better

cope with various shocks. Further, DFS offers great promise for women's economic empowerment (WEE); but a potential danger is that it can also exacerbate gender disparities and create new risks for women unless effective mitigating measures are adopted.

The key for designing effective policies is to unpack the 'impact of the black box' of DFS to better understand the channels (how) and the mechanisms (why) digital finance empowers women so that the risks of exacerbating gender inequality can be reduced and possible negative consequences for women can be addressed.

Just as for microcredit, there are several pathways for DFS to influence WEE. Through making information available to the service providers, DFS can help eliminate biases against women as potential borrowers and improve their access to finance. Similarly, by offering quick and affordable transfers, DFS can help women expand their support networks beyond their vicinity, enabling them to better manage shocks on their own.

On the other hand, DFS can also have unintended adverse consequences for women. There exists a strong and persistent digital inequality between women and men—in digital (mobile) device ownership and digital literacy and education—which mean that access to undifferentiated DFS can potentially increase the gender difference. Some features of DFS, such as the automated transfer of loan fund to individual accounts—as opposed to physical transfer within a group setting (as traditionally happens in microfinance)—may even create a regressive impact on women as the positive impact of microfinance on women's empowerment is strongly related with group formation and interactions. As such, a shift to mobile money from cash transactions within a group culture is likely to eliminate the positive effects of group dynamics, group cohesion, and peer support on WEE.

Till now, the evidence on the causal mechanism between WEE and DFS, as well as different features of DFS (such as, biometric security) is not well documented. Overall, it is seen that WEE has far too little emphasis as an outcome in digital finance programmes than in the financial inclusion literature. Moreover, the evidence is incomplete and fragmented.

Some evidence shows that access to finance through DFS—such as mobile transfer of safety-net benefits—increases women's bargaining power which is reflected in greater dietary diversity and child feeding practice. But it is not clear whether the impact is due to DFS or access to financial services in general. There also exists contradictory evidence on the gender-differentiated effect of access to ATMs, which can increase household savings, but lower women's control over their cash by making it easy for their husbands to withdraw money from their accounts.

The role of privacy of financial information on women's empowerment and household resource allocation is relatively well- documented. But it is not clear what privacy features of DFS can enhance women's empowerment or whether the current privacy features offered by DFS have negative consequences (e.g. an increase in domestic violence once the information is leaked out). Similarly, no doubt DFS save time for financial transactions; but it is not known whether the time saved has an impact on WEE, or what type of

DFS save women more time and how women use their saved time—on productive activities, care work, leisure, or other household chores and change the composition of 'double burden'.

Available evidence is rather strong on the beneficial effect of mobile money in coping with shocks, mainly through receiving quick transfers from wide social networks. But not much information is available on differential impact on women and men. Initially, some simple interventions, such as a saving box or an additional mobile money account exclusively for meeting emergency expenses increased women's savings, their control over these savings leading to better management of unexpected shocks. It is not clear whether any such simple behavioural features can be incorporated in DFS that can help women to exercise better control over their financial life.

Preserving the anonymity of client data and data availability on financial transactions can help reduce discrimination against women as potential lenders (for example, cultural bias against women as potential borrowers or lack of information on their creditworthiness). This requires exploring how DFS can reduce such discrimination and how DFS providers can become more gender-sensitive and pro-women.

There are many more issues between WEE and digital finance which are no doubt complex and requires exploration within specific socioeconomic contexts to adopt prudent measures. But one thing is very clear: despite its immense possibilities, DFS will not automatically reduce gender bias in access to finance or lead to WEE. On the contrary, DFS may even impose additional constraints or new risks on WEE (as seen in the case of mobile transfer of microfinance and access to ATMs).

It is also time to recognise that digitisation of financial services will continue and will further accelerate with time. Moreover, the reality is that as DFS mature and take deeper roots, it would be more difficult to introduce adjustments and corrections to reduce and eliminate gender biases and use DFS as a facilitator for WEE. The key will be to better understand the causal pathways between DFS and WEE in specific socioeconomic contexts and identify policies to address any potential negative consequences and maximise the positive impacts of DFS on WEE.



Women's Digital and Financial Inclusion

Despite significant progress in creating 'Digital Bangladesh', countries such as Bangladesh still have a long way to go to ensure financial inclusion for all, in particular for all women. The W-20, which represents women from G-20 countries, advocates for more coordinated action to make digital transformation inclusive by fostering women's participation in the digital sector and closing the digital gender divide in access, development and use of digital technologies. The challenge is not only to bring the unbanked into the banking system, but also to ensure that they have been 'meaningfully included' into the finance system.

The opening of No-Frill Accounts in the banks for the underprivileged persons has encountered several bumps on the road with regard to meeting the objectives of universalising the access to the banking system. These accounts are playing a significant role in receiving the government safety net allowances, but their contribution towards effective financial inclusion is still limited. Still, many problems need to be fixed in the last mile of providing affordable access to financial services such as savings, credit and microinsurance for the previously 'unbanked' underprivileged sections in the community.

For the excluded women, the need is to develop holistic and cross-sectoral policies that dismantle the barriers to women's access and promote use of digital technologies, especially in the rural areas. Further, this has to be done with a focus on accessibility, affordability, safety and security, digital skills and availability of relevant content and services, taking into account women's diversity.

The policymakers must promote initiatives that boost

equal participation of women and girls in digital-intensive work to ensure that women participate and lead in the design, development and governance of digital technologies as well as emerge as entrepreneurs in the digital sector. It is also important to ensure that all programmes, including education needs and demands for new skills, are designed with a view to promote gender balance, social protection and job quality.

The relevant agencies should collect, analyse, track supply and demand data disaggregated by sex on access and usage of digital technologies and on the presence of women in science, technology, engineering, and mathematics (STEM) education, careers and in leadership positions in the digital sector. Data collection should apply international guidelines, be cross-referenced with other socioeconomic characteristics, comparable over time and shared ensuring data protection and privacy.

It is true that still only about a third of women in Bangladesh have access to a formal bank account; and most of these accounts are barely used. Bangladesh is still far behind other developing countries with respect to availability of ICT infrastructure and level of ICT access and use. The ICT Development Index (IDI), a composite index that combines 14 indicators to monitor and compare developments in ICT between countries and over time, shows that Bangladesh has a very low ranking across all countries even in South Asia, behind Sri Lanka, Bhutan, India, Myanmar and Nepal. It is time for Bangladesh to rapidly change the picture and eliminate the gender divide.

BUMPY JOURNEY OF DIGITAL KYC



Bangladesh has been implementing laudable reforms for years to spur high and inclusive growth. The financial sector reforms have also supported high growth; but liquidity crunch in the market often persists due both to bad health of the banks and financial institutions and low financial inclusion.

The role of the fintech sector is highly important in achieving financial inclusion in Bangladesh. The fintech sector offers ease of credit solutions and the technology that allow customers to connect to financial institutions. To facilitate the process, the Bangladesh Financial Intelligence Unit (BFIU) has introduced e-KYC guidelines to provide individuals with a better, faster experience when interacting with financial institutions. These guidelines are applied under the Money Laundering Prevention Act 2012 and the Anti-Terrorism Act 2009. According to the guidelines, all financial institutions including banks, NBFIs, insurance companies, capital market intermediaries, MFS, DFS and other companies licensed by the Bangladesh Bank will have to comply and apply the guidelines by December 2020.

Simplifying the e-KYC process would cover mobile financial services, payment service providers and operators and fintech companies. As defined by BFIU, under the e-KYC process, the customer onboarding process allows the institutions to open a customer account by filling in a digital form, taking a photo, and authenticating the person's identification data. Based on the risk exposure, two classifications are applied: simplified e-KYC and regular e-KYC. These guidelines are expected to promote fintech and help reduce costs and speed up financial inclusion growth.

The ability to reach the unbanked through e-KYC depends on how easily the fintech providers can undertake KYC without having to physically interact with the customers. If the option for the providers is to onboard customers by reaching their doorstep to collect documents and complete formalities, this will be expensive and incredibly arduous.

A simplified process needs to have a mechanism which allows undertaking KYC in a non-face-to-face manner such that the customers can be onboarded from the ease and comfort of their homes for accessing payment and credit options. If physical visits by the customers or by the authorised officers of the financial institutions/wallet providers are required for completing the series of steps—e.g. taking the customer's live picture and his/her ID documents, OTP verification of information through a message to the customer's mobile number, physical signatures to confirm details on the printed application form and others—for KYC in the physical presence of the officials then true digitisation is unlikely to be achieved. Thus the details are as important as the stated objectives.

In case of practical difficulties of operationalising digital KYC, a potential option is to allow 'equivalent e-documents' for KYC verification through using scanned copy of NID documents which can be uploaded on mobile application to facilitate non-face-to-face KYC rather than electronic documents issued by the NID card issuer with digital signatures. With the availability of advanced technology, it would potentially be easier to guard against tampering and fraud.

The key to promote financial inclusion among the poor and unbanked people is to reduce the costs of KYC. The relevant authorities may consider new modes of KYC, including video-based process, e-sign, non-face-to-face onboarding, and operationalising a central KYC registry with no charges of uploading the data.

Former US President Ronald Reagan once observed regarding the character of government regulations: 'If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidise.' Bangladesh must move in a way so that the need to subsidise does not arise and effective regulations can allow the fintech sector to flourish and financial inclusion of the excluded is achieved.

Enabling Financial Inclusion Environment

Global Microscope 2019

The Global Microscope, a regular publication of the Economist Intelligence Unit (EIU), provides an assessment of the enabling environment for financial inclusion in different countries. The recently published 2019 Global Microscope analyses the practices used by the governments and regulators around the world to increase financial inclusion with exclusive focus on regulatory and policy environments.

The Global Microscope defines financial inclusion as access to a full suite of quality financial services for customers who possess financial capability, provided via a diverse and competitive marketplace. The Microscope covers five domains: government and policy support, stability and integrity, products and outlets, consumer protection, and infrastructure. The 2019 Microscope also incorporates a specific gender perspective to better understand how financial inclusion policies affect women differently, and how policymakers can narrow the gender gap in financial inclusion.

Among a total of 55 countries, Bangladesh's performance can be summarised as follows:

Category	Score	Rank	Average score
Overall score	38	46	52
Government and policy support	22	55	54
Stability and integrity	62	29	65
Products and outlets	52	31	57
Consumer protection	33	47	60
Infrastructure	48		59

In 2019, Bangladesh has a rank of 46 out of 55 countries with an overall score of 38. The highest rank is held by Colombia with a score of 82. Among the South Asian countries, India's rank is 5 with an overall score of 71, Pakistan is ranked 21 with a score of 55, Nepal has a rank of 39 with a score of 44, and Sri Lanka's rank is 42 with a score of 42.

The 2019 Global Microscope considers several legal inequalities in its analysis of the environment for financial inclusion. It also analyses other potential de facto barriers that might affect potential users of digital financial services such as disparities in access to national ID, the Internet and mobile phones. While most countries do not have legal restrictions on women's access to these key enablers, but despite this, men's access to national ID, the Internet and mobile phones continues to outpace women's in most countries. Women also have less access to financial accounts than men, again despite no legal impediments.

As financial inclusion policy shifts its focus towards the promotion of digital financial services, regulators and policymakers must address this digital gender gap otherwise this will contribute to even greater disparities in access to financial services between women and men. Providing access to digital tools, and developing individuals' capability to use these tools, are important determinants of financial inclusion, but they also introduce new risks for low income populations. For consumers who connect to the formal financial system for the first time via digital financial services, negative experiences can affect their trust in those specific channels and the financial system as a whole.

As the landscape for financial inclusion evolves and as the financial service provider adopts new technologies and pathways, the government needs to implement policies to ensure that the potential users develop the needed capabilities and acquire the key enablers to access and use these technology-loaded products. This includes developing and implementing policies specifically designed to address gender disparities in access to these enablers to promote more equitable access to the financial system for low- and middle-income households, and for women in particular.



INTERVIEW WITH ELISABETH RHYNE

| Author of
| A well-known book

Elisabeth Rhyne is the author of a well-known book, *Microfinance for Bankers and Investors*, and, in this interview, she speaks on some of the book's main themes and lessons...

Question: What is your purpose for writing the book?

Elisabeth Rhyne: The purpose is to attract the private sector to become involved in inclusive finance. Over the last 20 years, microfinance has proven that it is a viable business proposition. I spent most of my career promoting this idea myself. We started with microcredit, provided by a small, close-knit community of institutions. Then, adding savings and turning NGOs into regulated microfinance institutions, we evolved into microfinance. Today, we are taking the next broader step, to financial inclusion—pursuing the proposition that all low-income individuals should have access to a suite of high-quality financial services. I believe that in order for this to happen we need to move from a narrow view of microfinance into one where private sector players have a role and a responsibility.

The book uses success stories from private businesses to demonstrate that it is possible for the private sector to engage and be profitable in this underserved, low-income market. While the cases studies I highlight in the book offer 16 examples of successful private-sector engagement in this market, overall the market is still vastly untapped. One other task the book takes on is to create a roadmap for private companies considering getting engaged with inclusive finance. What strategic questions do they need to ask themselves? What do they need to know?

Question: There are 16 cases studies in the book. Why did you choose these examples?

Elisabeth Rhyne: These 16 cases represent success stories of using innovations, technology, and flexibility to reach out and connect with low-income people. One example is Mexico's Grupo Elektra and its financing arm, Banco Azteca. Grupo Elektra, the 'Wal-Mart of Mexico', started offering credit to its customers in order to help them finance store purchases. With the creation of Banco Azteca they moved beyond store credit into credit for a variety of client purposes. Today only about 10 per cent of credit offered through Azteca is meant for financing store purchases. Banco Azteca may not be everyone's idea of microfinance, but in reaching millions of low income people with a wide range of conveniently provided services, it offers a serious challenge to microfinance institutions.

Another example is Vodafone, through its Kenyan subsidiary Safaricom. Previously, many residents of Nairobi sent money back to their up-country relatives by handing it over to truck drivers. Not very fast and definitely risky. Safaricom's M-Pesa (mobile money) program changed all this. Through M-Pesa Kenyan subscribers, even those without a bank account, can make money transfers through mobile phones. Within the first two years of service, over 5 million users subscribed to M-PESA, showing the rest of world just how important the base-of-the-pyramid market is and showing banks that the days of traditional banking may just be drawing to a close.

Question: So, what are some of the key messages you'd like readers to take away from the book?

Elisabeth Rhyne: First, that banks are not necessarily the key movers. The real game changers are retailers, telecom companies and others with new and stronger connections to the underserved, low-income market. And technology companies that bring in lower cost business models, like VISA's government-benefit distribution programs.

Second, companies need to mainstream their efforts to be socially responsible. The most successful examples of private sector entry into inclusive finance come from companies that have made reaching out to low income people a core part of their business, not a small feel-good project.

And, third, partnering is often necessary. Few businesses have all the attributes needed to successfully target the low-income market. MFIs are potentially great partners for private sector entrants. They have a deep understanding of the poor, as well as existing customer relationships and distribution networks.

To know more about the book, read *Microfinance for Bankers and Investors: Understanding the Opportunities and Challenges of the Market at the Bottom of the Pyramid*, by Elisabeth Rhyne, McGraw-Hill Education, 1st edition, 2009.



Banks and MFIs: Partners in Financial Inclusion

The banks can use the services of third parties as business correspondents (BCs) to help increase the outreach of banking services. Potentially, the MFIs as BCs, can create a channel that allows banks to offer MFI-relevant services to the customers, e.g. micro-loans, micro-savings, micro-insurance and micro-remittances services beyond its brick and mortar branches. The BC model is increasingly being recognised as a useful approach to achieving financial inclusion as it allows the banks to service customers and extend their geographic reach at a much lower cost.

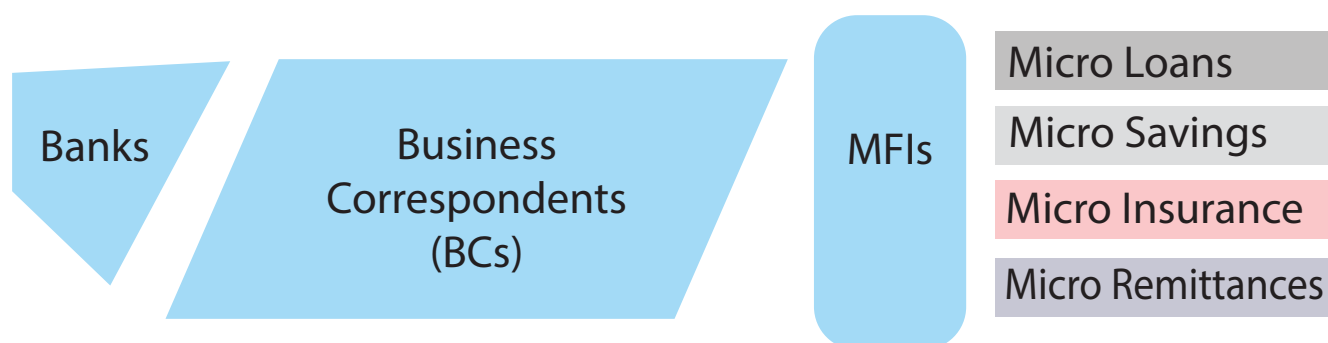
There are many distinct players in the BC model, such as the banks (the lead players), business correspondents (BCs which offer banking services to bank customers beyond the brick-and-mortar branches of the banks), agent network managers (ANMs), customer service points (CSPs) or agents, technology service providers (TSPs), and others.

The BC model is highly dependent on technology, as the technology platform is what allows trust to

be extended from the banks through the BCs to individual CSPs. The platform must ensure that transacting parties are properly identified, that the necessary transaction request and confirmation information is collected and transmitted in real time, and that transactions are authorised, recorded and reconciled correctly.

The model offers the banks a vision for tackling the un-served customer segments in a way that is profitable and sustainable. It enables the banks to serve the poor or remote communities at a much lower incremental cost per new customer acquired or per new village/location covered than the traditional branch-based banking system. The challenge, however, for the banks is to deploy the BC network in a scalable manner and trigger sufficient usage by customers to collect satisfactory earnings.

No doubt, the banks can play a vital role in financial inclusion through BCs and associated branchless banking, but to move forward, they need to satisfactorily resolve several vital issues, e.g. identify



the customer value proposition that can drive client demand and sustained usage, adopt the most relevant business model that aligns the incentives of various players (banks, BCs, CSPs, ANMs, TSPs) consistent with the revenue earnings from the low-end customers, and feasibility of scaling up the BC network while limiting the upfront investments and financial risks.

In Bangladesh, the business case for the BC model is not very clear as yet. The major limitation is the low customer activity rate. Low usage is also compounded by the prevalence of unstable pricing models on basic savings proposition, which is based on a perception that customers have low willingness to pay for savings services. These two factors are linked as well: the usage and willingness to pay are both function of the strength of value proposition that the customers perceive. For example, ventures that incorporate remittance services can ensure both higher usage and greater potential to charge higher transaction costs. However, where the value proposition is based on remittances, the scale and network effects also matter. The BC channel provides the banks and MFIs with multiple opportunities. For the purpose, the banks need to explore the value of services beyond no-frills accounts. The key to success of any BC (or mobile money) deployment is value for customers to remain engaged.

The services should generate a mass-market solution and not limited to success with a small share of the target segment. In this respect, the banks can partner with the MFIs to test and develop alternative value propositions while the banks remain in charge of the products. The key would be not to concentrate efforts in financial inclusion through channel-building alone, rather spread on constructing attractive product

propositions as well. The current imbalance in this respect needs to be addressed urgently. The challenge in the BC game is to provide services that the customers prefer and develop synergies between different players such as the MFIs.

In fact, the MFIs are excellent potential channels and product development partners for the banks. The MFIs can help to leverage their ongoing engagement with the mostly unbanked customers. Their core competence in customer engagement and management can be profitably utilised by the banks. Further, the BC channel has enormous potential in the long-run, and there are obvious synergies between the banks and the MFIs for working at the grassroots level. However, since the interests of the banks are dominated by their customer acquisition mandates, their activities are likely to remain exclusively focused on channel development. The MFIs, on their part, can urge the banks to refocus on product propositions as well, but they are unlikely to accomplish this on their own.

As such, the MFIs need to be careful in making commitment to the banks which may entail disruptions in their group operations and may require significant efforts and costs. Probably, the MFIs should adopt a 'wait and see' policy, monitor closely, and start to work with the banks in BC deployment in a limited and cost-effective manner. This should be followed by efforts to build stronger relationships with the banks, and avail any opportunities that might emerge towards working with the banks on product development side within a localised and targeted approach. The banks are no doubt searching for a blueprint, and the MFIs have valuable inputs to develop successful approaches.



Financial Inclusion and Cybersecurity

Recent reports show that, around the world, hackers attack computers with Internet access once in every 39 seconds on average. Thus, while digital advancements are progressing rapidly and opportunities are multiplying fast, so are the risks. The key to harnessing the great potential of financial inclusion through digital technology to lift the unbanked poor people out of poverty is to deal effectively with the threats that can discourage the unbanked to adopt digital technology to improve the quality of their lives and livelihoods.

As digital transformation creates so many opportunities for financial inclusion and women empowerment, digital financial services are critical to bringing close to one-third of the adults in the world—around 1.7 billion in number—who are still unbanked into the ambit of financial inclusion, especially since half of these unbanked people include women from the poor households in the rural areas or out of the labour force.

In recent years, the world has made rapid progress in financial inclusion. An additional 1.2 billion adults worldwide have gotten access to a bank account since 2011 and 69 per cent of the adults have an account at present. Thus, we have made great progress, but still much remains to be done. Moreover, much of the recent success has been due to rapid expansion of digital financial services.

However, as our reliance on digital financial services is rising, so is the number of cyber-attacks. In fact, these attacks have tripled over the last decade, and financial services continue to be the most targeted industry amongst all. The cyber attackers target both large and small institutions, in both high and low income countries and, in practice, they operate without any borders. The cyber threats are threatening the financial stability in all countries at rapidly rising rates, including denying the people the benefits of financial inclusion.

A cyber-attack may take a bank down and, as a consequence, remittances may not flow to the poor

households; or when a mobile money app is hacked, a poor household may not get the safety net cash transfer essential to pay for food and basic necessities. For moving successfully, efforts to expand financial inclusion and strengthen cyber security must go hand in hand in the present digital world.

As we fight the Covid-19 pandemic, digital financial inclusion is a top priority with higher demand for digital financial services creating more opportunities for financial inclusion. Mobile money apps, for example,

global financial sector as a whole.

Now is the time to place due emphasis on both financial inclusion and cybersecurity. In reality, this is unlikely to be made operational through pursuit of a silos approach. The need is to work together to adopt a comprehensive approach across all relevant stakeholders.

There is an old saying: 'a ship is safe in harbour. But that is not what the ships are made for'. The key for financial inclusion and cybersecurity is to keep the right balance: we should not always keep the ship in

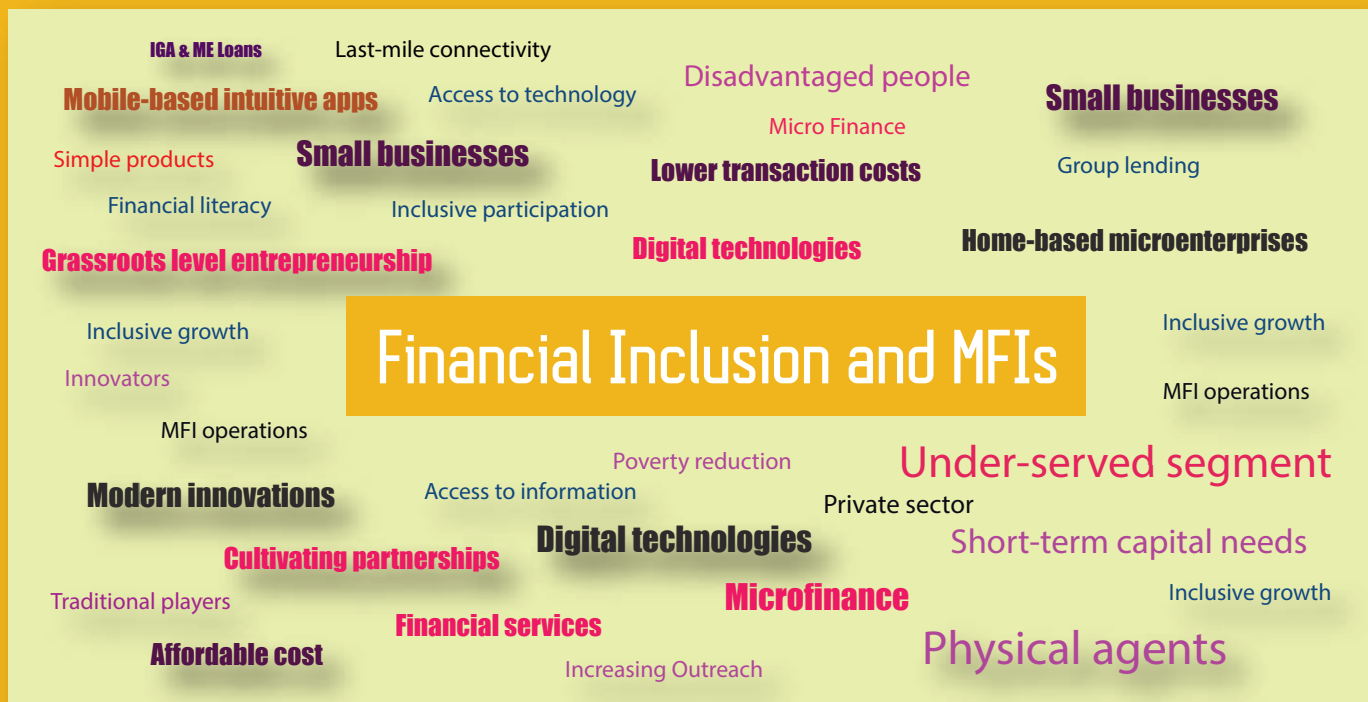


are becoming more relevant as social distancing is necessary. These services are needed for all at all places, both rural and urban. We need to prioritise development finance for both digitalisation and financial inclusion.

Further, we need to build a safe, secure, and robust system that supports digital financial inclusion. The danger of disruptions from cyber-attacks is highest in the financial sector – since the modern financial sector is a highly interconnected global network where important transactions take place electronically across many different actors, and where trust is critical. A major cyber-attack could seriously threaten the financial stability of individual countries as well as the

harbour; at the same time we should not sail the ship deliberately into highly troubled waters. And, we must also ensure that the ship is built in a way that it is strong and resilient.

As digital technologies advance further, cyber risks will also multiply; but that does not mean we should stop developing and adopting digital technologies at a larger scale to promote financial inclusion to make the people's lives better and bring opportunity to the most vulnerable and disadvantaged. The goal is to secure a digital financial inclusion journey that is safe, secure, and effectively regulated.



Modern microfinance—along with nano finance—coupled with digital technologies has opened up new opportunities for the under-served poor and disadvantaged in society. Microfinance, as is well known, targets individuals and small businesses that lack access to financial services offered by mainstream institutions such as the banks. A recent offshoot of microfinance is nano finance, which offers loans of the smallest ticket sizes to individuals, especially women. Thus microfinance plays a significant role in enhancing financial inclusion of the under-served segment through offering ‘last-mile connectivity’.

Microfinance thus joins the missing links in finance through enabling inclusive participation of the under-served populations in the economy thus helping in poverty reduction; putting in place a responsible financial behaviour through features like group lending; meeting the initial and teething problems relating to short-term capital needs of home-based/microenterprises; helping the poor and microenterprises to access technology and information, and providing needed support during disasters and emergencies; and other nonfinancial services.

One key challenge of microfinance is to explore how to provide small loans at an affordable cost. The average annual interest rate hovers around 25 per cent at

present; so that the price of microfinance services (cost of credit) remains significantly high compared with traditional banks. These costlier rates are due to the high servicing cost relative to the loan size, and the costs of covering the risk of default while still ensuring a reasonable return. Worldwide, the MFIs are desperately looking for alternative delivery channels (ADCs) such as network of physical agents (sometimes one of the borrowers), mobile vans, satellite (BRI Indonesia), floating branches (ships), virtual teller machines, and ATMs to increase their outreach and lower costs.

Modern innovations in alternative credit scoring models can bridge the gap for the lenders to be able to take credit underwriting decisions using proprietary algorithms. For instance, Lenddo in the Philippines uses non-traditional data like digital footprint from the social media and mobile phone usage to calculate a credit score. Psychometric evaluations (used by Janalakshmi in India) for assessing an applicant's integrity, belief, loan repayment behaviour, business acumen, and ethics can be leveraged for assessing the propensity to pay off borrowers.

Financial regulators can work with the innovators in the private sector to promote test-and-learn approaches. The key will be to keep a level playing field for the traditional players (like the banks) and the innovative fintechs to ensure participation of all stakeholders.



Rules and standards for sharing of credit history and data among the institutions have to be designed by the regulators along with data privacy practices. A proper channel for complaints recourse is needed along with norms to protect the MFIs.

The Covid-19 crisis has triggered a heavy burden on the MFIs including interruptions in the regular flow of funds for the MFIs, loss of earnings of the borrowers threatening default on repayments; and lockdowns and social distancing norms disrupting businesses and installment collections. The governments have been rolling out stimulus packages for MFIs to enable them to remain solvent. The MFIs on their part are also trying their best to ease the terms of debts for the borrowers and go slow on new customer acquisitions. The central banks should be prepared to recapitalise the MFIs so that they are in a position to quickly resume full scale activity once the crisis recedes.

Due to increased competition especially for capital, the MFIs will have to raise efficiency, lower transaction costs for their customers, and expand outreach to new markets. Cultivating partnerships with technology providers who have expertise in big data, AI, mobility and IoT will be crucial in this respect. The MFIs can leverage tools based on big data and AI to scale up the scoring models for increased adoption of microfinance services. On the other hand, IoT can be

used to track borrowers and field agents.

On the other hand, the MFIs will have to roll out simple products with flexible limits and durations. They will also need to enhance trust using high-tech mobile-based intuitive apps. These services will also enable the MFIs to educate the consumers and ease their transition into digital models.

As financial literacy increases, a transition towards the MFIs from the loan officers/agents, can be expected which will increase outreach. This will also lower the risk of over-indebtedness for the borrowers. Creating mobile-ready customers and incorporating future-proof tech solutions in MFI operations can go a long way in simplifying the loan disbursement process including avenues for better client engagement.

With technological innovations, microfinance and nano finance are no doubt poised to play an important role in ensuring sustained financial well-being of the poor and under-served segments in society including women. This will be the key to spur grassroots level entrepreneurship, poverty reduction and accelerated inclusive growth. The MFIs will have to get ready to adopt modern and future-proof digital technologies along with culturing strategic partnerships with supportive stakeholders to equip themselves to serve their customer base as seamlessly as possible.



Financial Inclusion with Cloud Banking in MFIs

The MFIs usually operate in some of the most difficult environments troubled by a host of factors, such as local level social and other instability, difficult transport and communication infrastructure, unstable environments and weak or no internet connections. The cloud provides a real possibility for the MFIs to grow, even in the most difficult environments.

It is true that pursuing financial inclusion at the end-client level is a tall order – it means moving millions of unbanked individuals to adopt financial services and mobile money where there is limited internet connectivity. Further, it means pushing these millions to go cashless in a society where the majority of the transactions including paying fees, utility bills and remittances are performed in cash.

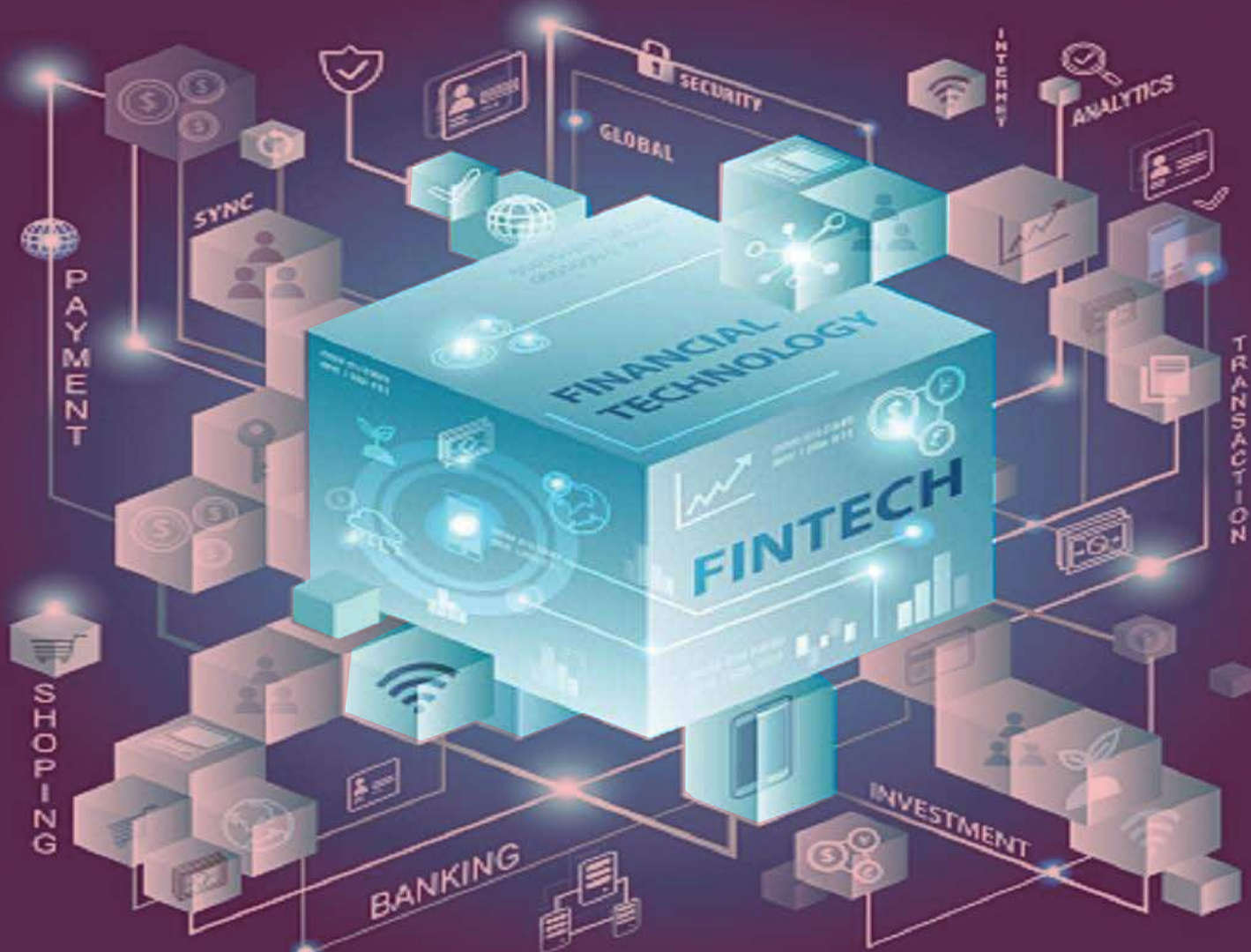
The cloud banking software can be installed for large MFIs quickly which can work with many mobile money solutions so that the customers can use mobile money, but they can also use cash for their transactions, if they prefer. Digitisation at the MFI-level can push financial inclusion forward, without making mobile money adoption a prerequisite. Thus, it is at the institution level that we can make a real difference in financial inclusion.

Implementing the new technology at the institution-level is an efficient, effective route to

financial inclusion. Despite an increase in fintech investments, fintech innovation is not reaching the majority in the rural areas. Unfortunately, the rural poor still rely on the same financial solutions they used fifty years back to start and grow their small businesses and livelihood activities.

The MFIs can implement the cloud banking software to transform their inefficiencies into operational excellence, limited data into informed decision-making, and limited growth into more rapid growth. They can become more profitable and, more importantly, they can acquire new customers and serve their communities better. It is evident that the MFIs can use digitisation effectively to scale up operations, multiply the customer base and cut down IT expenses. This can be the key to enabling operational excellence at the institution level. By enabling the MFIs to grow, technologies can reach the unbanked in rural communities that are largely excluded from financial services.

The cloud banking software can accelerate MFI growth and create greater positive impact: customer support can be very effective and on time such that the communities can be served better to drive financial inclusion.



Fintech Future

Regulatory Sandbox as A Game Changer

Financial inclusion depends very much on an enabling environment that regulators can create. In Bangladesh, there are several key regulators, such as the Bangladesh Bank, Bangladesh Securities and Exchange Commission, Bangladesh Telecommunication Regulatory Commission, Microcredit Regulatory Authority and others. Regulations by these institutions acting in concert or independently determine the ease of doing financial transactions. By and large, Bangladesh has very proactive regulators and these institutions work towards ensuring financial inclusion for all.

A regulatory sandbox, created by a regulator, provides a framework that allows Fintech startups and

other innovators to conduct live experiments in a controlled environment under a regulator's supervision. The regulatory sandbox introduces the potential to change the nature of the relationship between regulators and financial services providers (regulated or aspiring FSPs) towards a more open and active dialogue. It also enables the regulator to revise and shape the regulatory and supervisory framework with agility.

The big advantage of a regulatory sandbox is that it provides FSPs with the ability to test new solution sets for regulations which currently do not exist. After the trial period, the regulator determines if there is a genuine need in the market for the proposed solution;

and if so, it creates the required regulations and seeks approval for changes in current laws and regulations.

For instance, let us take a hypothetical regulatory sandbox example of a Sharia-compliant digital insurance company for individual insurance coverage (not company insurance). The company intends to cover all types of insurance other than natural life. In Bangladesh, it is well-known that the traditional general insurance companies have not done a very good job as far as insurance products like travel, home content and telephone theft are concerned.

The market perception is that when it comes to claims, the process is notoriously slow. Although in many countries these products have successfully been provided to the general public, but these are yet to take off in Bangladesh. The main reason is that the insurance companies are yet to use the customer lens; they are still using the old model of trying to force the customers to buy what they produce.

Imagine a customer journey within a sandbox—may be imaginary at present but can be made very much real—where a customer receives an SMS and, if interested, makes a phone call to the call centre. The agent explains the details of the service in a language the customer is comfortable with. The customer confirms his/her acceptance of the proposed coverage via an SMS and the coverage is provided immediately with a 30-day free bonus. Moreover, the real change will be on the claims side. The sandbox product will settle claims online as well. If the claims are settled within say 30 minutes, the perception of the general public towards the insurance company will change dramatically.

We can also conceive the sandbox case for emergence of a digital insurance broker. For example, the insurance broker—like a digital insurance company—will acquire customers digitally on behalf of the insurance company. Based on prior agreements with insurance underwriters, claims will be settled in real-time through a mobile wallet or a bank account. The digital broker will also assist traditional underwriters to become digital.

Similarly, there can be equity crowdfunding. Equity crowdfunding is very popular in many emerging capital markets. It allows a start-up to collect funding from investors in small denominations as opposed to from

venture capital (VC) or private equity firms. Bangladesh's startups need this medium of funding as the VC channel is not deep enough in the country's nascent capital market. Our present laws do not permit such transactions. Further, one key challenge is that the market does not have investors with enough experience of start-up funding, which is a high-risk but high-reward equation. One possible way for reducing the risk is to put the condition that all eligible investors will have to be prequalified and, to begin with, the investment opportunity will not be available to all. Under a sandbox environment, Bangladesh Securities and Exchange Commission (BSEC) can experiment to assess the market demand, and after a reasonable and successful trial period, BSEC can move to enact necessary laws and regulations.

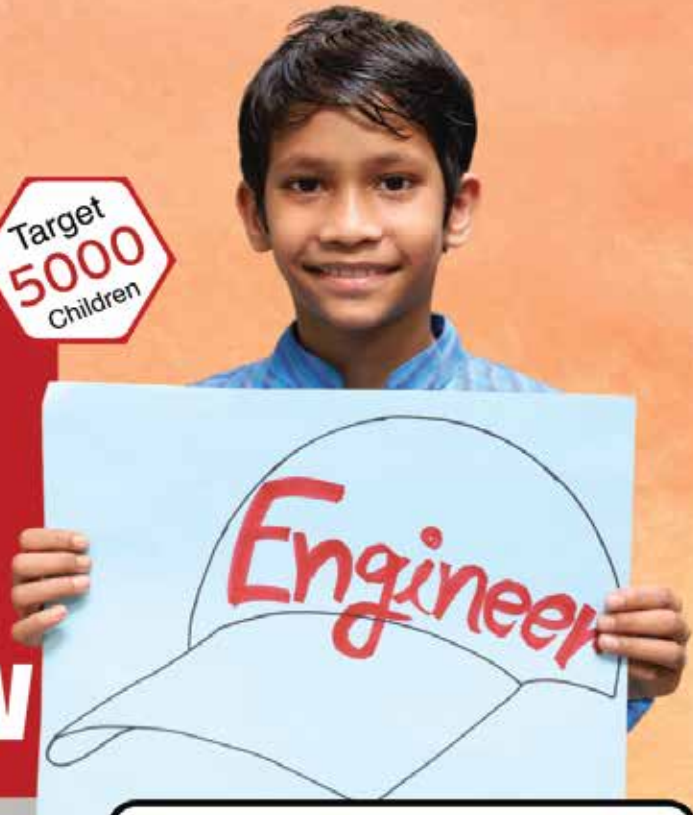
Another option for sandbox experimentation is the peer-to-peer debt funding solution which allows the entrepreneurs to bypass the banks and go directly to individual lenders. The solution can be a platform in which pre-lenders registered (without any liability) in the platform will be introduced to the entrepreneurs. Such a programme gained immense popularity and success in China. However, there were reports of many abuses due to an inadequate regulatory environment which compelled the regulators to revisit the regulations. The largest peer-to-peer lender Ant Financial Services in China is now obliged to retain some of the risks of default as opposed to just serving as an introductory platform.

From the financial inclusion lens, the penetration of investment products such as mutual funds is extremely limited in Bangladesh. It is still true that the general public is mostly unaware of these investment opportunities and the investment process for individuals is highly complex in Bangladesh. The BSEC may actively look for installing a robo-advisory and a centralised online platform for mutual funds through adopting a sandbox approach.



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They Have The Power To Change, You Have The Power To Help

Mobile Wallets Boosting Financial Inclusion

A financially included person enjoys several banking instruments like depositing/withdrawing money in a savings account, using ATM facilities and credit cards, and making digital transactions at grocery stores and shopping mall, and many more. However, the financially excluded cannot enjoy these and many other benefits. These people do not utilise any mainstream financial services. This presents a grim reality but there are brightened rays of hope as well.

Over the years, technology has helped to solve and eradicate issues which were earlier thought to be impossible. And one such technology is digital transactions via mobile wallets. Yes, mobile wallets can be an effective tool to eliminate the unbanked populations.

Mobile wallets are a perfect solution to access bank-like services without actually having a bank account. Mobile wallets work like a bank account in several ways. It enables a customer to make payments, store funds, and transfer money to financial accounts of other users. Some providers also enable their customers to write checks. Digital wallets are quite similar to regular accounts; however, there are some key differences. However,

for the unbanked people, these differences do not really matter. Digital wallets provide consumers with the convenience and ease of a debit card to an unbanked person.

Today, millions of people use mobile money and mobile wallet services across the world. In Bangladesh, nearly a quarter of the Bangladeshi



adults use bKash with around 5 million daily transactions.

Mobile wallets have considerably reduced the customers' dependency on cash which has resulted in enhanced financial security. Moreover, it has also

reduced risks associated with cash handlings like fraud, loss, and theft. In many countries, mobile wallets have eliminated the need for middlemen for money transfer thus increasing the overall transparency. Mobile wallets also make trade easier. People can use mobile wallets to pay and receive payments for various services and goods. They can use it to make transactions between the retailers and suppliers.

No doubt, the participation of women is very essential when it comes to large scale financial inclusion. This is where mobile money and mobile wallets can come into play as these services have a strong appeal among women. In Bangladesh, women are increasingly receiving their social safety payments via mobile wallets and mobile money. There is also evidence that mobile money and mobile wallet services are enabling wide-scale access to education and healthcare services. For instance, people can seek immediate treatment as mobile wallets enable them to receive and send emergency funds for medical bills and transport. Similarly, with digital wallet services, families can immediately pay the school fees for their children.

Mobile wallet services and mobile money require massive distribution networks which also provides huge employment and entrepreneurship opportunities to thousands of unemployed people in urban as well as in rural areas.

Governments around the world are now recognising the significance of mobile wallet services in enhancing financial inclusion in their countries and setting up regulatory frameworks that enable these services to flourish. One key characteristic of good regulation is that it should offer an open and level-playing field to all the mobile wallet services and non-bank mobile money providers to operate in the market without any restrictions. In most of the rapidly growing models, the MNOs and banks offer mobile money services. Similarly, the regulations should ensure the safety of the customer's fund where non-bank providers are given license to offer mobile money and mobile wallet services.

The total stored funds of the customers are often needed to be pooled. These funds are also helped by a bank by the name of the service provider.

Sometimes, providers also have to establish a fiduciary agreement, in which the funds are under the name of the clients. Usually, unbanked users do not have a permanent address and other official identification. This is the reason why regulators have to permit some leeway on usually strict KYC guidelines.

Agent networks are very crucial to the success of financial inclusion. The key will be not to impose too many requirements and documentation on the mobile money agents who perform functions like cash-in and cash-out points for customers. Similarly, allowing interoperability by working with the providers can accelerate transaction growth and enhance the customer experience by making it easier for consumers and businesses to send money across networks. However, one must not forget that there are few risks associated with interoperability like KYC rules, ensuring compliance, and many more. This makes it crucial that regulators work with mobile wallet providers to obtain the required results.

Just within a few years, mobile wallets have emerged as an effective way to drive financial inclusion in many countries. The convenience, speed, and security offered by mobile wallets attract many unbanked people who usually do not deal with mainstream banking. Thus, mobile wallets act as a bridge between these unbanked people and the banking services which they are deprived of.

Moreover, the support of the government and the regulators can make things easier for the mobile wallet service providers to ensure that their impact is widespread resulting in maximum financial inclusion. Bangladesh has already emerged as a pioneer in digital financial transactions via mobile wallets and, in the coming years, we might as well see many more new innovations and developments in the market of mobile wallets which will make banking simpler, fast, secure, and easily accessible to all adults including the unbanked.

Payment Interoperability: A Financial Inclusion Accelerator



Bangladesh's financial ecosystem is experiencing rapid transformation with newly emerging business models and changing financial services delivery systems. These are also bringing more people under the financial inclusion umbrella. The present need is to simplify and accelerate payments penetration. It appears that inadequate IT infrastructure and lack of end-to-end digitisation is emerging as major challenges in driving digital payments. For wider use of digital payments, the entire supply chain needs to be digitised to increase accessibility, availability, interoperability and security of payments systems.

The traditional banks have so far seen only moderate success with their own mobile wallets. For gathering steam, customer preference has to shift from cards towards mobile phone or biometric payments. An interoperable platform can sow the seeds of innovative business models with key value propositions, such as creating and linking a virtual address to a bank account especially for merchant payments with no need to acquire a merchant with a speed breaker of sorts for m-wallet and card payments alike. The use of a virtual address for transfer of funds is much smoother than the more cumbersome entry of codes and account numbers. The use of a virtual address brings in the ease of use and convenience afforded by m-wallets.

Bangladesh Bank, for example, may take steps to discourage people from using cash and persuade them to switch to digital transactions. Mobile wallets have already shown a huge potential to drive the agenda. So far, the wallets operate in semi-closed loops. Steps should be taken to quickly make the wallets interoperable. Interoperability in the space of digital wallets will allow ease of transactions.

The largest beneficiaries of interoperability will be the wallet users, who then will not be required to look for

merchants who accept a certain wallet. With interoperability, they will be able to make payments from a wallet to any merchant who accepts digital payments. This will bring wallets on par with cards, a symbolic transition with all transactions being accepted at all networks. It will also mean that different companies, which are otherwise competing with each other for a larger share of the business, will end up sharing resources, and can focus on creating a more smart value added platform.

A charge system may be installed on such interoperable transactions as a cost of using the other company's network—similar to charges for using one bank's ATM card in another bank's ATM beyond a certain number of free transactions per month. This, along with other reforms, will create a smooth digital payments ecosystem that would influence more businesses and customers to adopt digital transactions.

For moving fast in the right direction, the policymakers should set a forward-looking, ambitious and comprehensive agenda for a less-cash digital Bangladesh society. Also, the industry players will have to innovate ways to trigger a strong adoption wave among the consumers to remove the risks of digital payments especially for the micro and small merchants and adopt new payment products. Awareness creation and education is needed to dislodge well-entrenched cash behaviour among the merchants and consumers.

Further, fintechs should innovate on bigger value propositions for merchants like loyalty, post-sale analytics, and merchant ratings. The key will be to remember that only by having a sharp focus on real merchant value proposition, awareness creation, and a well-engineered market delivery model, tangible progress can be made towards conquering this last frontier of digital payments.



Immersive Story

Financial Inclusion Gains for Sustainable Livelihoods

Sakhina runs a small tea stall in one of Gazipur's remote village markets. Only a year ago, she could earn a meagre profit for meeting the expenses of her four-member family. Her husband is a day labourer and does not have a fixed income to support the daily needs. Their two children go to school. Sakhina and her husband face extreme hardships to meet their education and other expenses. One day in January 2020, Sakhina came to know about financial services from one of her friends who recently became a member of a women group formed for the poor women by the local NGO. She was told that financial services could make her business easier and increase her earnings. Today, her profits have increased both because she deposits her money in the nearby bank and uses the mobile money transfer services for both household and business purposes. The use of financial services has simplified managing the business, enabled scaling up her business and increased profits. business proceeds now pay for her children's school expenses; she has also started vegetable gardening in her homestead and bought a

cow and four goats for rearing. Women, Sakhina says, must not fear banks. 'It is very important to save money because the informal sector where we operate has no security for emergencies and bad days'.

Financial inclusion may sound as a mysterious concept to many, but its meaning is more than real for millions of poor women and men who have accessed financial services in recent years in Bangladesh. With access to financial services, people no longer need to rely on and transact solely in cash, or use their mattresses as saving places. Financial access connects people into the formal financial system, making day-to-day living easier and productive; and allowing them to build assets, mitigates shocks related to emergencies, illness or injury, and enable them to undertake productive investments.

Consider the case of Saleha of Jessore. She started her own sewing business, after participating in financial literacy training where she learned how to judiciously handle and use money. Or Abdul Haq in Naogaon who has expanded his business in garments, which now

employs 40 workers, all women, thanks to a microenterprise loan aimed at expanding financial inclusion by a local MFI. In many other areas, practically all over Bangladesh, extending access to finance in the rural areas is helping the small farmers and the rural microenterprises to thrive at an amazing speed. No doubt, without access to finance, these microentrepreneurs would be telling a very different story.



With its great successes across the world, financial inclusion has emerged as a critical development challenge and is currently a hot policy agenda among the policymakers, development practitioners and the private sector in the developing countries. In fact, the foundation of financial inclusion is woven directly into seven of the 17 Sustainable Development Goals (SDGs).

As part of its efforts towards improving financial sector stability, developing a thriving private sector and creating productive jobs, the government realises that there are too many people at present who do not have access to basic financial services in Bangladesh. Almost half of the adults and millions of micro to medium enterprises lack access to affordable financial services and credit. That's why the government has prepared the National Financial Inclusion Strategy-Bangladesh (NFIS-B) with a vision towards achieving financial inclusion for all by 2024. A lot of progress has been made over the past few years towards extending financial access and the number of unbanked adults has been falling rapidly in Bangladesh, even when accounting for population growth.

Financial inclusion leverages all components of the people's livelihoods and the government is working with the regulators and other stakeholders to support responsible regulatory reforms and investments to help expand and stimulate the demand for financial services. The government is also working towards rapidly closing the gender gap in financial inclusion.

Rapid changes and innovations in technology, especially the spread of mobile phones, have been driving financial access and financial inclusion in Bangladesh. The mobile money industry has already expanded rapidly. Like the formal banking system, one can do savings, send and withdraw money via mobile financial services (MFS). One can also pay utility bills using this platform. Nowadays, MFS platforms through mobile wallets are

offering wide ranging facilities like remittances, purchasing goods and services and others including speeding up the process of making deposits, withdrawing cash, sending or receiving funds using a registered mobile account. In simple words, MFS provide easy access to formal banking system.

In Bangladesh, MFS is widely popular in the name of mobile banking. Generally, the agents of respective banks enable these services after registering the mobile account. Under this platform, a mobile account owner can withdraw cash, and send/receive money via the independent agent locations without visiting any bank. By virtue of MFS, people living in the remote locations of the country can save money to their mobile accounts at nominal amounts without going through the hassle of moving to banks physically. Thus mobile phones and various other access points have brought financial services to the people rather than requiring people to travel long distances to actual brick and mortar banks. Fintech companies are rapidly disrupting the financial sector landscape, making it easier than before to expand access. For example, super-platforms such as Ali Baba/Ant Financial are rapidly expanding access through internet marketplaces or social media.

Financial inclusion objectives have also evolved. Having access to a financial account is a great start, but it's not enough. And having a financial account and using it are two different things. As Bangladesh makes progress on access to accounts, the country needs to focus on improving usage. Many accounts are opened but remain inactive —with neither a deposit nor a withdrawal. To increase account usage, Bangladesh needs to digitise cash payments — including government transfers and wages. Alternatively, it can start by investing in fundamental infrastructure, such as digital IDs and online credit histories — if people can prove who they are and can provide a credit history, financial institutions are much more likely to let them open an account.

As Bangladesh puts its focus on account usage, it also needs to extend access to finance to population segments that are more difficult to reach, such as women, the poor and those living in the rural areas. More than three-quarters of the unbanked people are women, live in poor households, or are not in the labour force. Moreover, financial services need to be

tailored to the needs of the first-time users, who may need customised products and accompanying financial literacy services that explain how to use the financial products.

Financial capability—knowing and understanding how to use financial services – is what gave Saleha the confidence to open her own sewing business. Likewise for Sakhina of Gazipur. Participating in the financial literacy and education training taught them to record all their purchases. ‘This helps me cap unnecessary spending. Now I can feel I am smart with my money. This allows me to save more, and allows me to better manage my family budget’, Saleha says.

As Saleha, Sakhina and thousands of other new consumers enter the formal financial sector, financial capability training helps them to make informed choices and take rational decisions. Nevertheless, they also need protection from harmful business practices; and Bangladesh needs to install robust financial consumer protection frameworks.

Also, focus on women is the key to gender equality and women's empowerment. Still, the gender gap remains wide in Bangladesh despite recent increases in account ownership by women. ‘When the government deposits social safety net payments or other subsidies directly into women's digital accounts, the impact can be amasing. Women gain decision-making power in their homes, and with more financial tools at their disposal, they invest in wellbeing and prosperity of their children and family and help drive growth and development’.

In Bangladesh, as elsewhere in the developing world, financial inclusion translates into many other potential development benefits—especially from the use of digital financial services, including mobile money services, payment cards, and other fintech applications. With financial inclusion through digital channels, people are more likely to use other financial services, such as credit and insurance, to start and expand businesses, invest in education and health, manage risks, weather financial shocks, and adopt many other welfare raising measures which can improve the overall quality of their lives.

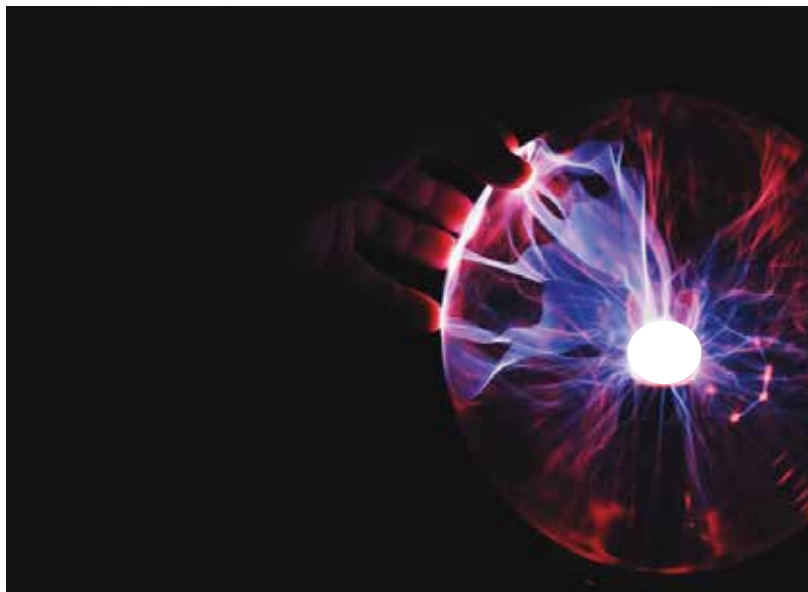
Fintech Market Booms during Covid-19 Pandemic

The fintech market has continued its rapid expansion across the world to help access to financial services during the Covid-19 pandemic with strong growth in all types of digital financial services except lending. Access to affordable financial services is critical for poverty reduction and economic growth. For the poor people, especially women, access to and use of basic financial services can raise incomes, increase resilience, and improve their livelihoods and wellbeing. Fintech innovations are increasingly helping the financial service providers to reduce the cost of providing services, making it possible to reach more people, and reducing the need for face-to-face interactions, essential for keeping up economic activity during the Covid-19 pandemic.

The findings of a joint study by the World Bank, Cambridge Centre for Alternative Finance at the University of Cambridge's Judge Business School and the World Economic Forum published in December 2020 show how the fintech industry has been adapting to the pandemic and offer insights for the regulators and policymakers seeking to promote innovation and reap the benefits of fintech while managing risks to the consumers, investors, financial stability, and integrity.

The study shows that most Fintech firms have seen strong growth for the first half of 2020 compared with the same prior to the pandemic period in 2019. In general, firms in areas including digital asset exchanges, payments, savings, and wealth management have seen robust growth while digital lending somewhat slumped along with a jump in outstanding loan defaults. Further, emerging markets and developing countries have experienced faster growth than the developed markets.

Despite the Covid-19 challenges, Fintechs have shown high degrees of resilience and adaptability and have contributed to pandemic relief efforts, adjusted operations and offerings to serve vulnerable market segments, like micro, small and medium-sized enterprises (MSMEs), while enjoying growth. On the demand side, Covid-19 has brought about drastic changes in how the people interact with financial services which have led to unprecedented demand for



transition towards secure and inclusive digital finance.

While it is no doubt an encouraging sign for the Fintechs to undergo rapid growth even during the pandemic, there are also challenges for the Fintechs to overcome, such as how to overcome the deterioration in financial health for some Fintech firms and enhance their ability to raise capital in the future. This is a challenge that the Fintech industry has to collectively address to exploit the significant opportunities that Fintech is unveiling.

Moreover, Fintech firms are also facing several operational and funding challenges during the pandemic. The majority of the firms had to change their business model in response, including by reducing fees, changing qualification criteria, and easing payment requirements. Many of these firms have launched new products and value-added services, such as offering information. Many have also introduced or are in the process of introducing enhanced fraud or security measures as a response to business conditions under the pandemic. Other operational challenges facing the firms include more agent or partner downtime and increases in unsuccessful transactions and access requests. Further, fintech firms also report increases in expenses for onboarding and data storage.



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Expediting Social Payments during Covid-19

As the countries across the world are fighting with the economic impact of the Covid-19 pandemic, most governments have been using cash transfers as a key policy instrument to supplement income losses of vulnerable households and enterprises, mostly via the digital channels. Countries with well-developed social protection systems, payments infrastructure and wide access to digital financial services (DFS) have no doubt performed much better in getting these payments out quickly, but many have struggled to open accounts rapidly for their more vulnerable populations. The problems are serious especially since many of these people at risk fall outside the usual government welfare payment systems — especially informal workers, MSME owners/operators, and those who work in hard-hit industries like tourism.

For the unprecedented Covid-19 crisis, a challenge for the policymakers is to find innovative ways to deliver welfare payments to those most in need. A critical factor is to quickly identify and onboard eligible recipients who do not have transaction accounts and distribute the payments as quick as possible. For those without existing accounts, three types of measures can speed up payment distribution.

Identify eligible recipients

For quickly identifying those who are eligible for Covid-19 related support payments, the governments will have to be innovative in tapping available information, both in public and/or private domain.

For example, Bangladesh Bank (BB) allowed the government disbursement programme information to be used to open permanent accounts on behalf of the customers. BB also permitted the creation of accounts for RMG workers based on their employment record, given the low rates of digital IDs or other means to confirm their identity among the predominantly female group. In several other countries, voter registration system was used to verify the identity of eligible recipients. Countries with high mobile money penetration (e.g. Zimbabwe) made payments directly to the e-wallets of all phone numbers mapped to areas targeted for Covid-19 payments, while others (e.g.

Nigeria) partnered with mobile network operators to identify vulnerable informal workers in urban areas through airtime purchase patterns.

Ensure rapid account opening

Policymakers and FSPs—in cooperation with the regulators—need to apply simplified customer due diligence (SDD) to rapidly open accounts for the targeted vulnerable recipients. This can be done through using mobile SIM registration data, employment records and deferred KYC measures. For example, the regulator may expand its tiered KYC to allow mobile phone subscribers to reuse their SIM card registration to open the lowest tier of e-money accounts (e.g. called minimum KYC accounts in Ghana). Alternatively, the eKYC programme may allow the customers to open bank accounts electronically by submitting their national ID number along with their mobile phone number to the telecommunications authority, which can then confirm to the bank whether the information matches for mobile SIM registration. Countries may also temporarily suspend the need for biometric confirmation for opening a web portal to handle applications and resolve any issues and allow, for instance, a three-month window for in-person due diligence verification for basic accounts.

Use alternative channels

New channels may be explored to quickly onboard beneficiaries and distribute social transfers-- from mobile apps and websites to postal networks and non-bank financial institutions (NBFIs). The social assistance programme may be made accessible through a free mobile app created by the bank specifically for this purpose such that those without a cellphone can apply via the website.

The cash transfer programme may be made operational via the postal system's cash transfer service (e.g. Nagad in Bangladesh) which can be retrieved at any post office upon presentation of the national ID. The post office may roll out cashless ATMs in rural shops to allow the users to access payments without having to travel to urban centres. The post

office may also enable the people to get their funds delivered to their homes during the Covid crisis, whether they have a postal bank account or not. By downloading a post payment bank app, facilities may be created for the user to withdraw funds from any bank account and have it delivered either to the post office branch or to their home.

The BRAC in Bangladesh has turned to the use of the country's most prominent mobile money wallet, bKash, as a means of delivering assistance to the clients. Mobile wallet accounts have been opened for all clients who have their own mobile numbers and, for those who do not have mobile numbers—especially women—have been allowed to use the wallet of a trusted family member.

While many countries have made impressive progress in broadening the reach of DFS over the last decade, the Covid-19 has no doubt vastly multiplied the remaining gaps and weaknesses in helping the most vulnerable. The key for the governments will be to rapidly move forward in a number of interrelated areas.

Universal access to basic accounts

The Covid-19 pandemic shows the potential value of universal access to basic accounts that can be opened under SDD (simplified customer due diligence) measures and at no initial cost to the customer. For the government, the challenge is to enable all members of society to open accounts — immediately and remotely — for receipt of government emergency payments.

A whole-of-the-government integrated approach

Integration and communications across the entire government is critical to success of Covid-19 interventions. Unclear messaging, for example, on how to apply for or access funds may lead to disruptions in the system forcing people to suffer despite the government's good intentions.

Dialogue and interactive decision-making

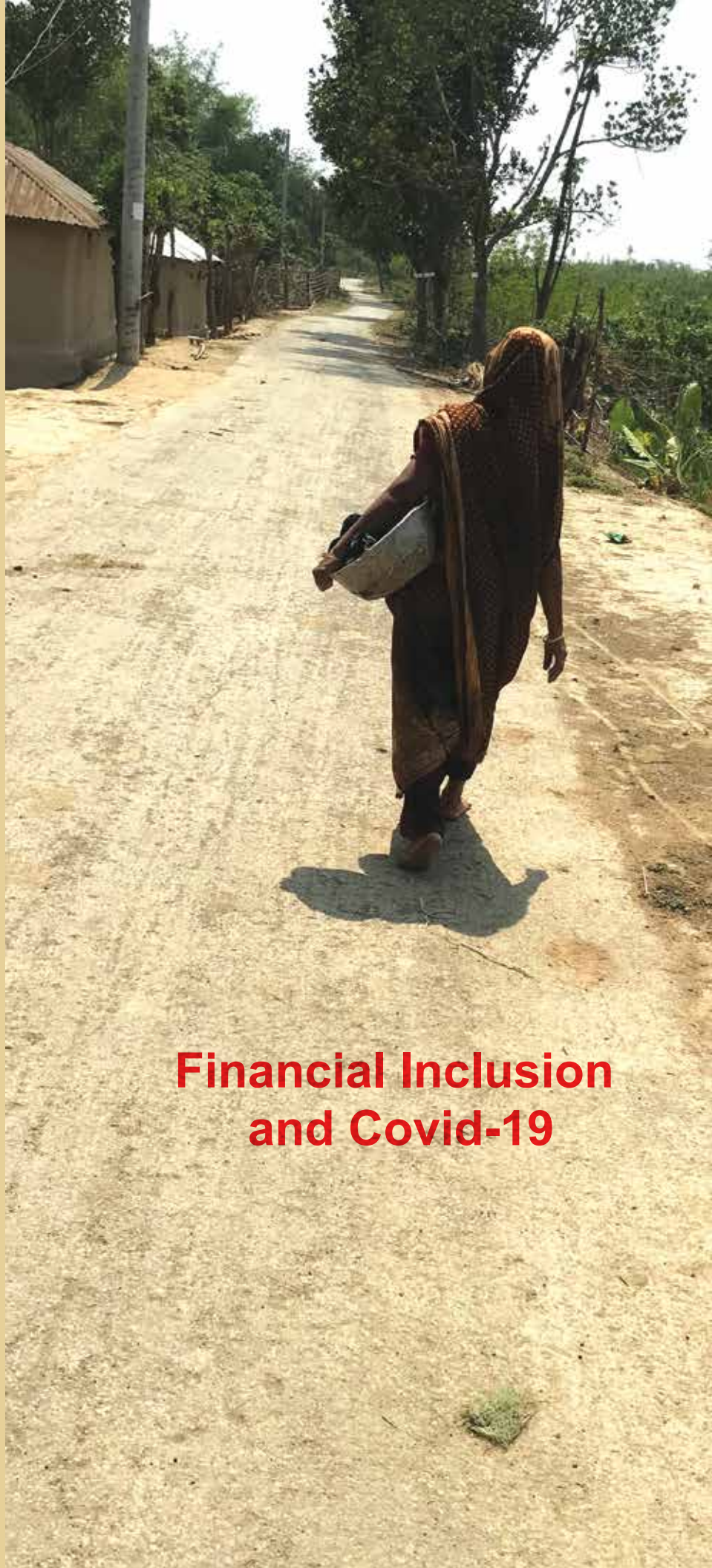
The need will be to ensure clear dialogue and interactive decision-making between the relevant government ministries, regulators and FSPs — especially payment service providers — to ensure quick action on rapid onboarding of programmes. The governments may establish emergency protocols with

telecommunications and power companies. The major consideration for the governments will be to put in place mechanisms to engage all relevant ministries and private-sector actors, especially payment service providers, for meeting the present as well as future crisis situations.

For the purpose, sharing of various beneficiary databases across different stakeholders is important through addressing genuine concerns regarding data privacy and security. Given the likelihood that a future crisis of similar or more intense nature is a possibility, it is prudent that the governments begin the longer-term dialogue and investment needed to address the proper governance of data sharing.

Another key area is to explore the mechanisms such that the governments can develop digital infrastructure partnerships with the private sector. In areas where the governments do not yet have the necessary infrastructure — including, among others, digital payments, identification, and databases — partnerships with the industry can allow them to leverage existing capabilities and information sharing. The use of mobile SIM registration is a prime example of collaboration to address shortcomings in existing ID infrastructure. Rather than treating each situation as a one-off event, a sustainable approach will be for the governments to institute collaborative framework with MNOs and other private/public sector actors to react quickly to crisis events as necessary.

For the potential recipients who are not likely to be digitally connected, the use of alternative distribution channels through institutions such as post offices and NBFIs (such as NGO-MFIs) is an option. Many of these institutions are already serving the low-income people, often via some combination of cash and digital means. The recipients who want to deal only in cash must be accommodated and their preferences respected. But this does not mean that these institutions must also deal only in cash. The further the governments can push out the digitisation of payments—especially to the 'last mile'—the more efficient and expedient the delivery system will be before it is back to cash for final delivery.

A woman wearing a brown sari and a headscarf is walking away from the camera on a wide, dusty dirt road. She is carrying a large, light-colored basket or bowl balanced on her head. The road is flanked by trees and some simple buildings on the left. The scene is brightly lit, suggesting a sunny day.

Financial Inclusion and Covid-19

The Covid-19 economic crisis could push 150 million people—1.4 per cent of the world's population—into extreme poverty by the end of 2021, affecting mostly the low income countries and those already most vulnerable. Financial inclusion will be crucial to making the global recovery more sustainable and its benefits more widely shared. At the 21-22 November 2020 Group of Twenty (G20) Summit in Riyadh, the leaders emphasised the importance of financial inclusion as part of their actions to support the global economy.

It is apprehended that global extreme poverty will increase in 2020 for the first time in more than twenty years to between 9.1 per cent and 9.4 per cent of the global population compared with the projected pre-crisis level of 7.9 per cent. The economic shock of the pandemic has disproportionately affected the developing countries. Moreover, not all segments of the population and the economy have been affected in the same way. Women, youth, disabled persons, refugees—and micro-, small-, and medium-sized enterprises—have been hit harder by the loss of income, compounding the already poor financial access among these groups.

Financial inclusion provides a pathway towards the formal economy—an essential step to reducing poverty and extreme poverty, tackling inequalities, and fostering inclusive growth. When people have access to a bank account, they can save money, earn income, and receive payments. It also becomes easier for the accountholders to access other financial services, especially credit and insurance, launch and develop their businesses, have access to education or healthcare, and better absorb financial and economic/social shocks. While financial inclusion has been rising rapidly — thanks to the spread of the

internet and mobile phones with the underserved populations—the pandemic has threatened to cease the progress by constraining business activities and restricting the use of face-to-face financial services due to social distancing measures.

To meet the present challenges, the countries need to raise financial inclusion higher on the policy agenda along with clear financial inclusion objectives and a concrete (if necessary updated) action plan in view of the Covid-19 pandemic. Given the emergency, it is now also the time to move up a gear in coordination with the implementing partners and exert strong political will.

The efforts must start with adapting, and if necessary creating, appropriate regulations. The government must develop and implement policies and regulations that remove roadblocks in accessing financial services and products. These reforms should be the product of constructive dialogue between financial regulators, telecommunication operators, and competition and education authorities with support from high-level principles, recommendations, data, indicators, studies, and technical expertise.

Digital technology and fintech innovations have increased access to financial services worldwide, notably through the adoption of mobile money accounts. Although still occupying a much smaller global share than traditional financial services, digital services are growing rapidly in recent years. Digital services are quicker, more efficient, and less expensive than traditional financial services. They can make sending and receiving payments more affordable, help people get financial support from distant relatives in case of economic difficulties, or assist the government to reduce corruption and improve efficiency. For instance, switching pension/safety net payments from cash to biometric smart cards can enormously reduce leakages and corruption. By stimulating financial access for low-income households, underserved groups, and small businesses, digital services can help mitigate the economic impact of the Covid-19 pandemic and foster a stronger recovery.

Accelerating growth of digital financial services requires efficient infrastructures (notably access to the internet), development of modern payment systems, and the creation of an innovation-friendly

environment. This implies required regulation and financial education to protect the consumers, thereby gaining their trust, as well as mitigating technological risks such as data protection, fraud or cyber risks. The MSMEs routinely face serious constraints in accessing finance especially in times of economic crisis like Covid-19. This constrains their ability to grow or weather shocks. The MSMEs are key to creating jobs, investing at a local level, and spurring innovation. Improving their access to finance is crucial to making the Covid-19 recovery more inclusive.

In all circumstances, economic crises hit women harder, and Covid-19 is no exception. Because women have lower incomes and savings, tend to work mostly in the informal sector and have fewer social protections, the pandemic has caused particular damage to women who also lag behind in access to financial services. Covid-19 has dramatically reduced the financial security of millions of women and risks rolling back the progress achieved over the past years. As such, strengthening women's economic empowerment has to be an essential part of any Covid-19 recovery plan. Further, in countries like Bangladesh, remittance flows represent a major source of income for millions of households and businesses, and can help cushion the impact of the Covid-19 crisis. The major step to recovering these crucial financial lifelines is to make it easier to send and receive remittances, notably by lowering costs and facilitating adoption of digital processes.

For ensuring effective outcomes, the policymakers, NGOs, private sector and other stakeholders should work together and share good practices and experiences for fostering financial inclusion during the Covid-19 crisis. To better target individuals and MSMEs, it would be particularly useful to improve the quality of data relating to nature of demand/supply of financial services in the underserved markets and make it widely available to all related parties. Above all, required political will should not be the missing element to fully seize the opportunity and address the challenges. For the countries fighting a long war against poverty and deprivation, the risk of Covid-19 to roll back years of progress makes it more urgent than ever to put financial inclusion higher on the policy agenda and follow a more sustainable and inclusive path for recovery and growth.

How AI supports identifying Covid-19's impact on infrastructure

The Covid-19 pandemic is affecting infrastructure in all its forms everywhere. Demand disruptions due to the pandemic result in revenue losses for the PPPs; construction is affected for the ongoing ones; and future planning for the potential ones. For the near future, it is likely that there can be a longer term downward trend in revenues along with adverse impacts on access to financing and continued disruption of construction schedules for the ongoing projects.

The implications of the disruptions affecting the infrastructure sector in developing countries could be serious and long lasting. On the one hand, a slowdown in infrastructure development can seriously impede their rate of overall development through various channels—in facilitating people's movement to workplaces, transporting goods to the markets, providing electricity to the households and businesses, ensuring digital access to the students, and so on. On the other, the government may have to use infrastructure spending (at least a part) to finance the immediate impact of the pandemic or undertake measures to stimulate the economy, especially as the fiscal space continues to shrink.

In order to measure the pandemic's current impact on infrastructure projects, the World Bank has employed an artificial intelligence (AI) model in February 2020 to collect data from the internet and report back cases of project delays and cancellations in the developing countries. The algorithm allows seeing the impact of Covid-19 in real-time and the major reasons behind cancellations and delays reported in different languages across the developing world at a minimum cost.

It is seen that most disruptions are due to travel limitations and disrupted supply chains. The externally supported bigger projects are more severely affected—as these often need foreign engineers and technicians at construction sites. With respect to supply-chain delays, the construction industry relies heavily on manufacturers in China, where operations were strongly affected by Covid-19

early on. Another major reason for project disruption is the non-availability of labourers due to the lockdown measures. Other reasons include delayed or cancelled tender processes, lower demand projections, and government budget funds reallocation to tackle Covid-19 containment.

It is encouraging to note that the above major reasons for delays or cancellations are temporary phenomena and the situation is likely to improve fast once the pandemic is better controlled. This also shows the urgency to strictly control fresh spikes in Covid-19 cases. Further, many infrastructure projects are sequential and interdependent. For example, delays in transmission line construction will put power generation projects under financial stress. Thus the countries (as well as the DFIs) face a crucial test of successfully overcoming the danger of losing the recent development gains through addressing both immediate and long-term infrastructure needs. The key would be to diagnose the risks early to mitigate the impacts on project portfolios. All projects should be reviewed in the backdrop of the changing environment and identify remedies available to mitigate the effect of potential delay and funding needs.

Since AI data shows travel restrictions as a major hindrance which influences many aspects across the project cycle, particular attention is needed to this aspect which is also an opportunity to be more agile and creative. In all these respects, AI can play a critical role—through speeding up credible research by processing large volumes of data, enabling the policymakers and the medical community to understand the virus faster and more effectively.

Similarly, more can be explored to identify areas where AI can be applied to support the infrastructure sector. In fact, AI can provide an important way for the countries to recover from the crisis to become stronger, more resilient, and better prepared to face any future disruptive events like the Covid-19 pandemic.



Fintech Potentials in 2021

The Fintech landscape is changing fast bringing in radical transformations in the Fintech industry. These transformations impact all dimensions in the financial sector including payments, money, and banking. The introduction of cutting-edge technologies is expanding the horizon of Fintech more rapidly than ever before. With the Covid-19 pandemic, most businesses have declined with only a very few exceptions; and Fintech industry is one of them.

Fintech solutions and apps have received overwhelming support during the pandemic. And it is more likely that the support will increase in the coming days as the Fintech industry continues to make finance simple, quick, convenient, and secure for the customers. And, in the process, we might see many big changes in the year 2021 along with path-breaking innovations in the field of Fintech.

There can be a rise of digital-only banks, which are banks that provide virtual banking services like P2P transfers, international remittance, contactless credit cards with free transaction fees, and with ability to buy various cryptocurrencies like Bitcoin, Ethereum, and many more. Digital-only banks are gaining rapid popularity as these offer utmost convenience to the

customers by eliminating tedious paperwork, waiting in long queues, and the need to visit a bank in person. Digital-only banks are likely to see a huge surge in 2021 causing a significant drop in the number of people who visit banks physically.

There is also likely to be a surge in robotic process automation (RPA). This entails process automation technology which utilises software robots or digital workers to automate the tasks which are usually performed by humans. Financial service industry has already been implementing RPA to cut costs and improve the overall organisational efficiency. Financial institutions are also adopting RPA digital workers to automate various back-end office processes such as security checks, customer onboarding, account maintenance and closing, trial balancing, credit card and mortgage processing, and many more. The major benefit of RPA is that the digital workers can complete these tasks more efficiently and quickly thus allowing financial institution personnel to focus on major areas like customer services.

Another major area in which innovations are likely to be widespread in 2021 is the Blockchain technology which can completely transform the modus operandi of the

Fintech industry. With this cutting-edge technology, transactions can be done in a safe and secure manner. Due to this, the banks and financial institutions are readily adopting Blockchain technology to leverage its benefits. One critical aspect of Blockchain is that it is not just a cutting-edge technology but also a new philosophy of decentralised finance which focuses on minimising centralised procedure. In Blockchain, once the data is recorded in the system then it becomes extremely difficult to modulate so that it remains protected. Blockchain ensures that the information stored is secured end-to-end along with the minimum risk. Blockchain can also be used to ensure secure cross-border payments. The technology has also inspired the development of various P2P financial platforms that enable monetary interactions to take place in a decentralised manner to reduce expenses along with enhancing internal procedures.

Another potential area likely to get a boost in 2021 is artificial intelligence (AI) and machine learning (ML) and banks will increasingly incorporate AI in their operations. AI will also be used to manage rising cybercrimes by identifying financial frauds and threats. It can also be more customer-centric as the algorithm of AI and ML can record all the interactions with the utmost accuracy and preciseness. AI has already shown how useful it can be in managing customers via cutting-edge client service solutions like Chatbots. And banks and financial institutions will adopt this technology for its wide ranging advantages.

Open banking is another exciting and revolutionary technology that brings both banks and Fintech together by facilitating data networking across institutions. Open banking is related to PSD2 (Second Payment Services Directive). Open banking forces the banks to release data in a standardised and secure form which makes online sharing of information easier between various authorised organisations. It also enables to control consumers' banking along with financial information via third-party applications by data sharing with the help of AI and APIs. Open banking partnerships can enable customers to manage their financial accounts in an easy manner by providing them with a consolidated view of their accounts. This is the reason why access to open banking products will encourage improved long-term wealth generation, better financial decision making,

and lower debt. As a result, this will benefit many stakeholders like Fintech and banking institutions, API industry, consumers, and the underserved communities. Thus open banking is likely to radically transform the banking sector in the year 2021.

Reg-Tech (Regulatory Technology) is the management of the regulatory process in the financial industry via technology. The major functions of Reg-Tech involve reporting, monitoring, and compliance. Reg-Tech empowers companies with the power of advanced software that can simplify the compliance process with existing regulations and laws. The rise in digital products has also increased the cases of money laundering, fraudulent activities, cyber hacks, and data breaches. Reg-Tech with the help of Big Data and Machine Learning technology can offer crucial data on money laundering activities thus reducing the risk associated with the company's compliance department. Furthermore, Reg-Tech can also reduce administrative overhead, ensure financial stability, and protect customers.

No doubt, Fintech and mobile banking services have brought banking at the fingertips of the customers. However, it is also true that these have raised many security concerns as cybercrimes related to banking are increasing sharply. This calls for required security measures. Biometric security systems have emerged as a reliable and foolproof measure that takes security to the next level. It provides users and institutions with the confidence that the data is safe and protected. At present, the biometric industry is in its transformative stage. as it's witnessing some major shifts. In the coming years, the contactless biometric solutions are set to overtake the touch-based biometric solutions. One major factor that will accelerate the process is the Covid-19 pandemic.

In the year 2021, the above and many other Fintech developments are likely to result in better transparency, faster transaction processing, improved customer assistance and enhanced availability of financial data creating a better and more customer-centric financial sector. The Fintech revolution is rapidly gaining momentum and is set to further transform the banking and payments industry offering the consumers with secure, simple, and convenient ways for managing their finances.

Leveraging Islamic Fintech for Financial Inclusion

Malaysia has seen rapid progress in Islamic finance as a source of financial inclusion through pursuing deliberate policy measures since the 1960s. As a result, religious objections to financial participation have been eliminated and the key issue around financial participation is now to find ways for making finance (both conventional and Islamic) more accessible to the general public. A strong leadership from financial regulators drives the overall financial inclusion pathways in the country.

Regulatory initiatives along with setting clear targets and tracking of milestones have pushed Malaysia to progress fast in financial inclusion. Standardised and comprehensive frameworks for consumer and investor protection cover both Islamic and conventional products along with the growth of dedicated institutions raising confidence and promoting financing inclusion.

Multiple institutions of financial inclusion have flourished such as:

Tabung Haji (TH) which turns religious beliefs into an avenue for financial inclusion by incentivising saving for the pilgrimage to Makkah.

Permodalan Nasional Berhad (PNB) which has been mandated with redistributing wealth through affirmative action, providing preferential share allocations to participating Malays.

Federal Land Development Authority (FELDA) which allows land ownership through designated holdings for agricultural cultivation.

Corporatised State Islamic Religious Councils (SIRCs) which improve zakat collections and blend Waqf interests among these councils and Islamic banks.

Islamic social finance which is taken as a central element in utilising Waqf funds for social development.

The Security Commission and five Malaysian states have passed regulations and Waqf-specific legislation enabling entrepreneurs to access financing.

Improved financial inclusion through Fintech is being promoted through a number of initiatives:

Cell phone and internet access is a global driver of financial services in Malaysia.

Fintech is fueling resurgence in Islamic social finance enhancing information access and transparency in making donations through zakat, Waqf and sadaqah.



Malaysia is currently grappling with three key challenges that remain for deeper Fintech applications towards a faster driving of financial inclusion in the country:

Bridging the technology gap among various generations and income segments of the population;

Adopting automating processes beyond payments and financing systems; and promoting greater innovations from Islamic Fintechs.

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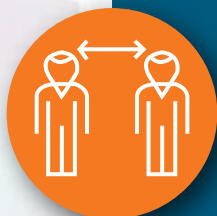
While sneezing or coughing use a tissue or cover your face with your elbow.



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.



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ব্যাংকিং সেবায় নতুন দ্বার



বটতলা বাজার, শালিখা, মাগুরা

দেশের প্রান্তিক জনগোষ্ঠীর জন্য ব্যাংকিং সেবার অধিকার নিশ্চিত করতে ব্যাংক এশিয়া চালু করেছে ডিজিটাল ডাকঘর ভিত্তিক ব্যাংকিং সেবা। দেশব্যাপী বাংলাদেশ ডাক বিভাগের সকল ডিজিটাল ডাকঘর থেকে এখন খুব সহজেই গ্রাহক তার প্রয়োজনীয় ব্যাংকিং সেবা পাবে।

ডিজিটাল ডাকঘরে ব্যাংকিং সেবাসমূহ

- রেমিটিয়ন্স প্রদান
- বিদ্যুৎ বিল গ্রহণ
- পাসপোর্ট ফি গ্রহণ
- ক্ষুদ্র ও মাঝারি ঋণ প্রদান
- ভোক্তা ঋণ প্রদান
- কৃষি ঋণ প্রদান
- ডেবিট কার্ড প্রসেসিং
- সঞ্চয়ী ও চলতি হিসাব
- স্কুল ব্যাংকিং হিসাব
- মাসিক সঞ্চয়ী হিসাব
- মেয়াদী সঞ্চয়ী হিসাব
- নগদ জমা ও উত্তোলন
- ফান্ড ট্রান্সফার
(ব্যাংক এশিয়ার যে কোন হিসাবে)
- EFTN ও RTGS এর মাধ্যমে ফান্ড ট্রান্সফার
(যে কোন ব্যাংকের হিসাবে)