

Regional Variation in Access to Finance by Rural Households in Bangladesh



Bangladesh Bank

Regional Variation in Access to Finance by Rural Households in Bangladesh



BANGLADESH BANK

JULY 2025

This report has been prepared by InM as a background paper of the Comprehensive Rural Finance Study (CRFS) with the support of Bangladesh Bank. The findings in this report may be quoted as reference, with due acknowledgement to Bangladesh Bank. The views expressed in this report are entirely of the author and do not necessarily reflect the views of Bangladesh Bank.

Comprehensive Rural Finance Study (CRFS)
Background Report N0. 2025-10

This Report has been prepared by Nahid Akhter, Senior Research Associate of the Institute for Inclusive Finance and Development (InM). The author expresses her deep gratitude to the members of the Advisory Committee of this study: Dr. Qazi Kholiquzzaman Ahmad, Mr. Helal Ahmed Chowdhury, Dr. Toufic Ahmad Choudhury, Dr. Ahmed Mushtaque Raza Chowdhury, and Dr. Nazma Begum for their guidance and intellectual inputs.

The author is grateful to Bangladesh Bank, especially to the Chief Economist's Unit and Project Implementation and Co-ordination Committee (PICC) members who gave extensive comments and suggestions on the initial drafts of the Report. The views expressed in this Report are entirely those of the author and do not necessarily reflect the views of Bangladesh Bank, InM or any other affiliated organisation.



Institute for Inclusive Finance and Development (InM)

July 2025

Executive Summary

It is well recognised that access to finance plays a pivotal role in fostering economic growth, enhancing firm-level productivity, and reducing poverty. This is primarily achieved through the mobilisation and effective allocation of financial resources facilitated by robust financial intermediation. An inclusive and efficient financial system is, therefore, essential for sustainable development. However, the critical challenge remains: how can we build and sustain such an efficient financial system that serves all segments of society equitably.

This report, prepared by the Institute for Inclusive Finance and Development (InM) for Bangladesh Bank, investigates the regional disparities in access to financial services among rural households in Bangladesh. Despite the country's significant progress in advancing financial inclusion, stark inequalities persist across different geographic regions, especially in areas that are geographically remote or socio-economically disadvantaged. The report focuses on seven such districts—Netrokona, Lalmonirhat, Jamalpur, Sunamganj, Moulvibazar, Kishoreganj, and Bandarban—highlighting the distinctive barriers each faces in achieving meaningful access to finance.

The study reveals that households in rural and marginalised areas continue to encounter a range of challenges that limit their access to formal financial institutions. These challenges include geographic isolation, low financial literacy, lack of appropriate financial products, inadequate infrastructure, and socio-cultural constraints. Notably, the conventional banking sector remains heavily skewed towards urban centres, with rural areas housing a disproportionately low number of bank branches per capita and per square kilometre. In certain districts, such as Bandarban and Sunamganj, the presence of formal financial institutions is critically thin.

Through a combination of quantitative household surveys and qualitative focus group discussions, the research examines the socio-economic characteristics of rural households and their interaction with financial markets. It was observed that self-employment, particularly in agriculture, remains the primary source of income, but income levels, asset holdings, and education vary considerably across districts. In many of the surveyed areas, especially those with ethnic minorities or located in ecologically vulnerable zones like the Char and Haor regions, households demonstrated limited use of credit, savings, insurance, and mobile banking services.

The study reveals significant disparities in rural households' access to credit across different regions of Bangladesh, highlighting a heavy reliance on microcredit and informal credit markets. Only about 5.86 per cent of households have access to formal credit through banks or non-bank financial institutions, with the highest access observed in Lalmonirhat (11 per cent) and the lowest in Netrokona (2 per cent). Microfinance institutions dominate the rural credit landscape, particularly in Netrokona (66 per cent), Moulvibazar (57 per cent), and Lalmonirhat (51 per cent), though access is strikingly low in Bandarban (8 per cent). Informal credit remains prevalent, with 36 per cent of households borrowing from such sources, especially in Netrokona (69 per cent) and Sunamganj (43 per cent). Alarming, more than half (51 per cent) of the surveyed households have no access to any formal credit market, with the highest exclusion found in Bandarban (81 per cent). These findings underscore the persistent barriers to formal financial inclusion and the critical role played by microfinance and informal lenders in rural credit provision.

The findings suggest that microfinance institutions (MFIs) have partially bridged the gap in regions where formal banking remains inaccessible. However, even MFIs fall short in reaching the poorest of the poor or in addressing the full spectrum of financial needs, such as long-term investment, insurance, and savings products. In particular, access to credit remains largely skewed towards better-off households with landholdings or stable incomes. Informal credit markets, while prevalent, impose high interest rates and often lead to debt traps.

Additionally, significant credit rationing exists across districts. In 2022, a notable share of households either did not access formal credit or were constrained by high transaction costs and rigid loan structures. Most credit was utilised for agricultural and non-agricultural self-employment, with informal loans often used for consumption and emergencies. Access to insurance, mobile banking, and agent banking remains modest, with knowledge and trust acting as critical barriers.

In 2022, approximately 68 per cent of households had access to some form of savings—either through banks, MFIs, or informal savings groups. Among these, microfinance savings accounts were the most common, with 35 per cent of households participating, while only 21 per cent had bank or non-bank financial institution (NBFI) savings accounts. A smaller fraction—around 5 per cent—used informal mechanisms such as Rotating Savings and Credit Associations (ROSCAs). Notably, overlapping use of multiple savings markets was observed in both bank and MFI accounts, indicating some level of diversification in financial behaviour.

Access to savings varied significantly across regions. Netrokona, Jamalpur, Kishoreganj, and Moulvibazar reported the highest levels of overall savings access—over 75 per cent—while Sunamganj and Bandarban lagged behind at 36 per cent and 41 per cent, respectively. Moulvibazar stood out with 45 per cent of households having access to bank savings, the highest among all districts. Netrokona reported the highest access to MFI savings at 62 per cent, whereas Bandarban had the lowest levels of both formal and informal access. The relationship between geographic proximity and savings behaviour was also evident: households located more than 8 kilometres from the nearest bank had significantly lower access to bank savings, illustrating the influence of physical infrastructure on financial inclusion.

Access to savings was closely associated with household characteristics. Households headed by day labourers were least likely to hold bank accounts, with only 9 per cent having such access, though 27 per cent had MFI savings accounts. In contrast, households headed by self-employed individuals or those in professional services had much greater access to both formal and informal savings mechanisms. Educational attainment of the household head showed a strong positive correlation with formal savings access. For instance, only 15 per cent of illiterate household heads had bank accounts, compared to over 53 per cent among those with more than 12 years of education. Similarly, income level played a crucial role: just 9 per cent of the lowest-income quintile had access to bank savings, compared to 39 per cent in the highest-income group. While access to MFI savings rose with income up to the middle quintile, it declined in higher income groups, aligning with MFIs' focus on serving the poor.

These findings underscore the critical role of microfinance in promoting rural savings behaviour, especially among low-income and less-educated households. However, they also point to a persistent gap in access to formal banking, driven by geographic remoteness, income constraints, and bureaucratic barriers. To enhance financial inclusion, especially in underserved regions, efforts must focus on expanding the physical reach of formal institutions, simplifying account opening procedures, and boosting financial literacy among marginalised groups.

The report also explores demand-side issues such as preferences for financial products, trust in financial institutions, and perceptions of service quality. It finds that financial awareness and literacy are generally low, especially in regions like Sunamganj and Bandarban, further impeding financial access. Households in these areas tend to rely heavily on informal coping strategies in times of crisis due to a lack of insurance or emergency credit.

In conclusion, the report advocates for a regionally differentiated strategy to promote financial inclusion, tailored to the socio-economic and geographic context of each area. It recommends strengthening agent and mobile banking networks, improving infrastructure, promoting financial literacy, and designing inclusive financial products that consider the unique needs of vulnerable populations. The insights from this research are vital for policymakers aiming to achieve inclusive development and reduce regional disparities in financial access across rural Bangladesh.

Contents

Executive Summary	iv
List of Tables	viii
List of Figures.....	ix
Acronyms.....	x
Chapter 1	1
Introduction.....	1
1.1 Introduction.....	1
1.2 Importance of analysing regional variation in access to finance by rural households	2
1.3 Objectives of the study.....	3
Chapter 2	4
Review of Evidence and Sampling Framework.....	4
2.1 Access to financial institutions: Options for and choices of rural households.....	4
2.2 Access to financial services in rural areas of Bangladesh.....	5
2.3 Research methodology	9
2.4 Sampling technique and primary data collection	9
2.5 Rationale of the study	10
2.6 Questionnaire design and data collection.....	12
2.7 Analytical framework	12
2.8 Limitations of analysis	14
Chapter 3	15
Household and Population Characteristics	15
3.0 Socio-economic conditions of sample households	15
3.1 Family size	15
3.2 Age composition and dependency ratio	15
3.3 Household utilities	16
3.4 Key characteristics of household heads	17
3.5 Income, expenditure and asset holding of households.....	19
3.6 Ownership of land.....	20
3.7 Household investment.....	20
3.8 Household's migration status and remittances.....	22
3.9 Incidence of crisis and crisis coping strategies of households.....	23
Chapter 4	26
Access to Financial Services	26
4.0 Access to financial services	26
4.1 Access to financial services	27
4.2 Access to specific financial products	28
4.2.1 Access to credit.....	28
4.2.2 Market share by loan size	30

4.2.3 Utilisation of credit	32
4.2.4 Credit rationing	33
4.2.5 Determinants of access to credit	35
4.3 Access to savings/deposits	37
4.3.1 Who has access to deposits?	39
4.4 Access to insurance.....	40
4.5 Access to mobile banking	42
4.6 Access to agent banking.....	43
4.7 Ten taka account	44
4.8 Debit and credit card.....	45
4.9 Barriers to access financial services.....	46
4.9.1 Barriers to accessing savings in financial institutions	48
4.9.2 Barriers to accessing financial services through mobile banking	48
4.9.3 Barriers to accessing financial services through agent banking.....	49
4.10 Who has access to financial services?.....	49
4.11 Demand for financial products.....	51
4.11.1 Demand for credit	51
4.11.2 Demand for insurance	55
4.11.3 Demand for microinsurance.....	56
4.11.4 Demand for mobile banking	56
4.11.5 Demand for agent banking.....	57
Chapter 5	59
Financial Literacy and Awareness	59
5.1 Preference of financial services	59
5.2 Perceptions of financial services.....	60
5.3 Score of financial literacy by districts.....	62
5.4 Actionable Strategies for improving financial literacy	63
Chapter 6	66
Conclusions and Way forward	66
6.1 Summary of major findings	67
6.2 Excising policy framework	70
6.3 Major policy implications	75
a) Suggested specific Measures for Bangladesh Bank.....	75
b) Suggested specific measures for Microcredit Regulatory Authority (MRA)	77
c) Suggested Specific Measures for Insurance Development and Regulatory Authority (IDRA) 78	
6.4 Major policy implications for financial inclusion in specific marginalised rural areas of Bangladesh.....	79
References.....	82
Appendix.....	85
Annex 1	108

List of Tables

Table 2.1: Branches, deposits and advances in the banking system — rural and urban.....	6
Table 2.2: Disadvantaged areas households for primary data collection.....	10
Table 2.3: Sample distribution of regions for FGDs/Case studies.....	10
Table 2.4: Number of bank branches per 100,000 rural adults.....	11
Table 2.5: Number of bank branches per 1000 square kilometer	11
Table 3.1: Percentage of household by average household size and districts.....	15
Table 3.2: Age composition and dependency ratio (%).....	16
Table 3.3: Household's basic characteristics (% of household)	16
Table 3.4: Distribution of head of the households by gender and districts (%).....	17
Table 3.5: Distribution of head of households by education and districts (%)	17
Table 3.6: Age and education of household head by districts (%).....	17
Table 3.7: Distribution of head of households by main occupation and districts (%).....	18
Table 3.8: Distribution of household head by marital status and districts (%)	18
Table 3.9: Percentages of household head have multiple earning sources	19
Table 3.10: Asset, income, and expenditure of household by districts (in taka)	19
Table 3.11: Distribution of household by size of land and districts (%).....	20
Table 3.12: Average owned agricultural land size (in acre)	20
Table 3.13: Average volume (in taka) and percentage of investment by type of investment and districts.....	21
Table 3.14: Distribution of source of fund for household investment by districts (in taka)	21
Table 3.15: Percentage distribution of households by migration of any member by districts	22
Table 3.16: Percentage distribution of local migrated members by way of sending remittance	23
Table 3.17: Distribution of international migrated members by way of sending remittance (%).....	23
Table 3.18: Percentage distribution of household faced crisis by type of crisis and districts.....	24
Table 4.1: Distribution of different forms of access to financial services by districts (% of households)	28
Table 4.2: Households accessing credit from different markets (% of households).....	29
Table 4.3: Market share in total credit (%) and average loan size in 2022.....	31
Table 4.4: Market share in total supply of credit (%) by district in 2022	31
Table 4.5: Households accessing formal credit from single and multiple sources in 2022 (%)	32
Table 4.6: Distribution of formal loan use by category and district	33
Table 4.7: Distribution of informal loan use by category and district	33
Table 4.8: Percentage of borrowing households under constraint	35
Table 4.9: Characteristics of households (credit rationing<1)	35
Table 4.10: Probit estimates of the determinants of access to credit	37
Table 4.11: Access to different savings markets by districts (%)	38
Table 4.12: Characteristics of households having access to savings/deposits	40
Table 4.13: Access to different insurances by districts (%).....	41
Table 4.14: Access and knowledge/ awareness of insurance (%).....	41
Table 4.15: Intensity of access to mobile banking in Bangladesh (%)	42
Table 4.16: Individual level access to mobile banking (%)	42
Table 4.17: Flow of mobile banking transaction by area and districts	43
Table 4.18: Access and knowledge about agent banking (%)	44
Table 4.19: Percentage of households with access to Ten-Taka accounts by district.....	45

Table 4.20: Intensity of debit or credit card services (%)	46
Table 4.21: Reasons for not opening bank account by districts (%).....	47
Table 4.22: Characteristics of the households having access to any financial services (%).....	50
Table 4.23: Institutional preference for loan (% of households) by districts	51
Table 4.24: Reasons for choosing banks/MFIs (% of households) for taking loan	52
Table 4.25: Intended use of future loan (% of households)	53
Table 4.26: Reasons for not taking loan despite good chances of access (% of households).....	53
Table 4.27: Preferred days within which expect to receive loan after application	54
Table 4.28: Preferred interest rate on loans	54
Table 4.29: Preferred loan instalment period (% of households).....	55
Table 4.30: Desired time for starting repayment instalments after receiving loan (%)	55
Table 4.31: Demand for insurance products (% of households)	56
Table 4.32: Reasons for preferring mobile banking (% of household).....	57
Table 4.33: Reasons for not preferring agent banking (% of household)	57
Table 5.1: Percentage distribution of household by preference of financial services and districts	60
Table 5.2: Percentage distribution of household by opinion about financial services and districts.....	61
Table 6.1: Tailored financial inclusion strategies for the specified regions and communities in Bangladesh.....	79

List of Figures

Figure 2.1: Distribution of urban-rural bank branches over time in Bangladesh.....	6
Figure 3.1: Percentage distribution of household by crisis coping mechanism.....	25
Figure 4.1: Percentage of credit constrained households by district.....	34
Figure 4.2: Percentage of households have access to savings in 2022.....	38
Figure 4.3: Intensity of access to bank savings by distance from nearest bank.....	39
Figure 4.4: Reasons for not opening bank account.....	48
Figure 4.5: Reasons for opening bank account.....	48
Figure 4.6: Obstacles towards saving in financial institutions.....	49
Figure 4.7: Reasons for not opening mobile bank account.....	49
Figure 4.8: Reasons for opening mobile bank account.....	49
Figure 4.9: Reasons for not opening agent bank account.....	50
Figure 4.10: Reasons for opening agent bank account.....	50
Figure 5.1: Percentage distribution of household by preference of financial services.....	61
Figure 5.2: Average score of financial literacy by districts.....	61

Acronyms

AFS	Access to Financial Services
ADB	Asian Development Bank
AFI FIDWG	Financial Inclusion Data Working Group of the Alliance for Financial Inclusion
ATM	Automated Teller Machine
BB	Bangladesh Bank
BKB	Bangladesh Krishi Bank
BAL	Bank Asia Limited
BBS	Bangladesh Bureau of Statistics
BIBM	Bangladesh Institute of Bank Management
CSR	Corporate Social Responsibility
DBBL	Dutch Bangla Bank limited
E-banking	Electronic Banking
FCBs	Foreign Commercial Banks
FCM	Formal Credit Market
FGDs	Focus Group Discussions
HH	Household Head
IDRA	Insurance Development & Regulatory Authority
IGAs	Income Generating Activities
ICM	Informal Credit Market
ICT	Information and Communication Technology
KYC	Know Your Client
MFIs	Microfinance Institutions
MSMEs	Micro, Small and Medium Enterprises
MCM	Microcredit Market
MRA	Microcredit Regulatory Authority
MI	Micro-insurance
MFS	Mobile Financial Services
NBFIs	Non-bank Financial Institutions
NFIS-B	National Financial Inclusion Strategy of Bangladesh
NID	National Identity Card
NSDS	National Sustainable Development Strategy
NCBs	Nationalised Commercial Banks
NFAs	No-frill Accounts
NGOs	Non-Government Organisations

PKSF	Palli Karma-Sahayak Foundation
POs	Partner Organisations
PCBs	Private Commercial Banks
PPO	Pension Payment Order
SCDP	Second Crop Diversification Project
SMAP	Small and Marginal Sized Farmers' Agricultural Productivity
SMEs	Small and Medium Enterprises
SSNPs	Social Safety Net Programmes
SDGs	Sustainable Development Goals
UN	United Nations

Chapter 1

Introduction

1.1 Introduction

Financial inclusion is a vital component of sustainable development, seeking to ensure that all members of society have access to formal financial services. Globally, the promotion of financial inclusion is acknowledged as a key factor in combating poverty and advancing the goal of inclusive development. Financial inclusion is envisioned as a state where everyone who can benefit from them has access to a range of quality financial services, provided by a variety of providers at affordable prices, in a convenient manner, and with respect for the clients' dignity. This vision embraces multiple dimensions of financial inclusion. First, it highlights the need for a range of suitable products that people will find worthwhile if they are of sufficient quality in terms of convenience, affordability, and security. Second, it focuses on ensuring access for everyone who can use the services, including those facing particular challenges, such as the poor, rural women, migrants, disabled individuals, transgender people, Bede, Dalits, and other marginalised groups in society. Third, it requires a well-functioning market where diverse products are offered by competitive providers operating under effective regulation. Finally, a central aspect of financial inclusion is the capability of customers, defined as the knowledge, skills, and behaviours necessary to make sound financial decisions. All these elements must be developed simultaneously to achieve the full benefits of financial inclusion.

Over the years, Bangladesh has advanced a range of business initiatives and developed tailored financial products to enable intermediaries to address the diverse needs of the large segment of the population that remains outside the formal financial system. A variety of stakeholders have introduced innovative measures to widen the scope of financial inclusion. The Bangladesh Bank, as the country's central bank, has played a pivotal role by launching several initiatives to promote inclusive finance. These include: targeted programmes to expand credit flows to small and tenant farmers, small and medium-sized enterprises (SMEs), and environmentally sustainable sectors; efforts to integrate underserved and socially disadvantaged groups into the financial system; the introduction of mobile financial services and agent banking to extend coverage to remote areas; and the promotion of information and communication technology (ICT) to provide financial products at affordable costs.

However, despite these efforts, there are still segments of society where the benefits of financial services remain unrealised. In the context of financial inclusion, a key question is whether those lacking financial products are excluded from access or are self-excluded. It is clear that people living in disadvantaged and vulnerable areas face entirely different socioeconomic realities compared to the rest of the population. Therefore, ensuring financial inclusion for these groups would make a significant contribution to reducing poverty and advancing social development.

To design effective policies and provide appropriate financial products and services, it is essential to understand the socioeconomic realities of these financially excluded groups, such as the number of people affected, the specific challenges they face, and their unmet needs.

Approximately three-quarters of Bangladesh's population reside in rural areas, constituting 68.49 per cent according to the Bangladesh Population and Housing Census 2022. Among them, 20.5 per cent lives below the poverty line (BBS 2022), emphasising the critical role of the rural sector in Bangladesh's development strategy. However, individuals in rural areas often encounter difficulties in

accessing suitable financial services for various reasons. Typically, formal financial institutions have either neglected or hesitated to offer sustainable financial services in these rural regions. Within the broader rural landscape, certain pockets of Bangladesh are particularly disadvantaged, such as low-lying areas, *Char* regions, tea gardens, ethnic minority, or tribal communities. These areas are highly marginalised. To foster a world where everyone has an equal chance, policymakers should prioritise providing support to those who are marginalised or excluded.

In the context of Bangladesh, a country characterised by diverse geographical features such as *Char* (riverine islands), *Haor* (wetlands), tea gardens, and hilly areas, ensuring financial inclusion becomes even more imperative. These unique landscapes pose significant challenges to conventional banking and financial systems, making it essential to tailor solutions that address the specific needs of the populations residing in these areas.

In Bangladesh, a considerable portion of the population inhabits *Char* areas, where river erosion and shifting riverbeds contribute to the creation of dynamic and challenging living environments. *Char* areas, marked by dynamic riverine ecosystems, present a complex living environment where the constant threat of river erosion compounds the challenges of access to essential services, including formal financial instruments. In the expansive *Haor* regions, vast wetlands dictate a way of life that often stands at odds with traditional banking systems, demanding innovative solutions to integrate these communities into the financial mainstream. The residents of these areas often face limited connectivity, inadequate infrastructure, and socio-economic vulnerabilities that hinder their participation in formal financial systems.

Tea gardens, deeply ingrained in the historical and economic fabric of Bangladesh, host a workforce with specific financial needs that arise from the seasonal nature of their employment. Furthermore, ethnic minority and tribal communities, with their unique cultural identities, often struggle with financial exclusion due to cultural differences, linguistic barriers, and geographical remoteness.

The Hilly areas, characterised by rocky terrains and remote settlements, present yet another set of challenges for financial inclusion. The inhabitants of these areas often face difficulties in accessing formal financial services, perpetuating cycles of poverty and limiting opportunities for economic growth.

Recognising the importance of financial inclusion as a catalyst for economic empowerment and poverty alleviation, there is an urgent need to develop targeted strategies to bring the excluded communities into the financial mainstream. This entails designing innovative financial products, leveraging technology for outreach, and collaborating with local communities to foster economic resilience.

This report explores the situation of access to finance in those critical areas, challenges and opportunities associated with achieving financial inclusion in these diverse regions of Bangladesh, aiming to shed light on the unique circumstances that require tailored interventions. By addressing the financial needs of the excluded communities, we can contribute to a more inclusive and equitable economic landscape in Bangladesh.

1.2 Importance of analysing regional variation in access to finance by rural households

Examining regional variation in access to finance for rural households in Bangladesh is crucial for several reasons. Different regions within the country often experience varying levels of economic development, infrastructure, and availability of financial services. By understanding these regional

disparities, policymakers and development agencies can identify specific areas where access to finance is limited and tailor interventions to address these gaps.

Access to finance is essential for rural households as it enables them to invest in agriculture, small businesses, education, and healthcare, leading to improved livelihoods and economic growth. However, if certain regions are underserved, it can exacerbate existing inequalities and hinder overall national development. Therefore, analysing regional differences helps ensure that financial inclusion efforts are more targeted and effective, ultimately contributing to more equitable economic progress across the country.

1.3 Objectives of the study

Within the framework of the Rural Finance study, an additional household survey was undertaken to assess financial inclusion in disadvantaged areas. This survey encompassed seven districts in Bangladesh. Conducted as a cross-sectional study in May-June 2023, it aimed to gauge the level of financial inclusion in regions facing various challenges such as geographical remoteness, ethnic minority presence, and distinctive socio-economic characteristics. Residents of these areas are naturally excluded from formal financial institutions and services. Consequently, this region-specific background study seeks to examine the socio-economic conditions of these individuals, and based on the findings; formulate targeted policy recommendations to enhance their overall well-being.

Apart from the introductory chapter, this report consists of five chapters. Chapter 2 reviews the existing literature and highlights the current state of access to finance in rural communities of Bangladesh. This chapter also outlines the methodology and analytical framework employed in the survey, offering insights into the data utilised for the study. Chapter 3 delves into the socioeconomic attributes of the target households. Chapter 4 explores their access to and utilisation of rural credit, along with a comprehensive exploration of financial inclusion in terms of credit, savings, payment, and insurance. Chapter 5 discusses the preferences of financial products, financial literacy and awareness among the respondent households. Lastly, Chapter 6 furnishes a spectrum of general and detailed recommendations derived from the study's findings.

Chapter 2

Review of Evidence and Sampling Framework

2.1 Access to financial institutions: Options for and choices of rural households

Access to financial services can be characterised as a situation where all working-age adults or businesses have significant access to formal financial services and the capability to utilise these services, such as credit, savings, payments, insurance, etc., if they wish to do so. The rural financial market consists primarily of three distinct credit markets: the formal bank credit market, the microcredit market, and the informal credit market. These markets differ in characteristics and nature. Generally, formal bank credit is offered from bank branches. Therefore, transaction cost (non-interest cost) of accessing bank financial services, other things remaining same, is comparatively high. This market requires collateral as security, and hence more inclined to provide services to the firms or households with higher ability to provide collateral, but being profit maximisers, banks are more inclined to provide loan of relatively large size. As such, rural poor or low income households are mostly excluded from the formal bank credit market.

In most developing countries, a majority of people lack access to formal bank credit services, especially those of low income residing in rural areas. Their vulnerability to various idiosyncratic and covariate shocks, coupled with the lack of collateral and savings capability, hinders their integration into the formal banking system (Jalan and Ravallion, 1999). Rural households and firms often do not use financial services from formal banks because the services are very expensive and sometimes even unsuitable (Claessens 2006). Many small borrowers avoid applying for loans due to high transaction costs and frequently encounter high rejection rates, which can be considered as the non-interest cost of borrowing. Consequently, the low-income group is less inclined to access credit from the formal bank credit market and turns to informal and/or microcredit markets.

Informal credit market is generally segmented by localised level of operation. Those providing credit comprise friends and relatives, neighbours, shopkeepers, professional moneylenders, as well as suppliers of trade credit. Transaction cost of both lending and borrowing is relatively low because of minimum problem of asymmetric information and close monitoring. Long-term relationship forms the basis of informal credit. Lending interest rate is not necessarily very high; it varies between zero and as high as 400 per cent. The average annual interest rate is generally around 35 per cent in Bangladesh (e.g., Khalily et. al. 2011; Hussain and Bayes, 2009). Most importantly, loan products are diversified covering both economic and non-economic purposes. There is no rigid loan agreement; loan contracts are flexible in nature and it reflects individual status. Customer groups include both poor and non-poor. Given the resource constraint of the informal lenders, loan size is reasonably low but it lends based on the intensity of risk. Informal market is flexible not only in terms of loan terms and condition, but also in terms of providing credit for both economic and non-economic purposes such as consumption, social ceremony, migration etc. Formal market does not provide loans for these purposes. As majority of low income people in rural areas are very prone to any kind of shocks, they need credit for non-productive purposes very often. However, informal market also fails to meet the credit demand of rural poor to some extent. The formal money lenders (*mahajans*) of informal markets often provide small loans and charge high interest rate. These loans are very costly and often lead the rural poor to fall under debt trap.

Microfinance institutions address the failures of both formal and informal markets, and have emerged as alternative markets for the poor and low income households. Micro finance institutions offer services to the poor or low income households with some distinct group-based, by and large, production technology featured by self-selection and joint liability (Ghatak and Guinnane 1999). Consequently, the higher risk of lender-MFIs is reasonably low because of relatively availability of more information and strict monitoring by both field level staff and joint monitoring by members of the group. Unlike formal markets, collateral is not required to receive loan from this market. Household level services make loan costly – high lending interest rate covers high transaction cost. But non-interest cost of borrowing for the borrowers is almost negligible. A close monitoring of field level staff reduces problem of moral hazard.

In terms of cost, on an average, cost of informal loans, in most cases, is lower than bank credit and micro credit. Cost of bank credit, in general, is lower than micro credit, but poor are excluded. Therefore, on the assumption of everybody having access to all credit markets, potential rural borrowers will decide on the access to different markets based on the terms and conditions and non-interest cost of borrowing. The rural poor and low income households will have limited choice as they can access only micro credit and informal credit markets. Such evidences are derived from the literature as well.

Given the characteristics, as outlined above, of all the credit markets, what choices do the potential borrowers have? The choice of credit markets depends on several factors – transaction cost, interest rate, flexibility in contract, wide range of loan products etc. Hussain and Bayes (2009), based on analysis of panel data set of 62 villages in Bangladesh, showed that rural households had higher access to micro credit – it increased from 3.8 per cent in 1998 to 34.1 per cent in 2008. At the same time, percentage of households borrowing from informal sources such as friends and family has decreased from 16.9 per cent in 1998 to 4.9 per cent in 2008. But the share of informal market in total supply of credit was highest. It has been argued that a large proportion of the informal credit market arises from the need for non-productive loans, such as those required for repairing a house after a natural disaster, financing social ceremonies, meeting consumption needs, or covering education and medical expenses. In contrast, households tend to borrow from formal institutional sources when the loans are intended for productive purposes, such as agricultural or non-agricultural investments. Consequently, the design and purpose of loan products are a key factor influencing households' choice of credit source. Similar findings were reported by Khalily et al. (2011) in Bangladesh.

However, not all poor households are able to satisfy their borrowing needs solely through either informal credit or microcredit markets. Both markets have inherent limitations—for example, the informal credit market may have restricted funds available, while microcredit schemes often impose ceilings on loan size. As a result, borrowers may face partial credit rationing in both markets. Under such circumstances, the terms and conditions of loans become crucial in determining access to credit. Despite the growth of formal financial institutions, the informal credit market continues to serve as a major source of finance for rural poor households.

2.2 Access to financial services in rural areas of Bangladesh

During the period 2017–2021, the number of deposit accounts per 1,000 population increased from 788 to 943, and the number of credit accounts rose from 93 to 97 (FAS Country Data - IMF Data, 2004-2023). This indicates that a substantial proportion of the population in Bangladesh—predominantly the poor in both rural and urban areas—lacks access to formal financial institutions (Appendix A). To promote access to financial services at the necessary pace and scale, Bangladesh

Bank should develop and adopt a comprehensive guideline to foster an inclusive financial system that engages formal banks and financial institutions.

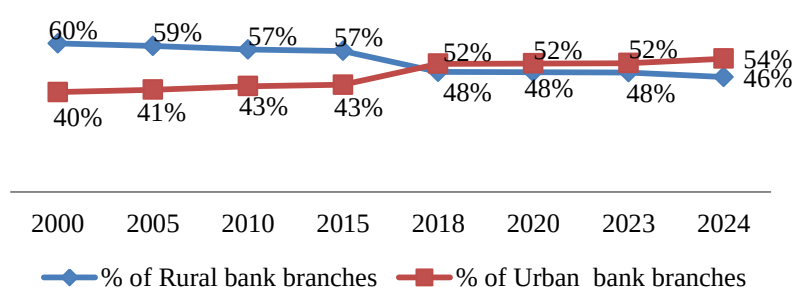
The concentration of bank branches in urban areas suggests a significant disparity, with a predominant presence in these regions. Despite the various initiatives undertaken by Bangladesh Bank over time, an imbalance persists in the distribution of rural and urban bank branches in Bangladesh. At present the ratio of rural – urban bank branches stands at 46.29:53.71 (Table 2.1; Branch Statistics, Bangladesh Bank, June 2024). Although the total number of bank branches in Bangladesh increased significantly by 65.3 per cent between December 2000 and June 2018, the proportion of branches located in rural areas fell markedly, from 59.8 per cent in December 2000 to 48.3 per cent in June 2018 (Bangladesh Bank, 2019). This decline in the share of rural branches largely reflects the reclassification of certain rural areas as urban. As of June 2024, there are 5229 rural branches and 6068 urban branches, indicating that rural branches constitute 46 per cent of the total bank branches.

Table 2.1: Branches, deposits and advances in the banking system — rural and urban

Year	Number of Branches			Deposits (billion BDT)			Advances (billion BDT)		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
2000	3659	2460	6119	160.6	549.2	709.8	100.1	493.5	593.6
2005	3764	2638	6402	218.3	1197.6	1415.9	117.6	999.7	1117.3
2010	4393	3265	7658	436.9	2,942.30	3,379.20	206.9	2,367.50	2574.4
2015	5187	3944	9131	1,575.10	6,364.70	7,939.80	571.3	5,227.30	5798.6
2018	4890	5224	10114	2,142.80	8,223.60	10,366.40	863.1	7,607.10	8,470.20
2020	5149	5522	10671	2942.83	10848.68	13791.50	1185.28	9777.81	10963.09
Sep 2023	5400	5819	11219	2598.70	14532.65	17131.35	1198.36	13532.91	14731.26
June 2024	5229	6068	11297	2832.219	15556.16	18388.37	1261.51	14709.51	15971.02

Source: Banking Regulation and Policy Department, and Statistics Department, BB.

Figure 2.1: Distribution of urban-rural bank branches over time in Bangladesh



Source: Author's compilation from BB's data.

Regarding deposit collection, approximately 15 per cent of the total deposits originate from rural areas, while only 8 per cent of advances are directed to these areas (as of June 2024). Although, only about a quarter of the country's total population lives in the urban areas, more than 54 per cent of the bank branches are located in the urban areas. This shows that bank density is much higher in the urban areas compared with the rural areas. It also implies that the intensity of access to banks of rural households and enterprises has not kept pace with their urban counterparts.

Agriculture plays a central role in driving growth in the rural sector. Historically, rural residents—including small and marginal farmers, as well as micro and small entrepreneurs—have had limited access to financial services due to the specific challenges of serving rural and agricultural markets. To effectively promote agricultural enterprise and, more broadly, rural development, policymakers must address the inadequacy of financial services in these areas.

Some studies have argued that small and marginal farmers; and other small entrepreneurs in rural areas are generally unable to access appropriate financial services from formal financial institutions, i.e., banks. Therefore, Microfinance institutions (MFIs) have got the opportunity to expand their rural operations. As of February 2024, there are over 40.86 million members who have been benefited by Micro Finance Institutions (MFIs), of which around 90 per cent are rural female members. This signifies a significant increase from 2016. The total loan disbursed as microcredit and microenterprise loans in fiscal year 2022- 23 was BDT 2,86,174 crore (around USD 33.7 billion) (MRA, 2023).

Microfinance institutions (MFIs) provide services not only to general borrowers but also to micro, small, and medium-sized entrepreneurs. MFIs are prohibited from taking collateral from borrowers and instead rely on group guarantees. In this context, microenterprise loans are typically extended to repeat borrowers with established credit histories, such as those who have successfully repaid previous microloans.

A study conducted by InM, Access to Financial Services (A2Fs, 2010 and 2014), found that poor and rural households had higher access to microfinance—52 per cent and 46 per cent, respectively. By contrast, 44 per cent of non-poor and 54 per cent of urban households had greater access to formal financial services. This pattern is unsurprising, as MFIs primarily target the rural poor, while non-poor households are better able to meet the requirements for formal finance. Notably, although around 52 per cent of poor households had access to microfinance, 40 per cent of non-poor households also used these services.

The data also indicated that 67 per cent of urban households were predominantly savers, whereas 56 per cent of rural households were mainly borrowers. This urban–rural disparity reflects the greater penetration of formal financial institutions in urban areas and the stronger presence of microfinance programmes in rural areas. The expansion of MFIs, together with extensive poverty-focused programmes run by government and non-governmental organisations, has considerably improved access to financial services for poor and rural households.

According to Hasan (2003), providing microfinance to the poorest rural households remains a significant challenge. While the Grameen Bank has demonstrated that the poor are viable clients and has reached them on a large scale, its services primarily target the upper segments of the poor and offer a limited range of financial products through rigid systems and procedures, which do not fully address the needs of the poorest. Datta (2004) similarly argued that, although microcredit has generally improved the well-being of the rural poor, it has failed to reach the poorest of the poor.

A 2016 comprehensive survey of 600 microenterprises conducted by InM estimated the average credit demand of cottage and microenterprises in both rural and urban areas. The survey found that enterprises with higher employment levels or those located in urban areas tended to have greater loan requirements.

Chakroborty and Sultana (2023) report that, in Bangladesh, 61 scheduled banks operate, but by 2022, only 31—or about 51 per cent—had agent banking operations. There was a significant increase in agents and outlets in 2019, but the growth rate slowed afterward. The highest number of agent banking accounts was opened in 2020, during the COVID-19 pandemic, with a growth rate of 1232.59 per cent. Rural inclusion grew from approximately 76 per cent to 87 per cent between 2018

and 2022. However, the deposit growth rate declined sharply, from 139 per cent in 2019 to 86 per cent in 2022.

Banerjee et. al. (2022) highlighted that greater financial inclusion hinges on access to a bank transaction account. Research indicates that 51.5 per cent of bank branches cater to 37.4 per cent of the nation's urban population, while the remaining 48.5 per cent of bank branches service 62.60 per cent of the country's rural residents. The percentage of online branches, which stood at 88.4 per cent in 2019, gives reason to optimism for the rapid spread of bank-based financial services for the general public, regardless of branch locations. The Dhaka division leads in deposit collection, followed by Chattogram, while other divisions have maintained a steady share of 16-17 per cent of total deposits from 2010 to 2019. Loans to rural areas, particularly to women, have gradually increased, though rural financing by private commercial banks (PCBs) remains low, rising modestly from 4.1 per cent in 2010 to 5.9 per cent in 2019. Additionally, No-Frill Accounts (NFAs) play a crucial role in facilitating individual financial inclusion, with banks opening 20.52 million NFAs by 2019, achieving a compound annual growth rate (CAGR) of 7 per cent, largely driven by state-owned commercial and specialised banks. Farmers' Accounts are the most common type of No-Frill Accounts, while the significant rise in school banking—adopted by 37.1 per cent of rural schools in 2019—demonstrates its effectiveness in fostering early financial literacy and savings habits among children.

Ferrari, A. (2008) reports that a 2006 survey of rural MSMEs revealed substantial use of bank services, with 43 per cent holding accounts and 75 per cent making transfers. However, between 2003 and 2006, only 32 per cent borrowed from banks, 16 per cent from MFIs, and 8 per cent from informal sources like family and friends, while 44 per cent did not borrow at all. The average loan size was BDT 40,000 from banks and BDT 38,000 from MFIs. Only 33 per cent of firms used debt to finance new investments, with many avoiding credit due to various direct and indirect costs, such as high interest rates, lengthy processing times, and complex application procedures. On average, obtaining a loan took 40 days from a bank and 28 days from an MFI. Additionally, banks predominantly required immovable assets as collateral in 86 per cent of cases, despite MSMEs having 73 per cent of their assets as movable.

Khan, S. (2022) reveals that most Bangladeshi women entrepreneurs start and run their businesses to achieve financial independence. Although Bangladesh Bank mandates a lower interest rate of 10 per cent for loans to female entrepreneurs, in practice, they often face rates between 10 per cent and 15 per cent (Singh et al., 2016). Despite regulations setting aside 15 per cent of the SME fund for female entrepreneurs, only a small portion of the total budget is allocated to them, with the actual proportion averaging just 3.45 per cent.

To ensure equal importance is given to rural areas, several policy measures have been implemented, including the opening of bank branches and the provision of deposit and credit products, some of which are quite innovative for the country's banking system. These measures include: revising bank branch opening rules from a 5:1 to a 1:1 ratio (for every urban branch opened, a rural branch must also be opened); offering high-quality banking services to farmers by allowing them to open bank accounts with a minimum initial deposit of only BDT 10; issuing branch licenses to all SME and agriculture service centres; providing easy and effective access to banking services for physically disabled individuals, the hard-core poor, unemployed youth, freedom fighters, and others; relaxing loan repayment conditions and offering fresh facilities to farmers affected by natural disasters; making participation in agriculture and rural credit mandatory for all banks; providing agricultural credit to sharecroppers; formulating and implementing Agriculture and SME Credit Policies and targets; prioritising finance for women entrepreneurs; arranging refinancing schemes for banks; developing ICT solutions (such as mobile banking and smart cards) for inclusive banking; encouraging creative

partnerships between banks and MFIs; and enacting policy guidelines for Green Banking and agent banking (Bangladesh Bank, 2019).

Many individuals experience exclusion from social and economic opportunities, human security, and quality public services due to their place of residence, which in turn increases vulnerability and inequality. This is especially pronounced in the agriculture-dependent north-western region of Bangladesh, where employment opportunities are limited by the area's geographic characteristics. Factors such as climatic conditions, low-lying terrain, land degradation, and proximity to high-risk zones—such as floodplains or steep embankments—further exacerbate isolation and vulnerability. Coastal regions and haor basins are particularly exposed to climate-related challenges. Despite the widespread presence of microfinance programmes in these areas, the most disadvantaged populations continue to face significant barriers in accessing essential financial services.

2.3 Research methodology

The Rural Finance survey is an extensive household survey that encompasses all primary financial services (savings, credit, insurance and payment), examining the needs and usage patterns among clients in both formal and informal sectors. The survey was conducted during May-June 2023. The research team has set a target to collect detailed information from a sample of 700 households chosen from seven districts of Bangladesh. In order to obtain the current state of financial inclusion in those areas, InM Research Team conducted the survey in those areas where the frequency of financial inclusion is very low. Prior to conducting the survey, the research team completed the required background activities including questionnaire design, sampling, field plan, enumerator selection, training etc.

2.4 Sampling technique and primary data collection

There is no list of vulnerable groups in terms of geographical location; therefore InM has taken advantage of its nationally representative surveys on Access to Financial Services (ATF 2014) studies. InM conducted a household demand-side study titled 'Access to Financial Services'¹ to estimate the extent of financial inclusion in Bangladesh, covering all divisions with all districts except the hill district of Rangamati. This survey result highlighted that households in seven districts (e.g. Netrakona, Lalmonirhat, Jamalpur, Sunamganj, Moulavibazar, Kishoregonj, and Bandarban) have least access to financial services. In these districts from the demand side, around 50 per cent households are excluded from the formal financial sector. Population living in these areas are excluded from the formal financial institutions due to a complex set of factors including lack of financial literacy, low incomes, non-availability of appropriate products as well as lack of accessibility, affordability and acceptability due to locational, ethnic and other disadvantages. Based on ATF study and BBS Housing Census 2022 data, we use the following formula for calculating the sample size for the primary survey:

$$n = p(1 - p)\left(\frac{Z}{E}\right)^2$$

where,

p=proportion=0.5 (assumed 0.5 for maximum sample size)

Z=2.58 (significant value at 99 per cent confidence level)

¹ This panel survey was conducted in 2010 and 2014. Both rural and urban areas were covered in the survey. The total sample size was 8,462 households of which 6,570 were in the rural areas and 1,892 in the urban areas. In the present study the disadvantaged areas are identified based on the findings of ATF study.

E=error level=0.05 (error level is considered 5 per cent)

This gives the total number of households to be surveyed at 666. After rounding up the sample size for vulnerable groups in terms of geographical locations become 700. We will distribute these households by districts and finally by upazilas and villages. A single upazila will be randomly chosen from each district, and then one union will be randomly selected from that upazila. In the next step, two villages will be selected randomly from those unions. The sample is distributed as follows (Table 2.2):

Table 2.2: Disadvantaged areas households for primary data collection

District	Total HH size according to PHC 2022	Upazila	Union	Village	Households	Locational consideration
Netrokona	548449	Durgapur	Chandigar	2	100	Ethnic minorities
Lalmonirhat	342039	Hatiabandha	Gotamari	2	100	Char area
Jamalpur	652046	Madarganj	Balijuri	2	100	Char area
Moulavibazar	446354	Kulaura	Joychandi	2	100	Tea gardens
Kishoregonj	760958	Karimgong	Dehunda	2	100	Haor area
Bandarban	388335	Thanchi	Remakry	2	100	Tribal
Sunamganj	2467968	Chatak	Kalaruka	2	100	Haor area
Total	5606149	7	7	14	700	

In the selected areas, a sample survey based on questionnaires was conducted for data collection. However, as not all excluded groups might be present in these locations, additional information was gathered through supplementary focused group discussions (FGDs). A total of 24 FGDs were conducted, encompassing various vulnerable regions (Table 2.3). All the analysis from the qualitative survey is provided in Appendix D.

Table 2.3: Sample distribution of regions for FGDs/Case studies

Division	District	Number of	
		FGDs	Participants
Barishal	Barishal,Bhola	4	39
Chattogram	Bandarban,Brahmanbaria,Cumilla ,Feni and Lakshimpur	7	69
Dhaka	Kishoregonj	2	30
Khulna	Satkhira	2	20
Rangpur	Gaibandha,Lalmonirhat,Kurigram and Panchagarh	7	71
Sylhet	Sunamganj	2	23
	Total	24	252

2.5 Rationale of the study

Table 2.4 provides an overview of the supply side of rural banking services across seven sampled districts in rural Bangladesh, highlighting data on the total adult rural population, the number of rural bank branches, and the number of branches per 100,000 adults. The national average for rural bank branch availability stands at 6.78 branches per 100,000 adults. Several districts, including Netrokona (3.47), Lalmonirhat (4.74), Kishoregonj (5.03), and Sunamganj (4.58), fall below this national average, indicating lower availability of banking services on average. On the other hand, districts such as Moulvibazar (6.84) and Jamalpur (7.21) slightly exceed the national average, reflecting higher average availability of banking services. Bandarban, characterised by its extensive hilly terrain and a

small number of populations due to geographic challenges, has a high number of rural bank branches (10.4) per 100,000 adults, surpassing the national average. Given the geographic and economic vulnerabilities of these regions, they have been selected for primary survey to better understand the nexus between availability and access to banking services and address the underlying challenges.

Table 2.4: Number of bank branches per 100,000 rural adults

District	Total rural adult population	Number of rural bank branches	Number of rural bank branch per 100000 adult population
Netrokona	1384212	48	3.47
Lalmonirhat	801001	38	4.74
Jamalpur	1303144	94	7.21
Moulavibazar	1286870	88	6.84
Kishoregonj	1671555	84	5.03
Bandarban	201866	21	10.4
Sunamganj	1615887	74	4.58
National (rural areas)	79698522	5400	6.78

Source: Author's calculation from Bangladesh Population and Housing Census 2022, BBS & Bangladesh Bank

In addition, the supply side perspective has also been reviewed in terms of the density of rural bank branches per 1,000 square kilometers. Table 2.5 presents the relevant data (rural areas in square kilometers, number of rural bank branches, and the branch density per 1,000 square kilometers) across the seven sampled districts in Bangladesh. Nationally, the average density is 41.04 branches per 1,000 sq. km. Bandarban, with an extensive rural area of 4,479 sq. km, has the lowest branch density at 4.69 per 1,000 sq. km. Other districts, such as Netrokona (17.18), Sunamganj (20.99), Kishoregonj (31.25), Moulavibazar (31.44), and Lalmonirhat (33.72), also fall below the national average. However, Jamalpur, with a rural area of 2,031.98 sq. km, has a relatively high density of 46.26 bank branches per 1,000 sq. km. Despite having a similar number of bank branches as the national rural average, InM's ATC 2014 study revealed limited access to financial services in Jamalpur district. In light of these regional disparities in availability of banking services, seven districts, including Jamalpur, were selected for this study to assess the variation in financial access across different regions of Bangladesh.

Table 2.5: Number of bank branches per 1000 square kilometer

District	Rural area (sq. km)	Number of rural bank branches	Number of rural bank branch per 1000 square kilometer
Netrokona	2,794.28	48	17.18
Lalmonirhat	1,126.89	38	33.72
Jamalpur	2,031.98	94	46.26
Moulavibazar	2,799.38	88	31.44
Kishoregonj	2,688	84	31.25
Bandarban	4,479	21	4.69
Sunamganj	3,526.12	74	20.99
National (rural)	131,570	5400	41.04

Source: Author's calculation

2.6 Questionnaire design and data collection

The research team formulated a structured questionnaire that prioritised key variables related to the socioeconomic characteristics of households. The questionnaire specifically addressed aspects such as access to and utilisation of formal and informal credit, payment services, demand for payment and insurance services, investment patterns, crisis response and coping strategies, and other relevant indicators. The initial draft of the questionnaire was shared with the Bangladesh Bank (BB) and underwent finalisation after incorporating feedback from the BB.

2.7 Analytical framework

Prior to moving into the main body of the report, it is useful to sum up a few concepts and definitions of financial inclusion which are adopted in the report.

Measuring Financial Inclusion in Bangladesh: According to the Financial Inclusion Data Working Group of the Alliance for Financial Inclusion (AFI FIDWG), for complete concept of financial inclusion, three main dimensions that can provide it are: access, usage and quality. All these dimensions reflect the multidimensional nature of financial inclusion. This study covers the following aspects of financial inclusion:

Box 2.1: Conceptual framework of access to finance

Box 2.1

Financial services: These include credit, savings, insurance and payment services. Financial services are offered in formal and informal financial markets.

Financial markets:

1. Formal financial markets include banks of all types. Similarly, MFIs and cooperatives are also included in this group. In this market, financial products like savings, credit and digital payments are offered.
2. Informal market generally includes moneylenders, trade creditors, landlord, neighbours, relatives and friends.

Definition and Measurement of Access:

Access: Individuals may choose not to borrow or to own a bank account if the credits and accounts are available. Such voluntary exclusion from financial services makes it difficult to understand access. We, therefore, consider "access" and "use" interchangeably.

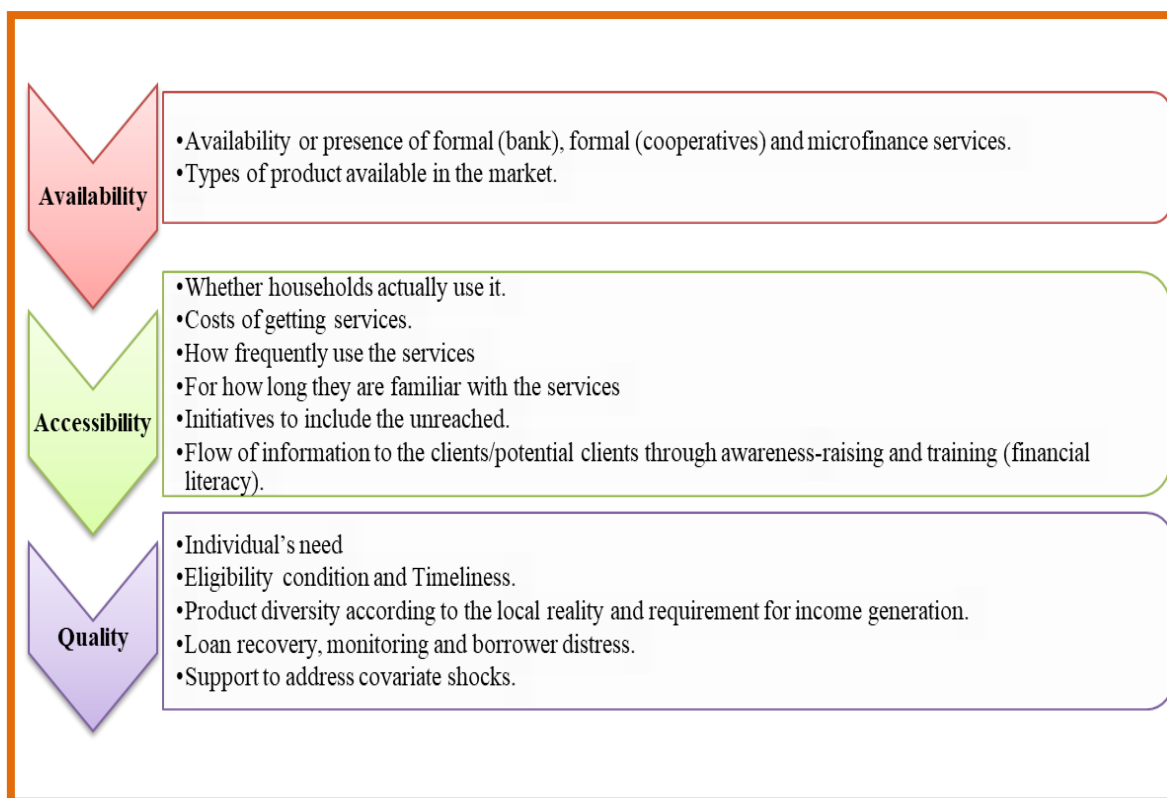
Access to credit in last three years: We define access to credit services based on the past three year's transactional information of the households. Households do have access to credit in one or more credit markets. However, while measuring share of markets in terms of credit size we considered last one year's transactional information.

Access to account/deposit service: A household having at least one member who has used account(s) to deposit, check balance, or to perform any account holding activity is considered that this household has access to account/deposit services.

Access to Insurance service: A household is considered as insurance accessed household if any members of the household have an insurance policy; broadly, the households may have used other insurance services like life insurance, health insurance, crop insurance, livestock insurance, etc.

Definition of financial exclusion: Financial exclusion means incapability of individuals, households, communities or groups to access essential financial services in an apt form. Lack of access to these tools and services, or the inability to use them, is a serious obstacle to economic and social integration.

Excluded households are generally defined as those households who do not have access to any formal financial market (bank, MFIs, cooperatives, insurance, digital payment, and agent banking) in the last one year.



2.8 Limitations of analysis

In quantitative survey analysis, the sample size is a critical determinant of robust results. Given the particular emphasis on disadvantaged areas, the current analysis is derived from a comparatively smaller sample size. However, we implemented all necessary precautionary measures to ensure the empirical results are robust and complemented by qualitative observations. It is important to note that these findings do not represent the entire nation, as the survey is confined to specific regions of Bangladesh. For nationally representative results, one should refer to the comprehensive rural household survey report, which is another component of this study.

Chapter 3

Household and Population Characteristics

3.0 Socio-economic conditions of sample households

Household characteristics differ across regions. Therefore, the varying intensity of access to different financial services such as savings, insurance, and credit can be attributed to differences in household characteristics among other variables.

This section presents key household and individual-level characteristics that should be of attention to policymakers. Variations in these characteristics, particularly at the household level, across different regions, could provide insights into the factors influencing the level of access to various financial services.

3.1 Family size

The average family size across the districts is 4 persons (as shown in Table 3.1). However, in districts like Kishoregonj, Maulvibazar, and Sunamganj, the average household size is slightly higher at 5 persons, compared to districts like Jamalpur, Netrokona, and Lalmonirhat, where it remains at 4 persons per household. This trend suggests a variation in family size among different regions. When classifying households by size, we find that most households consist of 3 to 5 members, making up about 70 per cent of the total. Approximately 20 per cent of households have 6 to 8 members. Smaller households with 1 to 2 members and larger households with 9 to 14 members are less common in rural areas, accounting for about 9 per cent and 2 per cent, respectively.

There persists a common belief among the rural people that having more children equates to additional sources of income for the family and more assets. Consequently, rural households tend to have slightly larger families compared to urban households. This phenomenon is particularly pronounced due to the significant concentration of impoverished households in rural areas.

Table 3.1: Percentage of household by average household size and districts

Household size (number)	Bandarban	Kishoregonj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	Total
1-2	20	1	14	10	8	2	8	9
3-5	77	74	69	79	74	69	46	69.71
6-8	3	24	15	11	17	26	40	19.43
9-14	0	1	2	0	1	3	6	1.86
Average HH size by districts	3	5	4	4	4	5	5	4

Source: InM, CRFS regional financial access survey, 2023

3.2 Age composition and dependency ratio

The dependency ratio is a demographic measure that compares the proportion of individuals who are typically not in the labour force (the dependents) to those who are typically in the labour force (the working-age population). It is calculated as the sum of the number of individuals aged 0-14 and those aged 65 and over, divided by the number of individuals aged 15-64, then multiplied by 100. A higher dependency ratio indicates a greater burden on the working-age population to support the dependent

population. The table below displays the broad age compositions and demographic dependency ratios. According to the Bangladesh Population and Housing Census 2022, BBS, the national dependency ratio in Bangladesh was 52.64 per cent and dependency ratio in rural areas was 56.09 per cent. In this study, the dependency ratio is reported as 53 per cent (Table 3.2).

Table 3.2: Age composition and dependency ratio (%)

Age Group and Ratio	Bandarban	Kishoregonj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	Total
Age Group								
0-14	29.66	31.11	25.48	34.51	27.82	25.21	34.53	29.84
15-64	67.89	61.59	69.47	63.22	66.44	68.07	61.51	65.23
65+	2.45	7.31	5.05	2.27	5.75	6.72	3.96	4.93
Ratio								
Dependency Ratio (%)	47	62	44	58	51	47	63	53

Source: InM, CRFS regional financial access survey, 2023

3.3 Household utilities

The availability of modern services is indicative of a higher quality of life for both rural and urban households. In regards to household utilities, such as access to electricity, sanitary facilities, and safe drinking water, there is disparity among districts. In Kishoregonj, Jamalpur, Netrokona, and Moulvibazar, all households have access to electricity. In Lalmonirhat and Sunamganj, approximately 93 per cent of households have electricity access. However, in Bandarban district, only 79 per cent of households have access to electricity, marking the lowest percentage.

When it comes to accessing sanitary latrines, Bandarban and Lalmonirhat districts are the most vulnerable, with only 55 per cent of households having access. This is particularly evident in Lalmonirhat, which is prone to seasonal starvation (known as Monga). In Bandarban, marginalised communities predominantly reside, facing challenges in meeting basic needs and lacking awareness of hygiene practices. Conversely, Netrokona and Sunamganj districts boast nearly 100 per cent household access to sanitary latrines, indicating higher hygiene awareness in these regions. In other districts examined, such as Kishoregonj, Jamalpur, and Moulvibazar, a majority of households have access to sanitary latrines, with percentages standing at 86 per cent, 96 per cent, and 90 per cent respectively (Table 3.3).

When it comes to access to safe drinking water, the majority of households have access, averaging at 96 per cent across the districts. Most of the households have access to tube-well water, among them some are arsenic free, some are with arsenic (unsafe) and some are untested. Bandarban district stands out with lower access, at 83 per cent, compared to other districts. However, the above picture is likely to reduce significantly if access to safely managed drinking water is considered.

Table 3.3: Household's basic characteristics (% of household)

Basic indicators	Bandarban	Kishoregonj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	Total
Household have electricity access	79	100	99	100	93	100	94	95
Access to sanitary latrine	55	86	96	100	55	90	98	83
Access to safe drinking water	83	100	100	98	91	100	99	96

Source: InM, CRFS regional financial access survey, 2023

3.4 Key characteristics of household heads

Gender: In Bangladesh, the vast majority of households are led by males, accounting for approximately 90 per cent of all households (Table 3.4). Conversely, female-headed households constitute only 10 per cent of the total. However, this proportion varies significantly across different districts. Notably, districts such as Jamalpur, Netrokona, Maulvibazar, and Sunamganj have a higher prevalence of female-headed households compared to districts like Bandarban, Kishoregonj, and Lalmonirhat. Among these districts, Kishoregonj has the lowest percentage of female-headed households, at just 5 per cent.

Table 3.4: Distribution of head of the households by gender and districts (%)

Sex of household head (%)	Bandarban	Kishoregonj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	Total
Male	92	95	85	90	91	87	87	90
Female	8	5	15	10	9	13	13	10

Source: InM, CRFS regional financial access survey, 2023

Education: Education plays a significant role in resource utilisation, productivity enhancement, and poverty reduction. Higher levels of education not only expand knowledge horizons but also empower investors and entrepreneurs to utilise resources wisely. We define literacy based on formal education attainment. The education level of the household head plays a significant role in determining the household's income. A notable portion, approximately 35 per cent, of household heads in survey areas is illiterate. In specific districts like Sunamganj and Jamalpur, the majority of household heads are illiterate, constituting 71 per cent and 57 per cent respectively. Conversely, in districts such as Bandarban, Kishoregonj, and Maulvibazar, an average of 33 per cent of household heads are illiterate. However, in Lalmonirhat and Netrokona districts, the proportion of illiterate household heads is notably lower, standing at 10 per cent and 6 per cent respectively (Table 3.5).

Table 3.5: Distribution of head of households by education and districts (%)

Household head's education	Bandarban	Kishoregonj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	Total
Illiterate	35	31	59	10	6	33	71	35
Up to 5	29	37	20	74	74	38	20	41.71
Up to 9	20	20	14	10	8	20	7	14.14
S.S.C	7	12	3	2	8	8	2	6
H.S.C	5	0	0	0	1	1	0	1
Above H.S.C	4	0	4	4	3	0	0	2.14

Source: InM, CRFS regional financial access survey, 2023

Regarding the average years of schooling among respondent households, the household head typically has an average of 3.65 years of schooling. However, this average is notably lower in districts like Sunamganj and Jamalpur, where it stands at only 1.66 and 2.65 years respectively (Table 3.6).

Table 3.6: Age and education of household head by districts (%)

Age & Education	Bandarban	Kishoregonj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	Total
Average Age of household head (years)	40	50	46	42	47	49	47	46
Education of household head (years of schooling)	4.41	4.33	2.65	4.14	4.3	4.07	1.66	3.65

Source: InM, CRFS regional financial access survey, 2023

Occupation: Educational attainment, along with factors such as access to credit and ownership of assets, can influence occupational structures. Self-employment emerges as the predominant occupation among household heads in Bangladesh, prevailing across regions. Self-employment encompasses both agricultural and non-agricultural activities. The data reveals that 45 per cent of household heads are primarily engaged in self-employment in agriculture, while 23 per cent are involved in self-employment in non-agricultural sectors. Self-employment is the most prevalent occupation, averaging 68 per cent, with the highest in Netrokona (88 per cent) and the lowest in Sunamganj (47 per cent). Wage earning is the second most common, averaging 18.14 per cent, with a peak in Bandarban (30 per cent) and the lowest in Netrokona (4 per cent). Service/Professional jobs account for an average of 5.29 per cent, while the other occupations category is the least represented, averaging 8.57 per cent (Table 3.7).

Table 3.7: Distribution of head of households by main occupation and districts (%)

Household Head's Main Occupation	Bandarban	Kishoregonj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	Total
Wage earning	30	16	10	4	15	24	28	18.14
Self-employment in agriculture	25	43	42	74	67	25	39	45
Self-employment in non-agriculture	38	26	36	14	13	26	8	23
Service	7	7	7	4	2	6	4	5.29
Others	0	8	5	4	3	19	21	8.57

Source: InM, CRFS regional financial access survey, 2023

Marital status: The marital status of household heads in the sample reveals significant trends: approximately 91 per cent are married, around 8 per cent are widowed, and small fractions are unmarried, divorced, or separated (Table 3.8). This demographic distribution highlights the predominance of married individuals as heads of households, with a notable presence of widowed heads and a minimal representation of those who are single or have experienced marital dissolution.

Table 3.8: Distribution of household head by marital status and districts (%)

Household Head's Marital status	Bandarban	Kishoregonj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	Total
Married	93	95	86	89	95	92	88	91.14
Widow/Widower	5	5	12	7	5	7	12	7.57
Other (Unmarried/divorced/separated)	2	0	2	4	0	1	0	1.29

Source: InM, CRFS regional financial access survey, 2023

Multiple earning sources: In rural Bangladesh, the economic landscape is characterised by diverse and multiple income sources, which are crucial for the survival and well-being of households. Due to the inherent uncertainties in agriculture, which has traditionally been the primary occupation in rural areas, families have increasingly diversified their income streams to ensure financial stability. This diversification includes a mix of agricultural activities, such as crop production and livestock rearing, alongside non-agricultural pursuits like small-scale businesses, wage labour, remittances from family

members working abroad or in urban areas, and engagement in informal sectors. These varied income sources not only buffer rural households against economic shocks but also contribute to poverty alleviation and improved living standards. Understanding the composition and significance of these multiple earning sources is essential for formulating policies aimed at rural development and economic resilience in Bangladesh. In this study, above 39 per cent household heads have multiple earning sources (Table 3.9).

Households living on the mainland with multiple sources of income generally find it easier to repay their installments. However, in char and haor areas, fewer people have multiple income sources. Due to the higher vulnerability to widespread shocks, MFIs perceive char and haor households as being more likely to default on their payments. In the districts of Netrokona, Lalmonirhat, and Sunamganj, a higher percentage of household heads have multiple income sources compared to those in Bandarban, Kishoreganj, Jamalpur, and Moulvibazar.

Table 3.9: Percentages of household head have multiple earning sources

Districts	Household head have multiple earning sources
Bandarban	30
Kishoreganj	24
Jamalpur	36
Netrokona	67
Lalmonirhat	50
Moulvibazar	29
Sunamganj	40
Aggregate	39.43

Source: InM, CRFS regional financial access survey, 2023

3.5 Income, expenditure and asset holding of households

The households earn an average annual income of Tk. 227 thousand, with Bandarban and Sunamganj districts having the lowest averages at Tk. 204 thousand. Conversely, Kishoregonj and Jamalpur districts reported the highest average incomes at Tk. 275 and Tk. 247 thousand respectively, compared to other districts. Regardless of location, households spend an average of Tk. 160 thousand annually. Table 3.10 offers a summary of asset holdings, income and expenditure of sampled households grouped accordingly.

Table 3.10 presents a summary of the assets' value among the sampled households, categorised by groups. According to the survey data, households in Kishoregonj, Jamalpur, Netrokona, Lalmonirhat, and Maulvibazar districts exhibit higher average total asset values. Conversely, Bandarban and Sunamganj districts show considerably lower average asset holdings, at only Tk. 5.25 and 5.62 lakhs respectively.

Table 3.10: Asset, income, and expenditure of household by districts (in taka)

Asset, Income, Expenditure	Bandarban	Kishoregonj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	Total
Average asset holdings (in Lac Taka)	5.25	36.98	29.59	16.44	24.73	16.09	5.62	19.24
Average annual income (in thousand Taka)	204	275	247	223	213	224	204	227
Average annual expenditure (in thousand Taka)	119	173	191	160	167	157	152	160

Source: InM, CRFS regional financial access survey, 2023

3.6 Ownership of land

Formal institutions like banks are more inclined to approve loans for households with substantial landholdings, as the land can be used as collateral. In contrast, microfinance institutions typically target households with up to 50 decimals of land. However, with the growing availability of loans for microenterprises, this trend may be changing. The sample includes households with varying landholdings, but the majority fall within the 0.01 to 0.49-acre range. Around 10 per cent of households are landless, 56 per cent households have between 0.01 to 0.49 and 15 per cent have between 0.50 and 0.99 acres, and only a small percentage possess large landholdings. In Sunamganj, however, 50 per cent of households are landless, with the remaining 30 per cent owning between 0.01 and 0.49 acres (Table 3.11 and 3.12).

Table 3.11: Distribution of household by size of land and districts (%)

Land Size (in Acre)	Bandarban	Kishoregonj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	Total
Landless	6	2	3	0	1	11	50	10.43
0.01-0.49	69	46	63	72	44	70	30	56.29
0.50-0.99	3	27	18	19	27	10	4	15.43
1.00-2.49	12	20	15	8	24	7	12	14.00
2.50-7.49	10	5	1	1	4	2	4	3.86

Source: InM, CRFS regional financial access survey, 2023

Table 3.12: Average owned agricultural land size (in acre)

	Bandarban	Kishoregonj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	Total
Average owned agricultural land size (Acre)	0.67	0.76	0.46	0.44	0.76	0.34	0.39	0.55
Average owned agricultural land value (in lac BDT.)	3.15	29.42	26.21	13.59	20.40	10.03	2.96	15.11

Source: InM, CRFS regional financial access survey, 2023

3.7 Household investment

The investment patterns in Kishoregonj, Jamalpur, Netrokona, and Lalmonirhat districts are similar, with over 30 per cent of households investing in land purchases in 2023. In contrast, a smaller percentage of households in Bandarban, Moulvibazar, and Sunamganj districts invested in land (Table 3.13). Instead, their investments were primarily directed toward house construction and sending household members overseas. The main sources of financing for these investments were personal savings, microcredit, and informal loans (Table 3.14).

Table 3.13: Average volume (in taka) and percentage of investment by type of investment and districts

Type of Investment		Bandarban	Kishoreganj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj
Land purchase/leasing	Average amount	1140	27300	39350	28550	19561	2000	3250
	%	3.55	32.07	31.10	30.07	36.72	2.73	9.72
House construction	Average amount	2541	12610	43640	15651	16969	37440	10560
	%	7.92	14.82	34.49	16.49	31.85	51.03	31.57
Agriculture equipment purchase	Average amount	198	2094.6	922	3467.1	200	1574.5	832.5
	%	0.62	2.46	0.73	3.65	0.38	2.15	2.49
Livestock purchase	Average amount	5455	11524.5	6408	24339.5	6874	2449	2720
	%	17.01	13.54	5.06	25.64	12.90	3.34	8.13
Business	Average amount	4830	5130	20000	2260	645	6450	900
	%	15.06	6.03	15.81	2.38	1.21	8.79	2.69
Industrial activities	Average amount	100	0	0	400	0.05	0	0
	%	0.31	0.00	0.00	0.42	0.00	0.00	0.00
Transport purchase	Average amount	1790	4873	5960	5700	4180	115	365
	%	5.58	5.73	4.71	6.00	7.85	0.16	1.09
Sending household member overseas	Average amount	0	3000	4000	0	0	16500	11000
	%	0.00	3.52	3.16	0.00	0.00	22.49	32.88
Investment in fixed asset	Average amount	1194	15912.2	3952	7461.9	3835	3310	825
	%	3.72	18.70	3.12	7.86	7.20	4.51	2.47
Other investment	Average amount	14830	2670	2305	7104.5	1006	3530	3000
	%	46.23	3.14	1.82	7.48	1.89	4.81	8.97

Source: InM, CRFS regional financial access survey, 2023

Table 3.14: Distribution of source of fund for household investment by districts (in taka)

Districts		Source of finance for the investment					
		Own Financing	Bank loan	Microcredit	Non-Institutional loan	Remittance	Others
Bandarban	Average amount	21208	4110	2500	2730	0	1530
	%	66.11	12.81	7.79	8.51	0.00	4.77
Kishoreganj	Average amount	50833.4	0	13300	7450	10750	2780.9
	%	59.72	0.00	15.63	8.75	12.63	3.27
Jamalpur	Average amount	73714	5700	22660	7400	13330	3733
	%	58.25	4.50	17.91	5.85	10.53	2.95
Netrokona	Average amount	67165	3500	21280	2770	0	219
	%	70.75	3.69	22.42	2.92	0.00	0.23
Lalmonirhat	Average amount	19538.1	600	10020	1280	0	21832
	%	36.68	1.13	18.81	2.40	0.00	40.98
Moulvibazar	Average amount	23247	3500	19830	6400	14391.5	6000
	%	31.69	4.77	27.03	8.72	19.62	8.18
Sunamganj	Average amount	16442.5	100	6600	7250	2160	900
	%	49.15	0.30	19.73	21.67	6.46	2.69
Aggregate	Average amount	38878.3	2501.4	13741.4	5040	5804.5	5285.0
	%	54.57	3.51	19.29	7.07	8.15	7.42

Source: InM, CRFS regional financial access survey, 2023

3.8 Household's migration status and remittances

People migrate both domestically and internationally, seeking opportunities for higher income. International migrants typically experience improved financial circumstances due to the higher wages available abroad. Their families benefit economically from the remittances sent back home. Migration, whether internal or international, serves as a means to increase household income. Households with members, who have migrated, whether domestically or internationally, enjoy better financial and economic conditions, largely due to the remittances received, particularly from overseas. Approximately 19 per cent of households have at least one migrating member, with 9 per cent migrating locally and 10 per cent internationally (Table 3.15). Regional variations exist, with higher rates of local migration observed in districts such as Kishoregonj, Lalmonirhat, and Sunamganj, while districts like Kishoregonj, Jamalpur, Maulvibazar, and Sunamganj have more international migrants. It is noteworthy that while more impoverished households have locally migrating members, a higher proportion of non-poor households have members who have migrated internationally.

Table 3.15: Percentage distribution of households by migration of any member by districts

Migration status	Bandarban	Kishoregonj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	Total
HH have migrated member (%)	1	25	20	6	15	26	37	19
Local Migration (%)	0	16	9	6	14	8	12	9
International Migration (%)	1	10	11	0	1	20	25	10

Source: InM, CRFS regional financial access survey, 2023

According to the International Organisation for Migration (2024), Bangladesh is the sixth-largest source of international migrants and the eighth-largest recipient of remittances worldwide. The flow of remittances has seen a substantial increase, rising from USD 2.8 billion in 2002 to nearly USD 24 billion in the fiscal year 2023-24. The latest data from Bangladesh Bank indicates that remittance inflows reached USD 23.91 billion in FY24, marking a 10.66 per cent increase compared to the previous year. Migrants use both formal and informal channels to transfer remittances. Although these channels are not strictly categorised as formal or informal, formal channels typically include banks, money transfer agencies like Western Union, and post and telegraph services.

Informal transfers are more challenging to classify, encompassing methods like the hundi system, couriers, traders, or simply carrying money in person by the migrant or a third party. Additionally, a channel might be considered formal in one country but informal in another, depending on the regulatory framework. Consequently, classifying money transfer channels can be difficult. While informal remittance channels are popular due to their potential benefits, such as lower cost, speed, convenience, and privacy, they are also controversial due to concerns over money laundering, financing of terrorism, smuggling, and higher risks of loss.

In contrast, formal channels offer greater potential for promoting economic development by enhancing the earnings of the domestic financial sector and providing more resources to finance economic activities. Data shows significant variation in the choice of formal or informal channels for remittance transfers, with migrants' preferences varying by migration type. The majority of migrants, both local and international, rely on formal channels for transferring money.

While banks, Western Union, couriers, and microfinance institutions (MFIs) are less popular among local migrants, mobile banking services like bKash and mKash are widely used, with 95 per cent of local migrants utilising these services in 2023 (Table 3.16). For international migrants, formal channels dominate, with most remittances sent through banks (60 per cent), mobile banking (77 per cent), and Western Union (9 per cent) (Table 3.17). Local migrants also primarily use formal channels, though with different preferences. The introduction of mobile banking services in Bangladesh in 2011 has significantly transformed money transfers among local migrants, with over 95 per cent using mobile services. Additionally, around 67 per cent of local migrants transfer money in person, and sending money through friends or relatives (26 per cent) remains common.

Table 3.16: Percentage distribution of local migrated members by way of sending remittance

Way of sending remittance	Kishoregonj	Jalalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	Total
Through Bank	0	0	0	0	12.5	0	1.59
Friends/ Relatives	52.94	57.14	80	0	0	0	26.98
Come by yourself	82.35	100	80	0	62.5	85.71	66.67
Through mobile banking	88.24	100	100	100	100	92.86	95.24

Source: InM, CRFS regional financial access survey, 2023

Table 3.17: Distribution of international migrated members by way of sending remittance (%)

Way of sending remittance	Bandarban	Kishoregonj	Jalalpur	Lalmonirhat	Moulvibazar	Sunamganj	Total
Through Bank	100	100	9.09	100	84	41.38	59.74
Western Union Money Transfer	0	10	45.45	0	4	0	9.09
Hundi or Agent	0	10	27.27	0	12	6.9	11.69
Friends/ Relatives	0	0	0	0	0	3.45	1.3
Through Mobile banking	0	60	54.55	0	80	93.1	76.62
Through Agent banking	0	0	0	0	4	0	1.3

Source: InM, CRFS regional financial access survey, 2023

3.9 Incidence of crisis and crisis coping strategies of households

Households in rural Bangladesh frequently face various crises, ranging from natural disasters like floods and cyclones to economic shocks such as loss of income or rising food prices. These crises can significantly disrupt livelihoods, pushing vulnerable families further into poverty. In response, rural households adopt a range of coping strategies to manage and mitigate the impacts of these challenges. These strategies may include diversifying income sources, selling assets, taking on additional work, borrowing from formal or informal sources, and relying on community support. Understanding the nature of these crises and the coping mechanisms employed by households is crucial for developing effective policies and interventions aimed at enhancing the resilience and long-term stability of rural communities in Bangladesh. In this sample, over 50 per cent of households were impacted by floods and heavy rain, while 24 per cent faced illness among family members, and 6 per cent were affected by the death of livestock (Table 3.18).

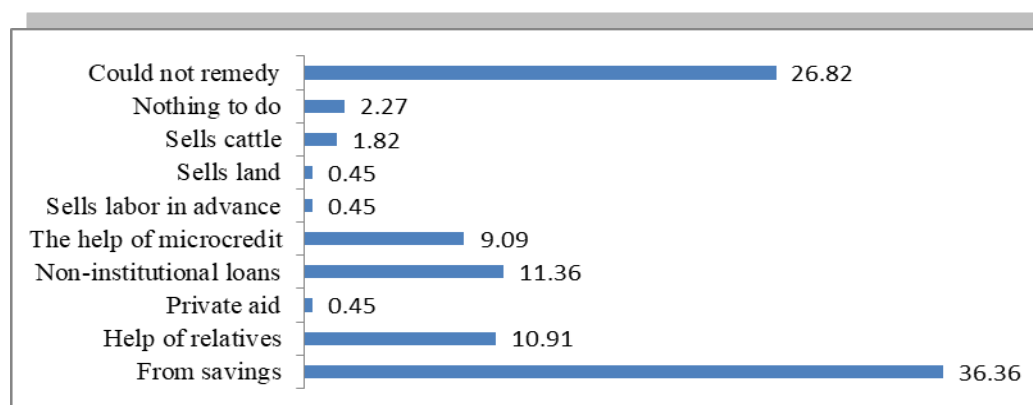
Table 3.18: Percentage distribution of household faced crisis by type of crisis and districts

Type of Crisis	Bandarban	Kishoregonj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	Total
Flood/ Heavy rain	0	0	10.53	100	0	0	90.38	53.13
Storm / Cyclone / Tornado	0	0	0	0	0	0	7.69	2.08
Crop diseases	0	5.88	0	0	0	2.38	0	1.04
Victim of fraud (loss of money/property)	0	35.29	0	0	0	2.38	0	3.65
Death of earning member in family	0	0	5.26	0	0	0	0	0.52
Diseases of other family members	33.33	41.18	47.37	0	0	64.29	1.92	23.96
Earning members affected by accident	0	5.88	15.79	0	100	0	0	3.65
Another member injured / died in the accident	0	0	5.26	0	0	0	0	0.52
Theft/robbery	0	0	0	0	0	4.76	0	1.04
Death of livestock	33.33	5.88	10.53	0	0	14.29	0	5.73
Death/destruction of ducks/chickens	0	0	0	0	0	11.9	0	2.6
Loss of business	16.67	0	0	0	0	0	0	0.52
Litigation	0	0	5.26	0	0	0	0	0.52
Other risks (specify)	16.67	5.88	0	0	0	0	0	1.04

Source: InM, CRFS regional financial access survey, 2023

About 36 per cent of households coped with the crisis using their savings, and 10 per cent sought help from relatives. However, around 27 per cent of households were unable to mitigate the crisis (Figure 3.1).

Figure 3.1: Percentage distribution of household by crisis coping mechanism



Source: InM, CRFS regional financial access survey, 2023

Major Findings

- The average family size across the districts is 4 persons. However, in districts like Kishoregonj, Maulvibazar, and Sunamganj, the average household size is slightly higher at 5 persons, compared to 4 persons in districts such as Jamalpur, Netrokona, and Lalmonirhat.
- The dependency ratio in this study is reported as 53 per cent (same as Population census, BBS, 2022)
- In Bangladesh, the majority of households are male-headed, accounting for roughly 90 per cent, while female-headed households make up just 10 per cent.
- Approximately 35 per cent of household heads in the survey areas are illiterate. In districts like Sunamganj and Jamalpur, illiteracy rates are especially high, at 71 per cent and 57 per cent, respectively.
- On average, household heads have 3.65 years of schooling, though this is significantly lower in Sunamganj and Jamalpur, where the figures are 1.66 and 2.65 years, respectively.
- Self-employment is the predominant occupation for household heads, averaging 68 per cent. Wage earning is the second most common, averaging 18.14 per cent and Service/Professional jobs account for an average of 5.29 per cent. Over 39 per cent of household heads have multiple income sources.
- The average annual household income is Tk. 233 thousand. Bandarban and Sunamganj have the lowest averages at Tk. 210 thousand and Tk. 213 thousand, respectively. Households spend an average of Tk. 160 thousand annually, irrespective of location.
- About 10 per cent of households are landless, while 56 per cent own between 0.01 to 0.49 acres, and 15 per cent hold between 0.50 and 0.99 acres. A small per centage possesses larger landholdings.
- Household investments are primarily directed towards house construction and sending members overseas. Personal savings (55 per cent) and microcredit (19.29 per cent) are the main sources of financing for these investments.
- Around 19 per cent of households have at least one migrating member. Of these, 9 per cent migrate locally and 10 per cent internationally. International remittances are largely sent through formal channels, with banks (60 per cent), mobile banking (77 per cent), and Western Union (9 per cent) being preferred. Local migrants primarily use mobile banking services like bKash and mKash, with 95 per cent utilising these platforms in 2023.

Chapter 4

Access to Financial Services

4.0 Access to financial services

Why financial inclusion is so important? -- Financial inclusion will enable people to make day-to-day transactions, maintain and protection of own savings, plan and act for regular expenses, invest in small business or micro-enterprises, alleviate shocks and eventually boost up economic growth.

Financial services encompass credit, savings, payment and insurance services, provided through formal channels such as banks and non-bank financial institutions; quasi-formal ones like microfinance institutions; other financial institutions, such as, PalliSanchay bank, registered cooperatives etc.; and informal avenues such as moneylenders, traders, landlords, friends, and relatives. These institutions mobilise resources from households, firms, and individuals, extending credit to those in need for productive purposes. Meanwhile, insurance companies offer risk-mitigating products to individuals and firms.

In general, a financial system provides six key types of services: (a) transfer of funds, (b) pooling of funds, (c) risk management, (d) generation of information for financial decision-making and addressing problems of asymmetric information and moral hazard, and (e) payment services. However, markets do not always function perfectly, and various crises can arise periodically. Market imperfections, such as incomplete markets and asymmetric information, can restrict individuals from accessing the financial services they require. These limitations are often compounded by a lack of appropriate financial technologies, meaning that not all segments of society benefit equally from financial services.

Financial innovations, such as mobile banking, have helped address some of these challenges. They facilitate fund transfers in remote areas, enable payments from workplaces or homes, and allow the mobilisation of savings in locations where traditional bank branches find it difficult to operate.

Historically, savings, credit, and insurance were regarded as the three primary indicators for assessing overall financial inclusion. However, mobile banking and agent banking have now emerged as widely used methods for conducting financial transactions. Since accounts used for mobile and agent banking is linked to formal banks, they are classified as formal financial services and counted within the banking sector. At the same time, mobile banking as a whole is also included when measuring overall access to any financial services.

Taking into account these diverse financial markets, we assessed access to financial services in four stages. Firstly, we have gauged the aggregate access to financial services and secondly, intensity of access to credit across any market. Thirdly, we evaluated access to savings across different markets. Finally, in the third stage, we provided an assessment of access to insurance and payment services. Additionally, we presented access intensity based on regional variations.

In this report access to financial services has been defined based on the transaction history of households over the past three years. It's possible that some households may not have accessed financial services during the survey year but may have done so in the past. Therefore, assessing access intensity based solely on the current year may underestimate it.

4.1 Access to financial services

Bangladesh stands out as the leading country in South Asia when it comes to ensuring widespread access to financial services for households. It has made significant strides in extending financial inclusion, surpassing its regional peers in providing essential financial services to its population.

The table presents the district-wise distribution of household access to different forms of financial services in selected regions of Bangladesh, based on the InM–CRFS Regional Financial Access Survey (2023). Overall, the findings reveal a highly uneven pattern of financial inclusion across districts, with a strong dominance of mobile banking services and persistent reliance on informal finance, alongside comparatively limited access to formal banking institutions.

Access to financial services through banks and non-bank financial institutions (NBFIs) remains relatively low across all districts, with the aggregate figure standing at only 20.57 per cent of households. Moulvibazar exhibits the highest level of access to banks and NBFIs (34 per cent), followed by Kishoreganj (31 per cent), while Netrokona records the lowest access at just 8 per cent. This suggests that formal banking penetration remains weak in many districts, potentially reflecting constraints related to physical outreach, documentation requirements, and financial literacy.

In contrast, access to microfinance institutions (MFIs) is substantially higher, with an aggregate coverage of 43.43 per cent of households. Netrokona shows particularly high reliance on MFIs, where 68 per cent of households report access, followed by Moulvibazar (59 per cent) and Lalmonirhat (54 per cent). These figures indicate the continued importance of MFIs in addressing credit and savings needs, especially in districts where conventional banking services are scarce. However, the heavy dependence on MFIs may also reflect limited alternatives within the formal financial system.

Access to other formal financial institutions, such as, cooperatives (excluding banks, NBFIs, and MFIs) remains modest and uneven. While Jamalpur (34 per cent) and Moulvibazar (25 per cent) report comparatively higher access, several districts—including Netrokona—report negligible or zero access. The aggregate figure of 12.14 per cent underscores the marginal role of these institutions in the overall financial ecosystem at the household level.

Mobile banking services exhibit near-universal penetration across districts, with an aggregate access rate of 91.86 per cent. All districts report access levels above 78 per cent, and several—such as Moulvibazar, Kishoreganj, Bandarban, and Netrokona—approach or exceed 97 per cent. This widespread adoption highlights the transformative role of digital financial services in expanding basic financial access, often bypassing traditional institutional barriers. Notably, access includes both ownership of personal accounts and use of others' accounts, suggesting varying degrees of autonomy in digital financial engagement.

Despite the high uptake of mobile banking, reliance on informal finance remains widespread, with an aggregate access rate of 76 per cent. Districts such as Netrokona (99 per cent), Jamalpur (93 per cent), and Kishoreganj (91 per cent) demonstrate particularly high dependence on informal sources. This coexistence of extensive mobile banking access and persistent informal finance suggests that digital platforms may primarily facilitate transactions rather than fully substitute for informal credit and risk-sharing mechanisms.

Taken together, the findings indicate a dualistic financial landscape characterised by limited penetration of formal banking institutions, strong reliance on MFIs and informal finance, and near-universal access to mobile banking services. While digital financial services have significantly expanded transactional access, deeper forms of financial inclusion—particularly access to formal credit and diversified financial products—remain uneven across districts. These patterns underscore

the need for policies that integrate digital finance with strengthened formal financial institutions to reduce dependence on informal sources and promote inclusive financial development.

Table 4.1: Distribution of different forms of access to financial services by districts (% of households)

Districts	Access to any financial services in Banks & NBFIs	Access to any financial services in MFIs	Access to finance in other FIs	Access to mobile banking services (through own account/ other's account)	Access to informal finance
Districts					
Bandarban	20	10	12	97	62
Kishoreganj	31	38	11	98	91
Jamalpur	18	35	34	85	93
Netrokona	8	68	0	97	99
Lalmonirhat	19	54	1	89	48
Moulvibazar	34	59	25	99	81
Sunamganj	14	40	2	78	58
Aggregate	20.57	43.43	12.14	91.86	76

Source: InM, CRFS regional financial access survey, 2023

4.2 Access to specific financial products

Access to financial products such as credit, savings, payment services, and insurance plays a crucial role in promoting economic growth and reducing poverty, especially in rural areas. In these regions, limited infrastructure, lower financial literacy, and geographical isolation often restrict people's access to formal financial services. By improving availability and inclusiveness of such products, rural communities can enhance their livelihoods, invest in businesses or agriculture, and manage risks more effectively. Expanding access to these financial tools fosters greater financial independence and resilience, which is vital for sustainable development in underserved areas. In the following sections we will discuss access to those services among the rural households.

4.2.1 Access to credit

The choice of credit market is influenced by several factors, including transaction costs, interest rates, contract flexibility, and the availability of diverse loan products. One key determinant is the transaction cost of borrowing, which encompasses both interest and non-interest expenses. Rational borrowers naturally seek to minimise these costs. Existing studies indicate that in Bangladesh, average lending interest rates are highest in the informal market and lowest in the formal sector, with microcredit rates falling between the two. Additionally, the borrower's demand for and specific purpose of the loan play a central role in determining which credit market they choose.

In this report, access to credit services is defined based on the historical transactional information of households over the past three years. We have provided information on intensity of access to credit to different credit markets in terms of percentage of households. For our analysis, we have categorised the credit market into four segments: formal credit market (comprising banks and non-bank financial institutions), microcredit market, other credit markets (including PalliSanchay bank, formal cooperatives etc.) and informal credit market (ICM). Overlapping is identified by specifying access to multiple credit markets. Evidence shows that households have more access to microcredit and informal credit markets. It was found that households have access to credit in one or more credit markets. The basic findings regarding the intensity of access to credit services are presented in Table 4.2. Approximately 49 per cent of households avail credit from any market, including banks, MFIs, and cooperatives. Among them, only 5.86 per cent have access to credit in banks and NBFIs, while around 40.43 per cent have access to microcredit. A little over 6 per cent households have other

sources of credit, including PalliSanchay bank, formal cooperatives etc. Interestingly, along with microfinance market, informal credit still dominates, around one-third of the borrowing households had access to informal credit market (Table 4.2). Similar results have been found from qualitative surveys (Appendix D, table 21).

Table 4.2: Households accessing credit from different markets (% of households)

Districts	Access to credit from any formal FIs	Access to credit (agri & non-agri) from Bank or non-bank FIs	Access to agricultural credit from Bank or non-bank FIs	Access to non-agricultural credit from Bank or non-bank FIs	Access to credit from microfinance institutions	Access to credit from other FIs (PSB/ Cooperatives etc.)	Access to informal credit	No access to credit from any formal market
Bandarban	19	5	3	2	8	6	38	81
Kishoreganj	43	6	6	0	38	1	28	57
Jamalpur	49	7	2	5	24	32	22	51
Netrokona	68	2	1	2	66	0	69	32
Lalmonirhat	58	11	9	3	51	1	26	42
Moulvibazar	61	5	2	3	57	3	25	39
Sunamganj	42	5	5	0	39	0	43	58
Total	48.57	5.86	4	2.14	40.43	6.14	35.86	51.43

Source: InM, CRFS regional financial access survey, 2023

(a) Variations in credit sources by location: This section delves into analyzing the credit market dynamics across different locations of the sampled households. The analysis aims to shed light on the extent to which households are able to fulfill their credit demands and how it impacts household-level outcomes.

Only around 5.86 per cent of households have formal access to credit from banks or non-bank financial institutions, as previously mentioned. Among the sampled households, access rates in Lalmonirhat, Jamalpur, and Kishoreganj districts stand at 11 per cent, 7 per cent, and 6 per cent respectively. Conversely, in Sunamganj, Moulvibazar, and Bandarban districts, only 5 per cent of households have such access. Notably, Netrokona district exhibits the lowest formal bank access, with only 2 per cent of households having access.

The borrowing landscape differs in Bandarban; where the lowest share of households (8 per cent) have access to the microcredit market, and the overall access to all markets is also lowest (19 per cent) for residents of this district. However, access to credit from banks and other formal sources is 5 per cent and 6 per cent households borrow from PSB or Cooperatives etc. in Bandarban. Policy makers may question why MFIs are unable to expand their services into this market.

At the aggregate level, over 40 per cent of households have access to microcredit. This indicates that despite the extensive expansion of the microfinance network, coverage of rural households still remains limited. The most significant expansion of the microcredit market is observed in Netrokona, Moulvibazar, and Lalmonirhat districts, where 66 per cent, 57 per cent, and 51 per cent of sampled households, respectively, obtain credit from MFIs. Households in other districts, such as Sunamganj (39 per cent), Kishoreganj (38 per cent), and Jamalpur (24 per cent), do possess access to credit within the microcredit market.

Approximately 6 per cent of households also obtain loans from other financial institutions such as PSBs/Cooperatives etc. However, a considerable proportion of households, nearly 32 per cent, rely on

borrowing from these financial institutions. Around 6 per cent of households in Bandarban district also borrow from these institutions; however, in other districts, access is either nonexistent or negligible.

Regardless of overlaps, most households (around 36 per cent) have access to informal credit markets across all study areas. Informal borrowing is particularly popular in Netrokona, Sunamganj, and Bandarban districts, where 69 per cent, 43 per cent, and 38 per cent of households, respectively, borrow from informal sources.

About 51 per cent of sampled households have no access to credit in any formal markets. Among the sampled households, Bandarban, Sunamganj, Kishoreganj, Jamalpur, and Lalmonirhat districts face higher exclusion rates. The highest exclusion is in Bandarban district, where around 81 per cent of households have no access to any formal credit markets. In Sunamganj, Kishoreganj, Jamalpur, and Lalmonirhat districts, 58 per cent, 57 per cent, 51 per cent, and 42 per cent of households, respectively, have no access to credit in any market. This rate drops to 39 per cent and 32 per cent for Moulvibazar and Netrokona districts, respectively.

(b) Rural households have very limited access to formal credit: Rural households face significant constraints in accessing formal credit, with only approximately 5.86 per cent having access to banks or non-bank financial institutions. Despite the traditional focus on non-poor clientele and concentrated urban activities, the intensity of formal credit access among rural households does not significantly differ. Given the low national-level access to formal credit in rural areas, this trend persists at the district level. However, there are exceptions, with Lalmonirhat, Jamalpur, and Kishoreganj districts showing slightly higher access rates (11 per cent, 7 per cent and 6 per cent respectively), followed by Sunamganj, Moulvibazar, and Bandarban districts, with access rates of 2 per cent and 5 per cent (Sunamganj and Moulvibazar).

(c) Micro credit is dominating: In rural areas, microfinance institutions dominate the credit landscape, where it accounts for over 40 per cent of access. This dominance is consistent at the district level but varies. Notably, in Netrokona, Moulvibazar, and Lalmonirhat districts, 66 per cent, 57 per cent, and 51 per cent of sampled households, respectively, have access to microcredit. Conversely, the lowest access rates are observed in Bandarban (only 8 per cent), Sunamganj (39 per cent), Kishoreganj (38 per cent) and Jamalpur (24 per cent) districts. These findings suggest the significant access to quasi-formal finance among households.

(d) Informal credit is prevalent: Informal credit remains prevalent despite efforts to expand formal and quasi-formal networks. While often characterised as exploitative due to high interest rates, its importance persists due to its unique nature and features. Our study reveals that approximately 36 per cent of households have access to informal credit. Access to informal credit is notably high in Netrokona, Sunamganj, and Bandarban districts, where 69 per cent, 43 per cent, and 38 per cent of households, respectively, borrow from informal sources.

4.2.2 Market share by loan size

We have examined the intensity of access to credit services by the share of households. Based on cash credit, our analysis reveals that around 36 per cent of households have access to informal credit markets, indicating a potential overlap (Table 4.2). Furthermore, informal credit markets dominate the total supply of cash credit, accounting for 45 per cent at the aggregate level among sampled households (Table 4.3). This trend persists across various regions, with informal credit comprising 61 per cent in Kishoreganj, 54 per cent in Sunamganj, 51 per cent in Lalmonirhat, 43 per cent in Moulvibazar, and 41 per cent in Bandarban (Table 4.4). The predominant use of informal credit stems from the demand for non-economic loans, such as repairing houses after natural disasters, funding

social ceremonies, covering consumption expenses, financing education, and healthcare needs. Conversely, households often turn to institutional sources for loans intended for productive purposes, including both agricultural and non-agricultural investments. Consequently, the types of loan products available play a crucial role in influencing households' decisions regarding which credit markets to access.

Microcredit holds the largest share in Netrokona (65 per cent) and Moulvibazar (48 per cent). However, in Bandarban, banks and other financial institutions collectively dominate with a 45 per cent share (Table 4.4), primarily due to the rapid expansion of Bangladesh Krishi Bank (BKB) and PalliSanchay Bank (formerly known as the *Ekti Bari EktiKhamar* project). Notably, despite a significant demand for credit, both the share of borrower households and the total volume of loan disbursement in Bandarban are lower compared to other districts.

It's worth mentioning that approximately 74 per cent of households expecting to need a loan in the coming year prefer to borrow from MFIs and only 14 per cent of households would prefer to borrow from banks, indicating substantial untapped demand. This underscores the potential for significant economic growth through the expansion of financial services in these areas.

Table 4.3: Market share in total credit (%) and average loan size in 2022

Types of financial institutions	% in total supply of credit	Average loan size (Tk.) per HH	Number of HHs took loans (n)
Microcredit market	39	58881	261
Informal market (cash credit)	45	69724	251
Banks and NBFIs	8	89305	36
Others	8	76625	40

Source: InM, CRFS regional financial access survey, 2023

Table 4.4: Market share in total supply of credit (%) by district in 2022

District	Microcredit (%)	Banks & NBFIs (%)	Informal credit (%)	Others (%)
Bandarban	14	23	41	22
Kishoreganj	36	2	61	1
Jamalpur	21	13	34	32
Netrokona	65	7	27	0
Lalmonirhat	39	9	51	1
Moulvibazar	48	7	43	2
Sunamganj	41	5	54	0
Total	39	8	45	8

Source: InM, CRFS regional financial access survey, 2023

Overlapping: In this study, overlapping is identified as having access to multiple credit markets. In 2022, 31 per cent of households obtained credit from at least one formal financial institution. However, only 4 per cent of households secured credit from more than one formal financial institution, highlighting limited access to multiple sources of formal credit.

Table 4.5: Households accessing formal credit from single and multiple sources in 2022 (%)

Districts	Access to formal credit from single source	Access to formal credit from multiple source
Bandarban	9	0
Kishoreganj	33	2
Jamalpur	28	12
Netrokona	38	0
Lalmonirhat	37	5
Moulvibazar	41	5
Sunamganj	33	4
Aggregate	31.29	4

Source: InM, CRFS regional financial access survey, 2023

4.2.3 Utilisation of credit

The effectiveness of credit largely depends on its utilisation. Simply having access to financial services, whether provided by formal institutions, informal lenders, or microfinance organisations, is insufficient to improve the conditions of poor households. Numerous studies on the impact of microfinance in Bangladesh reveal that microcredit is used for both productive and non-productive purposes. Often, a significant portion of disbursed loans is not utilised for their intended purposes. As highlighted in the present study, microcredit constitutes the largest share of total formal credit, while bank credit has a very low share, meaning the analysis of formal credit utilisation primarily reflects the use of microcredit.

In rural areas, microcredit supports seasonal agricultural investments and the adoption of appropriate technologies. Proper utilisation of credit can also help smooth consumption patterns. For economically disadvantaged individuals lacking access to formal financial services, microcredit can offer a means to address their financial shortcomings. Khalily and Faridi (2011) found that approximately 60 percent of accumulated loans are used for productive and income-generating activities, while the remaining 40 percent is spent on meeting substantial expenditures. Their study concludes that overlapping borrowing does not lead to increasing indebtedness; rather, it contributes to asset growth. Given the global coexistence of traditional money lenders and quasi-formal financial service providers for impoverished groups, it is crucial to examine how these entities influence the economic activities of households.

Use of formal loan: We evaluate the use of credit based on two critical questions. First, do the households use loans for economic activities? Second, to what extent do they use credit for lumpy expenditures and consumption (e.g., consumption, marriage expense, dowry, bribe, education expense, treatment cost, litigation expense and ritual cost) and repayment of previous loans? We demonstrate the uses of credit by purpose of using loan amount. We find that the households use formal credit more in income generating activities (IGAs) and building assets. Around 62 percent of the formal credit has been used for income generating and asset building purposes (Table 4.6). A small amount of formal credit (almost 26 percent) is used for lumpy expenditures, i.e., food and non-food consumption. Use of formal credit for repayment of previous loans is little. Around 8 percent loans have been used for repaying past credit.

Table 4.6: Distribution of formal loan use by category and district

District	Utilisation of credit											
	Income generating activities		Food consumption		Non-food consumption		Financial Asset creation		Loan repayment		Others	
	%	Average	%	Average	%	Average	%	Average	%	Average	%	Average
Bandarban	89.3	57188	0.0	0	2.0	1250	0.0	0	8.8	5625	0.0	0
Kishoregonj	68.1	34643	6.1	3095	14.5	7381	2.3	1190	6.6	3333	2.3	1190
Jamalpur	51.5	52708	0.2	250	31.9	32667	0.4	417	12.5	12813	3.5	3542
Netrokona	76.6	46431	0.0	0	17.0	10308	0.0	0	0.8	462	5.6	3385
Lalmonirhat	83.3	60510	0.2	122	12.4	9020	0.0	0	4.1	2980	0.0	0
Maulvibazar	36.2	22466	4.1	2569	43.5	26948	2.3	1448	11.3	7000	2.6	1586
Sunamganj	51.4	31225	7.4	4500	25.5	15500	0.0	0	15.6	9500	0.0	0
Aggregate	62.0	42248	2.2	1500	24.0	16330	0.7	484	8.4	5682	2.5	1673

Source: InM, CRFS regional financial access survey, 2023

Use of informal loan: This study reveals that approximately 37.5 per cent of informal credit is used for lumpy expenditures, including both food and non-food expenditures. Additionally, around 33 per cent of these loans are directed towards economic activities, while 5 per cent are used for loan repayments (Table 4.7).

A significant portion of informal loans has been utilised for migration-related expenses, such as funding the relocation of family members abroad or within the country. In Bandarban, a substantial share of informal loans is allocated to income-generating activities. This is largely due to limited access to formal credit in the district, prompting residents to rely on informal loans for income-generating purposes.

Table 4.7: Distribution of informal loan use by category and district

District	Utilisation of credit									
	Income generating activities		Food consumption		Non-food consumption		Loan repayment		Local/International migration	
	%	Average	%	Average	%	Average	%	Average	%	Average
Bandarban	81.2	15429	1.8	342	17.0	3237	0.0	0	0.0	0
Kishoregonj	37.0	43750	2.4	2857	19.0	22500	8.4	10000	33.2	39286
Jamalpur	17.2	19091	0.2	236	58.1	64318	18.3	20227	6.2	6818
Netrokona	55.5	11826	0.7	145	42.5	9058	1.4	290	0.0	0
Lalmonirhat	62.3	89423	0.0	0	37.7	54115	0.0	0	0.0	0
Maulvibazar	7.8	8000	0.3	360	56.0	57800	1.4	1440	34.5	35600
Sunamganj	0.3	209	10.4	6826	12.2	8058	1.8	1163	75.3	49535
Aggregate	32.7	22236	2.4	1636	35.1	23871	4.9	3311	25.0	17012

Source: InM, CRFS regional financial access survey, 2023

4.2.4 Credit rationing

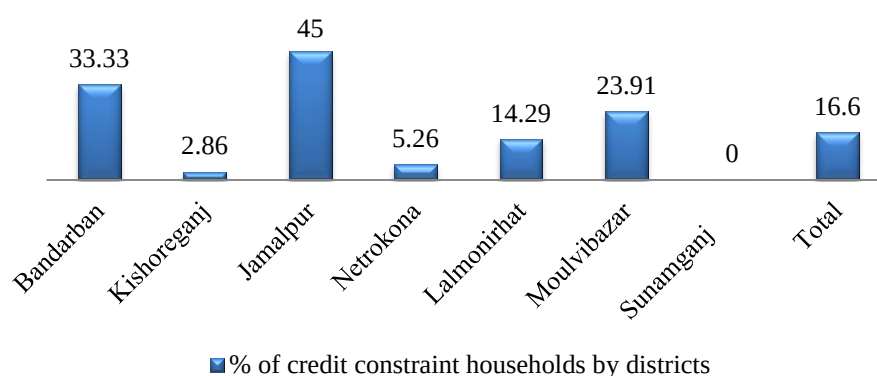
Credit rationing is a phenomenon where the demand for loans exceeds the available supply at the prevailing interest rate. This occurs when the quoted interest rates differ from those that would balance the demand and supply of loans. Investors lacking adequate credit are unable to optimise their existing resources, leading to significant negative impacts on various collective and household outcomes. These impacts include technology implementation, agricultural yield, food security, nutrition, and overall household welfare.

Additionally, a likely explanation for the expansion of the informal credit market, despite the presence of the banks, microcredit market and other financial institutions, is that households might be experiencing credit constraints. There may be unmet demand, leading households to rely more on the informal market. A thorough analysis is needed to understand the issue of credit rationing and the predominant role of the informal credit market. This will enable policymakers to identify the limitations of banks, MFIs, and other financial institutions. Regardless of these constraints, households will benefit more if credit is properly utilised.

Borrowers in a market can be categorised as fully constrained, partly constrained, or unconstrained. Fully constrained borrowers applied for loans but were rejected, partly constrained borrowers received less than they requested, and unconstrained borrowers received the credit they demanded (Barham, Boucher, and Carter, 1996). A national study in Bangladesh by Khalily et al. (2012) found that around 25 per cent of borrowers faced supply-side credit constraints.

In our analysis, we will measure access to credit and identify credit-constrained households using household-level credit market information collected from surveys. We define credit-constrained households by the ratio of loan demand to loan supply. Loan demand is the total demand for credit from different markets, while loan supply is the total of all loans received from various markets in a given year. In the present study, around seventeen per cent of borrowing households have unmet demand for credit, with the highest levels in the Jamalpur and Bandarban districts. In Jamalpur, almost half of the borrowing households (45 per cent) reported being credit constrained. In Netrokona, Kishoreganj, and Sunamganj districts, negligible or none of the households are credit constrained.

Figure 4.1: Percentage of borrowing households that are credit constrained



Source: InM, CRFS regional financial access survey, 2023

To understand the intensity of credit rationing, we need to examine access to single and multiple credit markets. It is evident that households are increasingly relying on multiple credit sources over time. This suggests they are turning to additional sources due to credit constraints in the microcredit market or other supply- or demand-side obstacles.

The intensity of credit rationing in the microcredit market is higher for households with access to multiple credit markets compared to those with access to a single market. This indicates that some households with access to only a single market were also credit rationed, possibly because borrowing from other markets was not feasible. Approximately eleven per cent of households with single access to the microcredit market have unmet credit demand. However, thirty-three per cent of households with multiple access report unmet credit demand (Table 4.8). It is important to note that the intensity of credit rationing may be underestimated, as borrowers in the microcredit market are aware of the

credit limits and adjust their demand accordingly, which may not reflect their actual needs. Similar results were observed for both single and multiple accesses to banks or cooperatives.

Table 4.8: Percentage of borrowing households under constraint

	CR	2022
1. Credit Rationing (CR=TSS/TDD) (Aggregate)	CR<1	16.60
2. Credit Rationing (CR=MF/TDD) (MCM Single Access)	CR<1	11.34
3. Credit Rationing (CR=TSS/TDD) (MCM Multiple Access)	CR<1	33.33
4. Credit Rationing (CR=TSS/TDD) (Bank Single Access)	CR<1	18.18
5. Credit Rationing (CR=TSS/TDD) (Bank Multiple Access)	CR<1	20
6. Credit Rationing (CR=TSS/TDD) (Cooperative society Single Access)	CR<1	35.71
7. Credit Rationing (CR=TSS/TDD) (Cooperative society Multiple Access)	CR<1	41.67

Source: InM, CRFS regional financial access survey, 2023

Understanding who is partly credit rationed is crucial for policy implications. Below, we present the characteristics of the participating households. Examining the socio-economic characteristics of credit-constrained households and not constrained households reveals that credit not constrained households are comparatively better off in terms of income, food expenditure, landholding, access to safe drinking water, and sanitation (Table 4.9). This is probably because household heads of not credit constrained households have multiple earning sources and they are comparatively better off.

Table 4.9: Characteristics of households (credit rationing<1)

sl. No.	Socio economic status (Avg. values)	Credit constrained borrowing HH	Not Credit constrained borrowing HH
1	Age of household head	46.63	45.05
2	Maximum education of HH member	8.56	8.41
3	Household size	4.54	4.67
4	Average annual income earned by the household (in thousand)	230	249
5	Average land owned by the household (decimal)	27.07	52.73
6	Annual average food expenditure	109779.5	112755.1
7	Average earning member of the household	1.71	1.68
8	% of HH head have multiple earning source	34.15	41.26
9	% of HH head's primary occupation is wage earning	14.63	13.59
10	% of HH have electricity access	100	98.54
11	% of HH use sanitary latrine	73.17	91.26
12	% of HH have safe drinking water access	95.12	97.57

Source: InM, CRFS regional financial access survey, 2023

4.2.5 Determinants of access to credit

This section presents the results of the Probit regression analysis, which identify several socioeconomic and demographic factors that influence household access to credit from various sources, including formal institutions, microfinance institutions (MFIs), and informal lenders (see Table 4.11).

Table 4.11 presents the Probit regression estimates examining the determinants of access to credit across four categories: overall access to credit, access to formal credit, access to MFI credit, and access to informal credit. The coefficients indicate the marginal effects of various household and individual characteristics on the probability of accessing each type of credit, with statistical significance denoted at the 1%, 5%, and 10% levels.

The age of the household head (HH) is positively and significantly associated with access to overall credit and MFI credit, but not with formal or informal credit. However, the negative and significant coefficients for the squared age term in these cases suggest a non-linear relationship, indicating diminishing marginal effects as age increases. Gender also plays a significant role: male-headed households are more likely to access credit in general, particularly from MFIs, although the effect is not statistically significant for formal or informal credit specifically.

Education appears to influence formal credit access positively; each additional year of schooling significantly increases the likelihood of obtaining formal credit. In contrast, education has no significant effect on access to MFI or informal credit. Notably, the number of educated household members significantly enhances access to total credit and MFI credit, suggesting broader human capital within the household facilitates credit access.

Occupational status of the household head has mixed effects. None of the occupational categories show a significant influence on overall or informal credit access. However, being in self-employment or service is positively associated with formal credit access. Access to electricity is a strong positive determinant of overall and MFI credit access, indicating infrastructure development may play a facilitating role in financial inclusion.

Asset ownership is another key factor. Households with livestock are significantly more likely to access all types of credit, particularly formal and MFI credit. Ownership of transport assets significantly increases the probability of obtaining overall credit, though its influence on other credit forms is statistically insignificant. Mobile phone ownership, while associated with a large positive coefficient for overall and MFI credit, lacks statistical significance.

Proximity to financial infrastructure displays notable effects. Distance from the nearest bank branch is negatively and significantly associated with formal credit access, affirming the importance of physical access to financial institutions. Conversely, greater distance to bank and MFI branches positively affects overall and MFI credit access respectively, which may reflect informal substitutability or outreach efforts by MFIs in remote areas. The distance to paved roads is negatively associated with overall and MFI credit access but positively and significantly linked to informal credit, highlighting that infrastructural isolation may push households toward informal sources.

Overall, the findings underscore the multifaceted nature of credit access, shaped by demographic, educational, occupational, infrastructural, and asset-related factors. They also highlight important distinctions in the determinants of formal, informal, and MFI credit, pointing to the need for differentiated policy interventions to promote inclusive financial access.

Table 4.10: Probit estimates of the determinants of access to credit

	Access to credit	Access to formal credit	Access to MFI credit	Access to informal credit
	Coefficient.	Coefficient.	Coefficient.	Coefficient.
Age of household head (HH)	0.0544225**	-0.0297913	0.0640134**	0.0117993
Square of HH head's age	-0.0006843**	0.000475	-0.0008237***	-0.0001902
Gender of head : Male=1, Female=0	0.5787412***	0.4516837	0.5098629***	0.0383097
Years of schooling of the HH head	0.0044037	0.0610264**	0.00006	0.0447346**
Occupation of HH Head: day labour/wage earner=1	-0.0872861	-0.0560973	0.2156933	-0.0034282
Occupation of HH Head: self-employment=1	-0.1497922	0.2017768	0.1841121	-0.1250786
Occupation of HH Head: Service=1	-0.3807867	0.5119417	-0.2258358	-0.2571329
Access to electricity: Yes=1, No=0	0.572918*	0	0.5688783*	0.0873457
HH has livestock: Yes=1, No=0	0.4728569***	0.5899549**	0.4022653***	0.2554913*
HH has transport: Yes=1, No=0	0.3301359***	0.2665193	0.2661204	0.1846513
Have mobile phone: Yes=1, No=0	0.6688998	0	0.5447173	-0.3666946
Dependency ratio	-0.0003983	0.0008323	-0.0005353	-0.0008471
Number of educated member	0.1462473***	0.1035093	0.1232692***	-0.0462205
HH head is migrated member: Yes=1, No=0	-0.0039149	0.1926537	-0.0339957	0.3389669
Distance from nearby bank branch	0.0552779**	-0.1005528*	0.1093092***	0.1999458***
Distance from nearby MFI branch	-0.0431611	0.0643931	-0.045148	-0.147198***
Distance from nearby paved road	-0.1379054***	0.0119557	-0.1211258***	0.0805234**
Constant	-3.27878***	-2.955736**	-3.857077***	-0.8735275

Note : .01 - ***; .05 - **; .1 - *

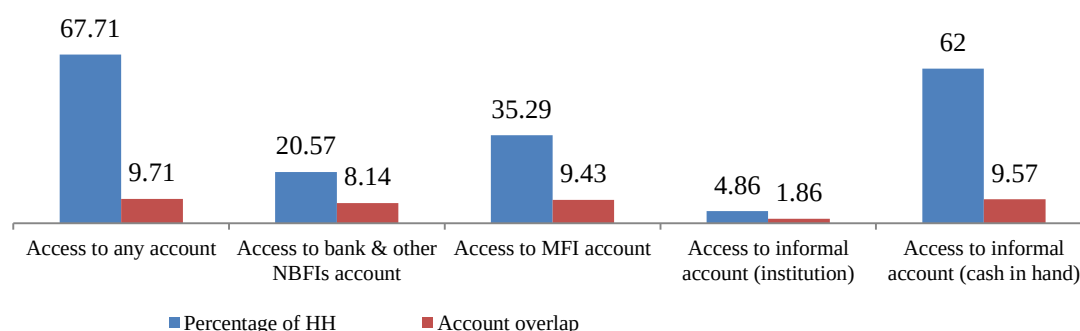
4.3 Access to savings/deposits

Deposit or savings accounts are a vital financial service, as they play a key role in mitigating risks and uncertainties. Households and individuals maintain savings accounts for a variety of reasons, including preparing for anticipated or unexpected emergencies and accumulating assets. Savings can be held in several forms, such as cash on hand, deposit accounts with different institutions, or fixed deposits. Common indicators for measuring the use of banking services include the number of deposit accounts and the number of credit accounts held.

Access to savings or deposit services is defined as having at least one household member with an account at a bank, microfinance institution (MFI), or informal savings group. Survey data (cross-sectional) indicate that in 2022, approximately 68 per cent of households had access to some form of savings, whether through banks, MFIs, or informal channels (Figure 4.2). Around 21 per cent of households had savings accounts with banks or non-bank financial institutions (NBFIs), with roughly 8 per cent holding multiple accounts across different institutions.

Among formal financial services, access to MFI savings accounts was the highest, with about 35 per cent of households having such accounts, and nearly 9.43 per cent of these households holding an additional account in another market, showing a similar trend of overlap as observed in the banking sector. By contrast, around 5 per cent of households participated in informal savings schemes, such as Rotating Savings and Credit Associations (ROSCAs), with fewer than 2 per cent overlapping with other markets. Additionally, approximately 62 per cent of households reported holding cash on hand, of which over 9 per cent also had savings in other markets.

Figure 4.2: Percentage of households have access to savings in 2022



Source: InM, CRFS regional financial access survey, 2023

The following table (Table 4.12) shows access to account services of different markets at regional level from cross-sectional data (2023 survey). Access to any kind of savings (considering cash in hand) is above 75 per cent in Netrokona, Jamalpur, Kishoreganj and Moulvibazar districts. Households accessing bank savings accounts is highest in Moulvibazar and Kishoreganj districts. It is observed that highest percentage of microfinance savings is in Netrokona and Moulvibazar districts and lowest access can be seen in Bandarban district. In general savings in informal institutions are absent in Lalmonirhat, Moulvibazar and Sunamganj districts. In Bandarban and Kishoreganj districts savings in informal institutions in terms of access consist of 3 per cent of household with savings in informal market. In Jamalpur and Netrokona districts informal savings is highest.

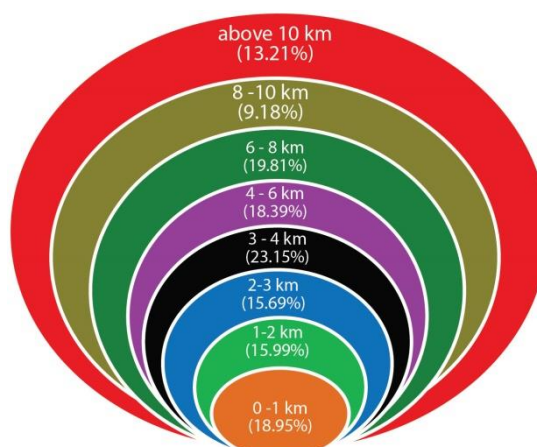
Table 4.11: Access to different savings markets by districts (%)

Districts	Access to Any Savings	Access to Formal Savings (bank & NBFIs)	Access to Savings in MFIs	Access to Informal Savings		No Access to Any Savings
				Informal institutions	Cash in hand	
Bandarban	41	21	10	3	33	59
Kishoreganj	87	32	33	3	83	13
Jamalpur	88	19	26	18	88	12
Netrokona	100	8	62	10	99	0
Lalmonirhat	46	7	37	0	26	54
Moulvibazar	76	45	54	0	76	24
Sunamganj	36	12	25	0	29	64
Total	67.71	20.57	35.29	4.86	62	32.29

Source: InM, CRFS regional financial access survey, 2023

The relationship between the proximity of financial institutions and the intensity of access to savings is illustrated in the figure below. It reveals a clear pattern: as the distance from the nearest bank increases, the intensity of access to savings decreases. This trend is particularly pronounced in rural areas, where the likelihood of opening and managing a bank account diminishes as the distance grows. For instance, when the nearest bank is located between 8 to 10 kilometers away, the intensity of access to savings drops to just 9.18 per cent, and it further declines to only 13 per cent when the distance exceeds 10 kilometers. In contrast, urban areas benefit from a higher density of bank branches, providing households with multiple options within their neighborhood or nearby, thus maintaining a higher intensity of access to savings.

Figure 4.3: Intensity of access to bank savings by distance from nearest bank



Source: InM, CRFS regional financial access survey, 2023

4.3.1 Who has access to deposits?

It has been observed that households tend to have greater access to savings in microfinance institutions than in traditional banks, with savings in informal institutions remaining at minimal levels. However, access to various savings markets is influenced by several household characteristics, including occupation, education, and income. These characteristics and their correlation with access to different savings markets are detailed in the following table.

Households headed by day labourers, for example, are less likely to have bank savings accounts. Although approximately 42 per cent of these households have savings in some form, only 9 per cent have accounts in banks. This low rate of bank savings could be attributed to the limited outreach of banks and the complex paperwork required to open an account. In contrast, microfinance institutions (MFIs) have provided more accessible and convenient savings options, with around 27 per cent of households headed by day labourers saving with MFIs. On the other hand, households led by self-employed earners have higher access to savings in formal markets, with 21 per cent saving in banks and 38 per cent in MFIs. These households also show a strong tendency to save with informal associations, likely as a strategy to mitigate risks from potential business shocks.

For households with heads in service or professional roles, access to savings is even more prevalent. Around 84 per cent of these households have access to savings in some market, with 49 per cent saving in banks and 24 per cent with MFIs. This is likely due to the reliance on banking services for salary deposits and other payment transactions.

Education level of the household head also appears to play a significant role in access to different savings sectors. There is a clear positive correlation between education level and access to savings markets. For instance, only about 15 per cent of households with an illiterate head have a bank savings or current account, but this percentage increases markedly as the head's education level rises. Access to bank savings reaches 53 per cent for households where the head has completed ten years of education (S.S.C.) and exceeds 53 per cent for those with more than twelve years of education. This trend is not surprising given that opening a bank account typically requires more documentation and financial literacy. Interestingly, access to savings in MFIs is highest among households with heads who have less than primary education.

Income level is another key factor influencing savings behavior. As household income increases, so does the tendency to save. This is reflected in the table 4.13, where access to savings services rises

from over 36 per cent in the lowest income quintile to 82 per cent in the highest quintile. A similar trend is observed with bank savings, although the coverage is lower than the overall access rate. Only about 9 per cent of households in the lowest quintile have access to bank savings, compared to over 39 per cent in the highest quintile. However, the pattern is different when it comes to microfinance savings. Initially, access to MFIs increases with rising income levels up to the third quintile, but then it starts to decline. This is expected, as MFIs primarily target poorer households.

Table 4.12: Characteristics of households having access to savings/deposits

Characteristics	Access to savings in any market	Access to Formal Savings	Access to Microfinance Savings	Access to informal Savings (including cash in hand)
Occupation of Household Head (%)				
Wage earning	41.73	9.45	26.77	35.43
Self-Employment	73.08	21.35	38.27	67.31
Service/Professional	83.78	48.65	24.32	78.38
Education of HH head (%)				
Illiterate	57.55	14.69	25.31	56.33
Up to 5	69.86	17.81	42.47	64.04
Up to 9	76.77	28.28	37.37	66.67
S.S.C	78.57	40.48	42.86	61.9
H.S.C	71.43	42.86	28.57	57.14
Above H.S.C	100	53.33	26.67	86.67
Income Quintile (%)				
Lowest	36.17	9.22	19.86	34.04
Second	65.71	12.86	37.86	60
Third	76.98	17.99	45.32	70.5
Fourth	77.86	23.57	42.86	73.57
Highest	82.14	39.29	30.71	72.14

Source: InM, CRFS regional financial access survey, 2023

4.4 Access to insurance

In Bangladesh, households frequently face a variety of adverse shocks, which can generally be classified into two types: idiosyncratic shocks, such as the illness or death of the household head, and covariate shocks, such as property damage resulting from floods or other disasters. Ideally, households would be better able to cope with these challenges if they had access to formal insurance mechanisms. However, the formal insurance sector in Bangladesh remains underdeveloped, and many poor households rely on informal insurance methods to manage such risks. These often involve borrowing from friends or moneylenders, or selling productive assets such as livestock, cultivable land, and other property. In these circumstances, poor households are frequently forced to reduce consumption, jeopardising their food and nutrition security and limiting their ability to enhance social and economic well-being. Formal insurance can serve as an effective tool for managing and recovering from such losses.

Most households perceive insurance primarily as a savings product, and therefore report that their main expectation is to save more or earn higher returns. Few households focus on benefits that could reduce their future vulnerability or improve their livelihoods. A significant barrier to accessing insurance is a lack of awareness about the range of insurance products available.

In Bangladesh, life and other types of insurance are generally provided by non-bank financial institutions, although banks also offer various insurance products, sometimes tied to other services like credit cards or savings schemes. According to the present study, overall, access to life insurance is extremely limited across the selected districts, with only 1.57% of respondents reporting any access, while an overwhelming 98.43% remain uninsured (Table 4.14).. Moulvibazar shows the highest level

of access to life insurance at 8%, followed by Kishoreganj (2%) and Bandarban (1%), indicating modest but still marginal penetration. In contrast, Jamalpur, Netrokona, Lalmonirhat, and Sunamganj report zero access to life insurance, reflecting complete exclusion from insurance services in these areas. The findings highlight pronounced geographic disparities and an overall lack of insurance outreach, underscoring structural barriers to financial inclusion and the need for targeted policy interventions to expand insurance awareness, affordability, and accessibility at the district level.

Table 4.15 illustrates varying levels of awareness of different types of insurance among respondents, indicating uneven knowledge across insurance categories. Awareness is highest for life insurance (64.57%), suggesting that it is the most familiar and widely recognized form of insurance. In contrast, awareness of other insurance products remains relatively low, particularly for crop insurance (2.57%), poultry insurance (5.71%), livestock insurance (6%), fisheries insurance (6.14%), and asset insurance (7%), reflecting limited dissemination of information on sector-specific risk coverage. Moderate levels of awareness are observed for health insurance (24.29%), loan insurance (16.14%), accident insurance (15.57%), and business insurance (12.43%), though these figures remain insufficient given their relevance to household and enterprise risk management. Overall, the results point to a significant knowledge gap beyond life insurance, highlighting the need for targeted awareness campaigns and financial literacy programs to promote diversified insurance uptake, especially in agriculture- and livelihood-dependent contexts.

Table 4.13: Access to different insurances by districts (%)

Districts	Access to life insurance	No access to insurance
Bandarban	1	99
Kishoreganj	2	98
Jamalpur	0	100
Netrokona	0	100
Lalmonirhat	0	100
Moulvibazar	8	92
Sunamganj	0	100
Total	1.57	98.43

Source: InM, CRFS regional financial access survey, 2023

Table 4.14: Access and knowledge/ awareness of insurance (%)

Category of Insurance	Insurance awareness
Life insurance	64.57
Accident insurance	15.57
Health insurance	24.29
Asset insurance	7
Crop insurance	2.57
Business insurance	12.43
Loan insurance	16.14
Livestock insurance	6
Poultry insurance	5.71
Fisheries insurance	6.14

Source: InM, CRFS regional financial access survey, 2023

4.5 Access to mobile banking

Mobile financial services (MFS) were introduced in Bangladesh in 2011. Dutch Bangla Bank Limited (DBBL) launched its MFS in March 2011, followed by BRAC Bank Limited, which established a subsidiary called 'bKash' in July 2011. The goal was to provide banking services at the household level and in unbanked areas through a range of innovative products. Today, 10 banks and 3 subsidiary companies offer MFS as an alternative payment channel.

MFS has been growing rapidly in Bangladesh. According to the latest data from the Bangladesh Bank, the number of registered mobile money accounts increased to 231.03 million in June 2024 compared to 217.7 million in October 2023. Total number of MFS users (including Merchant) was 232.42 million in June 2024. Most users of mobile banking services primarily use them for fund transfers and security purposes. A significant portion of the population also uses these services for remittances and safeguarding their money. In rural areas, the primary use of mobile banking is to receive remittances, while in urban areas, payment services are the main reason for using MFS.

The table below (Table 4.16) highlights the intensity of access to financial services and the role of mobile banking among the surveyed households. First, 92 per cent of households have access to mobile financial services, either through their own mobile accounts or by using others' accounts. Second, the intensity of MFS usage varies by district, with higher access observed in Moulvibazar, Bandarban, Kishoreganj, Netrokona, and Lalmonirhat compared to Sunamganj and Jamalpur. It is expected that districts with a higher percentage of migrant workers would experience a greater inflow of remittances. Lastly, regardless of whether they have their own account, a large percentage of households use agents' or others' accounts for financial transactions.

Table 4.15: Intensity of access to mobile banking in Bangladesh (%)

	Access to mobile banking services	Have own mobile banking Account	Active mobile banking account	Using mobile banking through others account with having own account	Using mobile banking through others account without having own account
Aggregate	91.86	87	84.43	64.14	6.86
Districts					
Bandarban	97	82	81	81	15
Kishoreganj	98	95	92	42	4
Jamalpur	85	73	73	67	12
Netrokona	97	94	94	79	3
Lalmonirhat	89	92	87	67	1
Moulvibazar	99	93	92	84	7
Sunamganj	78	80	72	29	6

Source: InM, CRFS regional financial access survey, 2023

Table 4.16: Individual level access to mobile banking (%)

Districts	Individuals have mobile banking account	
	(Age ≥ 18)	Total
Bandarban	62.04	40.98
Kishoreganj	66.67	41.75
Jamalpur	30.66	21.15
Netrokona	51.06	30.23
Lalmonirhat	51.52	35.17
Moulvibazar	38.61	25.63
Sunamganj	30.79	18.30
Aggregate	46.49	29.87

Source: InM, CRFS regional financial access survey, 2023

Transection through mobile banking: The number of mobile banking customer has increased gradually over the years in Bangladesh. Table 4.18 provides a snapshot of mobile banking transaction flows, revealing significant regional and urban-rural differences. The data suggests that while urban areas generally see higher transaction volumes, rural areas also play a crucial role, especially as net receivers in mobile banking transactions.

In most districts, urban areas have higher average inflows and outflows compared to rural areas, indicating more active mobile banking usage in urban settings. However, rural areas in some districts like Jamalpur and Sunamganj show significant inflows, sometimes even higher than in urban areas. The net flow varies significantly between districts, reflecting differing economic activities and usage patterns of mobile banking services. For instance, Sunamganj has a very high positive net flow in both urban and rural areas, indicating that it's a net receiver of funds through mobile banking, which could suggest remittances or business transactions. Some districts show a more balanced inflow and outflow (e.g., Netrokona), while others, like Lalmonirhat in rural areas, have a negative net flow, possibly indicating higher economic outflows or lower inflows. The differences could be due to various factors such as economic activity, population density, remittance inflows, or the adoption level of mobile banking technology.

When aggregated, urban areas generally have higher inflows and outflows, reflecting more active mobile banking usage, while rural areas. The average net flow is positive in both urban and rural areas, but with a slightly higher net flow in rural areas (9,348.7) compared to urban areas (8,492.8). This suggests that rural areas, in aggregate, are net receivers in mobile banking transactions, potentially due to remittances from urban to rural family members.

Table 4.17: Flow of mobile banking transaction by area and districts

Districts	Urban area			Rural area		
	Average inflow	Average outflow	Average net flow (inflow-outflow)	Average inflow	Average outflow	Average net flow (inflow-outflow)
Bandarban	6185.4	3465.9	2719.5	8229.9	4670.1	3559.8
Kishoreganj	12510.5	6207.4	6303.2	6573.6	3865.3	2708.3
Jamalpur	8344.5	6000	2344.5	16269.2	1231	15038.2
Netrokona	7540.7	3133.7	4407	5733	5329.5	403.4
Lalmonirhat	19101.3	10130.5	8970.9	7074.3	7414.1	-339.8
Moulvibazar	20066.7	6132.2	13934.5	9983.9	2316.4	7667.5
Sunamganj	43803.6	8571.4	35232.1	44733	2554.7	42178.3
Aggregate	14338.2	5845.4	8492.8	13367.9	4019.2	9348.7

Source: InM, CRFS regional financial access survey, 2023

4.6 Access to agent banking

Agent banking holds significant potential, but the effectiveness of agents in delivering services is crucial. In Bangladesh, Bank Asia Limited (BAL) pioneered agent banking, yet the market is now predominantly led by Dutch Bangla Bank Limited (DBBL). Most districts across the country are now covered by agent banking services, based on the distribution of agents appointed by various banks. Agent banking services bring comprehensive banking facilities directly to the doorsteps of unbanked individuals. Through agent banking, the formal banking sector aims to reach marginalised communities by employing local agents who provide a range of banking services. This initiative strives to ensure that marginalised populations, particularly in remote areas, have access to various financial services through these local agents.

However, banks have not yet begun offering credit operations through these agents. While agent banking is a viable channel, existing products may not be well-suited; therefore, specially tailored products are essential for the success of agent banking.

In this sample survey, just over 1 per cent of households utilise agent banking services, although around 15 per cent are aware of them (Table 4.19). It is well known that the adoption of technology comes with challenges and difficulties. A lack of customer awareness and security concerns are significant barriers to the expansion of technology-based banking. To ensure the smooth operation and growth of technology-driven financial inclusion initiatives, several issues must be addressed. Customer illiteracy, inadequate training, insufficient marketing, and a lack of help desk support are notable challenges for agent banking. Furthermore, channeling existing products through agent banking services will require the development of appropriate financial products tailored to the specific needs of the demand side.

Table 4.18: Access and knowledge about agent banking (%)

Districts	Have Agent Banking Account	Know about Agent Banking Account
Bandarban	1	12
Kishoreganj	5	27
Jamalpur	0	7
Netrokona	0	18
Lalmonirhat	2	13
Moulvibazar	2	24
Sunamganj	0	3
Aggregate	1.43	14.9

Source: InM, CRFS regional financial access survey, 2023

4.7 Ten taka account

The Bangladesh Bank has launched several initiatives to promote financial inclusion, one of which is the Ten Taka account, designed to provide no-frills banking access to unbanked farmers. Introduced in 2010, this special account allows farmers to open deposit accounts with any government-owned commercial or specialised bank. The process requires minimal documentation i.e., either a national ID card, birth certificate, or an agricultural assistance card issued by the Department of Agriculture Extension is sufficient. As its name suggests, the account can be opened with a nominal initial deposit of BDT 10, with no obligation to maintain a minimum balance and no extra fees or charges. Notably, KYC forms are optional for opening these accounts.

The Ten Taka account is not limited to farmers alone. Individuals living in extreme poverty can also open such accounts with a BDT 10 deposit, requiring only a national ID and a registration card issued by the Ministry of Food and Disaster Management. Additionally, beneficiaries of the Social Security Programme can open similar accounts with no fees or minimum balance requirements, using either a national ID or a Payment Receipt Book containing a Pension Payment Order (PPO). Beneficiaries under the Hindu Religious Welfare Trust and disaster-affected individuals are also eligible to open Ten Taka accounts at designated banks.

The primary goal of this initiative is to enable the Ministry of Agriculture to directly deposit subsidies for fertiliser, electricity, and diesel into farmers' bank accounts. This approach aims to lower administrative costs, expedite subsidy disbursement, and eliminate corruption and leakages associated with such transactions. Beyond the initial objective, the Ten Taka account has successfully brought unbanked farmers into the formal banking system. Bangladesh Bank has been working to strengthen its regulatory and monitoring processes to encourage farmers to use these accounts for more than just withdrawing subsidies. They are being encouraged to utilise other banking services, such as savings

deposits, remittance collections, and agricultural loans. This shift would allow farmers to access loans from banks instead of relying on rural moneylenders who often charge exorbitant interest rates.

The implementation of this programme has been entrusted to four state-owned commercial banks and two specialised agricultural banks. To raise awareness about the Ten Taka account, basic information is provided to farmers by agricultural extension officers at the Upazila level, and bank employees conduct door-to-door outreach.

However, the reach of the Ten Taka account remains limited. Currently, only 1 per cent of households have access to these accounts (Table 4.20). The district of Lalmonirhat leads with 6 per cent of households holding such accounts, followed by Sunamganj, while other sampled districts report zero access. Given that rural Bangladesh is predominantly agrarian, one would expect a higher adoption rate in these areas. Although the Ten Taka account is a commendable initiative for farmers and unbanked households, its overall coverage is still insufficient. It is crucial to assess whether awareness of the Ten Taka account and its implementation are effectively reaching the intended beneficiaries.

The qualitative survey revealed that the main reason for not depositing savings in a 10 Tk. account is that these accounts may have been opened solely to access government subsidies or facilities, with account holders often lacking knowledge about banking and leaving their accounts inactive (Appendix D, Table 12). Other reasons include the convenience and accessibility of alternative financial institutions (e.g., MFIs) and the distant location of the bank.

Table 4.19: Percentage of households with access to Ten-Taka accounts by district

Districts	Access to Ten taka account
Bandarban	0
Kishoreganj	0
Jamalpur	0
Netrokona	0
Lalmonirhat	6
Moulvibazar	0
Sunamganj	1
Aggregate	1

Source: InM, CRFS regional financial access survey, 2023

4.8 Debit and credit card

Cards are payment instruments that allow users to conduct various transactions, such as withdrawing money, paying for services, and transferring funds, without the need to visit a bank. Debit and credit cards are key instruments of E-Banking. These cards simplify transactions and reduce security risks, as people no longer need to carry large amounts of cash. Although the use of debit and credit cards is not yet widespread, it is gradually increasing.

The automation of banking processes lowers transaction costs, enables 24-hour service, enhances security, and reduces the risk of fraud. This shift not only benefits customers, who can save time and manage their accounts more easily, but also banks, which can reduce operating costs and deliver services more efficiently.

Currently, less than one per cent of households use debit cards, with significant regional variations. Jamalpur leads in debit card usage, with around 4 per cent of households, followed by Lalmonirhat and Sunamganj districts. The remaining districts have no debit card users (Table 4.21).

In the case of credit cards, less than 2 per cent of households use them. Jamalpur once again tops the list, with nearly 7 per cent of households using credit cards, followed by Bandarban and Maulvibazar.

Among the surveyed households, no credit card users were found in Kishoregonj, Netrokona, Lalmonirhat, and Sunamganj.

Table 4.20: Intensity of debit or credit card services (%)

Districts	Debit card	Credit card
Bandarban	0	4
Kishoregonj	0	0
Jamalpur	4	7
Netrokona	0	0
Lalmonirhat	1	0
Maulvibazar	0	1
Sunamganj	1	0
Total	0.86	1.71

Source: InM, CRFS regional financial access survey, 2023

Traditional banking can be time-consuming and costly, particularly when it requires physically going to a bank for simple tasks like depositing or withdrawing small amounts of money. The advent of electronic banking (E-Banking) has dramatically reduced the time and costs involved in banking. E-Banking enables customers to transfer funds, check account balances, view transaction histories, and access a full range of financial services from the comfort of their homes. Consequently, E-Banking is gaining popularity and gradually replacing traditional banking methods worldwide.

4.9 Barriers to access financial services

Various factors contribute to the barriers faced by households and enterprises in Bangladesh when accessing formal and semi-formal financial services. These barriers can be categorised into demand-side factors, supply-side factors, and regulatory barriers. This study primarily focuses on demand-side factors contributing to financial exclusion. Supply-side factors—such as institutional constraints—that contribute to financial exclusion have been thoroughly analysed in a separate report produced as part of this study (InM-CRFS Background Report No. 2024-04: *Supply Side Analysis on Comprehensive Rural Finance*).

Key demand-side factors include low household income, irregular income patterns, lack of financial literacy, and lack of confidence. Income is a critical determinant of the demand for financial services. Low income prevents individuals from opening accounts with formal financial institutions and hinders their ability to save or borrow. Similarly, irregular income discourages people from committing to financial transactions that require regular payments, such as loans with fixed installment schedules. Additionally, a lack of financial literacy is a significant factor contributing to financial exclusion.

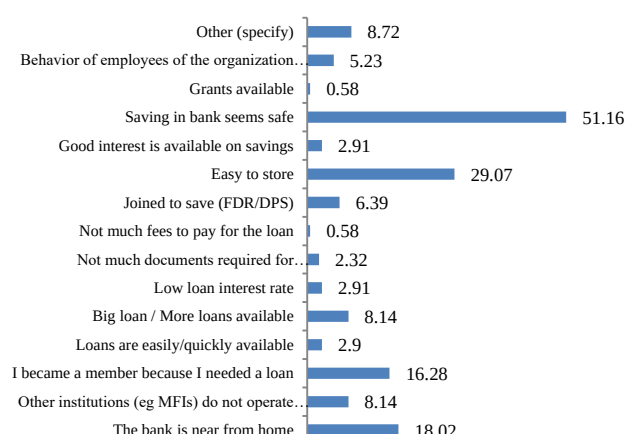
Reasons for not opening bank account

Several reasons prevent households from opening bank accounts. The most significant reasons include a perceived lack of need for an account, the requirement of a large deposit to open one, and excessive paperwork (Figure 4.4). Additionally, the distance of the bank from home and unhelpful behavior from bank officials are also notable obstacles. While less influential, high loan interest rates and the need for collateral also play a role in discouraging people from opening bank accounts. However, the majority of respondents who have opened a bank account did so primarily for safety reasons. Other reasons mentioned include the convenience of storing money, the proximity of the bank to their home, and the need to obtain a loan.

Figure 4.4: Reasons for not opening bank account



Figure 4.5: Reasons for opening bank account



Source: InM, CRFS regional financial access survey, 2023

Additionally, area wise reason for not opening bank account is shown in Table 4.22. The table summarises the reasons for not opening a bank account across seven districts in Bangladesh (Bandarban, Kishoreganj, Jamalpur, Netrokona, Lalmonirhat, Moulvibazar, and Sunamganj). The most common reason cited is having "no need to open an account" (72.7 per cent), especially in Netrokona (100 per cent) and Sunamganj (98.6 per cent). Other significant barriers include high initial deposit requirements (23.5 per cent), particularly in Moulvibazar (57.6 per cent), and excessive rules or documentation (17.6 per cent), most notably in Lalmonirhat (40.5 per cent). Geographic challenges, like the bank being far away, are a major issue in Kishoreganj (30.9 per cent), while poor employee behavior is highlighted in Jamalpur (25.9 per cent) and Lalmonirhat (21.5 per cent).

Table 4.21: Reasons for not opening bank account by districts (%)

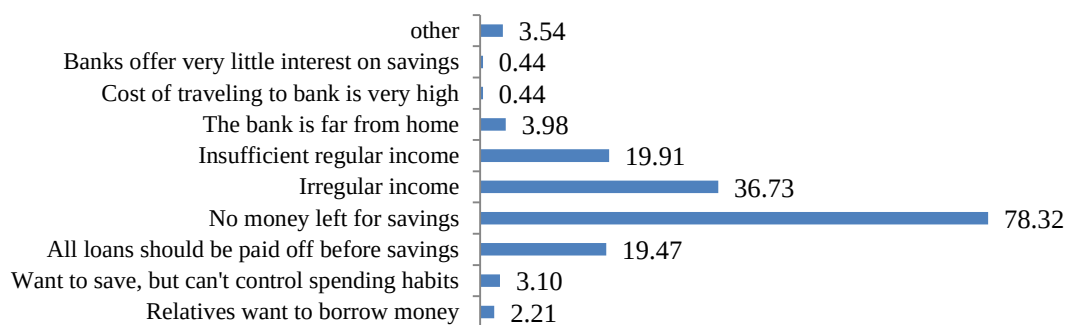
Types of barriers	Bandarban	Kishoreganj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	Total
The bank is far from home / no bank in this area	3.7	30.9	4.9	1.3	3.8	10.6	2.7	7.8
No need to open the account	86.4	75.0	49.4	100	51.9	45.5	98.6	72.7
High loan interest rate	3.7	1.5	16.1	0	6.3	0.0	0	4.2
Not enough credit available	13.6	0	1.2	0	5.1	0.0	0	3.0
Too many rules/ documents needed to open bank account	7.4	20.6	37.0	2.5	40.5	13.6	0	17.6
A lot of money has to be deposited to open bank account	7.4	8.8	23.5	38.8	30.4	57.6	0	23.5
Behavior of the employees of the organisation is not good	0	0	25.9	0	21.5	0.0	0	7.2
Have to keep collateral for the loan, so I didn't open account	1.2	2.9	6.2	0	3.8	3.0	0	2.5
Others	0	0	3.7	0	0	9.1	0	1.7

Source: InM, CRFS regional financial access survey, 2023

4.9.1 Barriers to accessing savings in financial institutions

It is evident from the study is that approximately 21 per cent of households have savings in banks or non-bank financial institutions (NBFIs), while 35 per cent have savings in microfinance institutions (MFIs). Therefore, a significant number of households lack any form of institutional savings. Around 78 per cent of households reported insufficient income to save, and 37 per cent cited irregular income as a challenge (Figure 4.6). Additional barriers to institutional savings include the requirement to repay all loans before saving and the distance of financial institutions from their homes.

Figure 4.6: Obstacles towards saving in financial institutions (%)



Source: InM, CRFS regional financial access survey, 2023

4.9.2 Barriers to accessing financial services through mobile banking

Currently, the fastest-growing financial service is mobile financial services (MFS). About 92 per cent of households reported using mobile banking, leaving only 8 per cent without access to these services. Among them 87 per cent households have own mobile bank account. Approximately 70 per cent of households use MFS primarily for sending or receiving money. Other common uses include mobile recharge and sending money to family members (Figure 4.8).

Households that have not used MFS cited a lack of knowledge about the service and a lack of expertise in using mobile devices as key reasons (Figure 4.7). For a significant portion of households, the absence of a need for money transfers is a logical reason for not having an MFS account. Other contributing factors include high transaction costs, difficulties in completing transactions, access to alternative money transfer methods and concerns about transaction security.

Figure 4.7: Reasons for not opening mobile bank account (%)

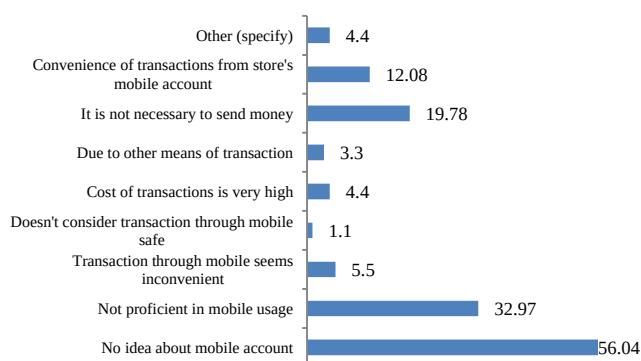
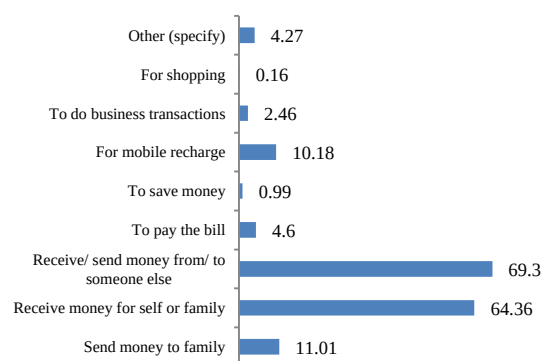


Figure 4.8: Reasons for opening mobile bank account (%)



Source: InM, CRFS regional financial access survey, 2023

4.9.3 Barriers to accessing financial services through agent banking

Only a small fraction of households, about 1 per cent, have access to agent banking services. Respondents identified several reasons for not utilising these services. Approximately 71 per cent of households reported being unaware of agent banking, while around 18 per cent indicated they prefer other methods of transactions. Additional reasons for not using agent banking include a lack of need for transactions, inconvenience, and concerns about security.

Figure 4.9: Reasons for not opening agent bank account

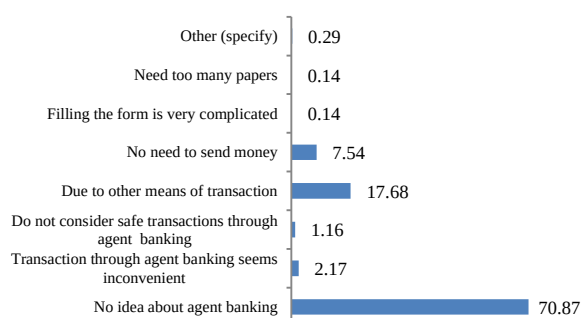
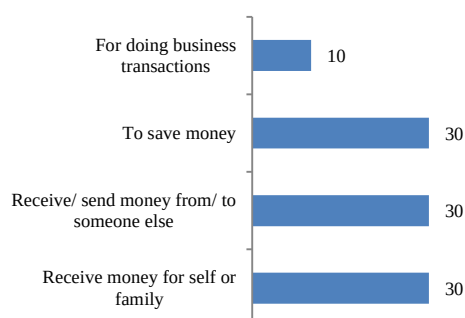


Figure 4.10: Reasons for opening agent bank account



Source: InM, CRFS regional financial access survey, 2023

4.10 Who has access to financial services?

Our study shows that around 95 per cent of households have access to some form of financial services in formal markets, and 76 per cent of households have access in informal markets. However, without access to Mobile Financial Services (MFS) and insurance, the percentage of households with access to formal financial services drops to 60 per cent. Specifically, 21 per cent of households have access to financial services through banks, while 43 per cent access them through microfinance institutions.

We sought to determine who does or does not have access to financial services. To explore this, we analyzed households based on three key characteristics: occupation, education, and income. The findings, detailed in the table below (Table 4.23), provide important insights into the characteristics of households either excluded from financial markets or having varying degrees of access to different markets.

Significant Findings on Household Characteristics are:

- Occupation:** More than half of the households headed by salaried employees have access to banks or non-bank financial institutions. For self-employed households, this figure is 22 per cent. Only 4.72 per cent of households headed by day labourers have access to these formal financial services.
- Education and Income:** Households with heads who have higher education and those in higher income quintiles are more likely to have access to formal financial services. In contrast, less educated and lower-income households are more likely to access microfinance services.
- Mobile Financial Services:** Regardless of education or income levels, over 80 per cent of households have access to mobile financial services, indicating their widespread reach.

- (d) Geographical Accessibility: The average distance to the nearest banks and microfinance institutions is greater for households excluded from financial markets compared to those included.
- (e) Market Access Hierarchy: Households have the most access to mobile financial services and informal finance. Following these, microfinance markets are the next most accessible. Formal financial services from banks or non-bank financial institutions are the most restricted for these rural households.
- (f) Among female-headed households, 63 per cent lack access to any bank or non-bank financial services, and over 8 per cent have no access to any market. Additionally, among households headed by a widow or widower, 74 per cent have no access to any bank or non-bank financial services, and over 11 per cent have no access to any market (Appendix B).

Our analysis highlights that access to financial services varies significantly among households. Factors such as occupation, education, income, and geographical proximity greatly influence who can access different types of financial markets (Table 4.23). While mobile financial services and informal finance are more accessible, formal financial services remain considerably restricted, particularly for less privileged and geographically isolated households. In summary, the analysis clearly indicates that formal and microfinance credit markets serve two distinct clientele groups. Generally, those with higher education levels are more likely to access formal credit markets, while households with stable incomes are less likely to participate in the microcredit market. Additionally, vulnerable groups, such as labour-headed households, are less likely to have access to either credit market.

Table 4.22: Characteristics of the households having access to any financial services (%)

Characteristics	Access to finance in Bank or non-bank FIs	Access to finance in microfinance institutions	Access to finance in other FIs (PSB/ Cooperatives etc.)	Access to finance in MFS	Access to informal finance	No access to finance in any formal market
Occupation:						
Service holder	51.35	32.43	10.19	100	83.78	0
Self-Employed	21.92	45.58	11.92	92.50	78.65	1.54
Day labour	4.72	33.86	11.81	88.19	62.99	3.94
Education:						
Illiterate	11.43	31.84	14.69	84.90	71.02	4.49
Up to 5	17.12	51.71	8.90	94.18	77.74	1.03
Up to 9	31.31	43.43	13.13	97.98	81.82	0
S.S.C	52.38	45.24	4.76	100	73.81	0
H.S.C	57.14	28.57	28.57	100	71.43	0
Above H.S.C	53.33	26.67	20.00	93.33	93.33	0
Income quintile						
Lowest	11.35	26.24	6.38	82.27	59.57	5.67
Second	9.29	50.00	9.29	90.71	75.00	1.43
Third	14.39	46.76	12.95	94.96	83.45	0.72
Fourth	25.00	50.00	14.29	94.29	80.71	2.14
Highest	42.14	39.29	15.71	97.14	81.43	0
Distance(km) from:						
Nearest road	0.71	0.68	0.45	0.86	0.75	0.67
Nearest Bank	4.36	4.66	3.64	4.46	4.52	7.04
Nearest MFI	4.02	3.76	3.43	3.80	3.64	8.55

Source: InM, CRFS regional financial access survey, 2023

4.11 Demand for financial products

4.11.1 Demand for credit

We also surveyed households about their institutional preferences for loans. It was noted that approximately 74 per cent of households expecting to need a loan in the coming year prefer to borrow from MFIs. It is not surprising that only 14 per cent of households would prefer to borrow from banks, which is very small compared to the demand for MFI loans. As mentioned earlier, one of the major characteristics of our sample is that it includes populations living in remote and climate-vulnerable areas where bank branches are scarce. Even when bank branches are available in these areas, low-income groups hesitate to apply for loans due to the complex system, extensive documentation requirements, and time delays.

Another important observation from the analysis is that only about 7 per cent of households intend to borrow from informal institutions, although earlier chapters reveal that 36 per cent of households have taken informal loans. This indicates that people have a demand for formal loans but are unable to obtain them due to either supply-side or demand-side constraints. It is also evident that loans under various government programmes, such as the Bangladesh Rural Development Board (BRDB) or 'Ektee Bari Ektee Khamar,' are in demand, with around 19 per cent of households expressing interest in these options. The results further show that loan demand from cooperatives and financial institutions accounts for 13 per cent of the total institutional loan demand. In the total sample, 22 per cent of households have demand for loans from multiple sources. Additionally, 73 per cent of households do not have any demand for loans in the future (Table 4.24).

Table 4.23: Institutional preference for loan (% of households) by districts

Institutional demand for loan	% of households							Total
	Bandarban	Kishoregonj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	
Microfinance institutions (MFIs)	36	88	31	100	90	94	33	74
Banks	18	3	38	0	6	4	50	14
Informal sector	36	3	7	6	0	6	17	7
Government programmes	18	59	29	0	6	4	0	19
Cooperatives and other financial institutions	0	3	50	0	0	4	0	13
Loan demand for more than one institution	9	53	40	6	3	12	0	22
No demand for loan	89	68	58	82	69	48	94	73

Source: InM, CRFS regional financial access survey, 2023

So far, we have examined the institutional preferences of households for loans. Now, the question is: why do they prefer one institution over another? Our analysis suggests that MFIs are popular among households due to the easy availability of loans, less complex procedures, and proximity to their homes. Approximately 47 per cent of households report that they prefer to borrow from MFIs because the loans are easily accessible, and 19 per cent state that the application process involves much less paperwork (Table 4.25). Additionally, around 32 per cent of households believe that they can obtain loans quickly from MFIs. Proximity is also an important factor; since MFIs are widespread in rural and geographically vulnerable areas, it is understandable that households in these areas prefer to borrow from them. About 19 per cent of households cite the closeness of the institution to their home as a reason for their preference.

In contrast, households prefer to borrow from banks for entirely different reasons, primarily due to the loan size and low-interest rates. Data show that around 23 per cent of households seeking bank loans believe their needs can be met by banks because they require larger loans. These groups are also financially aware, recognising that banks offer loans at lower interest rates. Approximately 39 per cent of households report that they prefer bank loans because of the lower interest rates. Furthermore, about 8 per cent of households think that banks charge very low fees for loans. Another important observation is that households who prefer banks also believe they can obtain loans easily and quickly from banks. This ease and speed of access are additional reasons for their preference for banks over other institutions.

Table 4.24: Reasons for choosing banks/MFIs (% of households) for taking loan

Reasons for choosing banks/MFIs for taking loan	% of households	
	MFIs	Banks
Institution is near to residence	19.02	3.85
Absence of other institutions	6.34	3.85
Can get loan easily	46.47	23.08
Can get loan quickly	31.69	11.54
Can get higher/bigger loan	22.53	23.08
Interest rate is low	26.06	38.46
Not much documents required for membership/loan	19.01	7.69
Reasonable fee for getting loan	1.41	7.69
Easy to save money	5.63	3.85
Can get aid/grant	0	3.85
The organisation works for the development of the area	0.7	3.85
Well behaved employees	12.68	0

Source: InM, CRFS regional financial access survey, 2023

Utilisation of future loan products

In addition to understanding the institutional demand for loans, it is important to examine the purposes for which loans are sought. It is observed that 80 per cent of the average loan demand is intended for income-generating activities. However, the use of loans for significant expenditures is not insignificant. When considering both food and non-food consumption, it is found that around 16 per cent of the average loan amount is demanded for consumption purposes.

Another notable observation is that approximately 65 per cent of household's demand loans for food purchases, although the average loan amount for this purpose is relatively low, at around Tk. 6,000 (Table 4.26). This suggests the need for policy considerations regarding loan products for consumption purposes. As the results indicate, the demand for loans for consumption is small in terms of the loan amount, so small loans for this purpose could help households maintain better sustenance.

The analysis also reveals that some respondents seek loans for repaying existing loans, although this represents a small percentage (around 2.3 per cent) of the average loan demand. After food, the major demand for loans is for housing purposes, with around 30 per cent of households wanting to invest in housing. Additionally, a significant percentage of households (around 24 per cent) want loans to invest in land. There is also substantial demand for loans for investment in livestock and agricultural implements (around 23 per cent and 13 per cent, respectively). This indicates that different households demand loans for various purposes. Loans for livestock and agriculture are prevalent in the market and gaining popularity.

A potential policy could be to introduce loan products for housing purposes, given the high demand in the market. However, the design of these products must be carefully considered to cater to excluded

and marginalised groups. The repayment period could be extended, and interest rates slightly increased compared to traditional loans offered to them.

Table 4.25: Intended use of future loan (% of households)

Intended use of future loan	% of households
Investment in agricultural implements	23.96
Investment in livestock	40.63
Investment in transports	3.13
Investment in business	8.33
Investment in shop	5.21
Investment in industry	2.60
Investment in land	1.56
Investment in housing	4.69
Nonfood purchase	10.42
Investment in financial assets	1.56
Repayment of existing loan	14.58
Others	3.13

Source: InM, CRFS regional financial access survey, 2023

Factors in future loan applications

It has been observed that many households are reluctant to open bank accounts or become members of MFIs due to complex rules and regulations, large deposit requirements, high interest rates, and the distance of financial institutions from their homes. The question now arises: do they hold the same beliefs regarding obtaining loans from banks?

In the survey interview, we asked respondents whether they would apply for a loan if they were guaranteed to receive it. It was found that around 70 per cent of households are not willing to apply for a loan even with such a guarantee (table 4.27). One obvious reason is that they do not need a loan. However, around 8 per cent believe they cannot repay the installments of a bank loan with their current income, and 5 per cent of households fear the risk of loan default. Additionally, 10 per cent of households think that banks offer loans at high interest rates, which they cannot afford.

These results indicate that households may hesitate to apply for loans from banks. Despite banks offering lower interest rates compared to MFIs and the informal market, there is a perception that people will not be able to keep up with the installments or that banks charge high interest rates. This suggests a need to build awareness about the interest rates offered by different institutions so that households can make informed decisions.

Table 4.26: Reasons for not taking loan despite good chances of access (% of households)

Reasons for not taking loan despite good chances of access	% of households
No need of loan	69.88
High interest rate	9.65
Inability to repay loan with current income	8.07
Prefer to work with own assets	3.74
Avoid risk with land or other assets	1.77
Afraid to take risk of default	4.72
Discouraged by strict Institutional rules with no flexibility	0.98
Institutional lenders do not offer refinancing	0.2
Religious prohibition of interest	0.39
Others	0.59

Source: InM, CRFS regional financial access survey, 2023

Desired features of loan products

We have discussed households' institutional preferences for loan demand and the reasons behind these preferences. It is equally important to consider the benefits they expect from a loan product. We asked the sample households about various features of loans, such as the desired time for receiving a loan after application, the preferred interest rate, the installment period for repayment, and their recommendations for an ideal loan product. The survey results are discussed below:

(i) Time lag for loan disbursement

Our analysis shows that around 92 per cent of households need a loan on an urgent basis, within seven days of applying (Table 4.28). Furthermore, 48 per cent of households prefer to receive the loan within a week. As mentioned earlier, our sample includes households that are geographically and socially excluded, and thus marginalised in many ways. When they encounter any shocks, they require urgent financial assistance to cope. Therefore, the timing of loan receipt is a crucial feature of the loan product. The analysis indicates that the majority of households want the loan to be disbursed in less than seven days. Additionally, about 5 per cent of households reported that they could wait up to 10 days for the loan disbursement after applying.

Table 4.27: Preferred days within which expect to receive loan after application

Number of days	% of households
Less than 7 days	48.13
1 week	43.85
10 days	4.81
15 days	4.81
1 month	1.07
2 months	0.53

Source: InM, CRFS regional financial access survey, 2023

(ii) Interest rate

The interest rate is one of the most important features of any loan product. Our analysis shows that around 61 per cent of households are willing to pay interest of up to 7 per cent (Table 4.29). However, the general practice is to charge a 12 per cent flat rate for MFI loans and around a 15 per cent compound rate for bank loans. This indicates a significant gap between the preferred interest rate and the actual rates charged.

Does this mean households cannot afford the prevailing market interest rates? Our data shows that around 49 per cent of the households in the sample have access to formal credit (banks, NBFIs, MFIs, etc.), and only 6 per cent have access to credit from banks. This suggests that a significant percentage of households taking loans accept the terms and conditions of financial institutions and have the ability to repay at the offered rates. It is natural for people to want to pay as little as possible for any service, so the demand for a loan at a 7 per cent interest rate may not be entirely realistic. Nonetheless, about 39 per cent of households report that they are willing to pay interest up to 10 per cent.

Table 4.28: Preferred interest rate on loans

Interest per Tk. 100 of loan	% of households
1 to 4 Tk.	13.03
5 to 7 Tk.	47.92
8 to 10 Tk.	39.07

Source: InM, CRFS regional financial access survey, 2023

(iii) Repayment schedule and start time of installments

The analysis shows that around 58 per cent of households prefer to repay loans through monthly instalments (Table 4.30). In contrast, only 39 per cent of households are willing to make weekly instalments, highlighting a significant gap between their preferred instalment schedule and the actual payment schedule. Additionally, a small percentage of households (2 per cent) prefer to repay the loan in yearly instalments.

This suggests potential for policy formulation based on different loan products. For instance, our data indicate that households preferring monthly repayment instalments typically invest their loans in grocery shops or other businesses. Meanwhile, households that use loans for agricultural purposes mostly prefer yearly instalments. This implies that different instalment policies can be tailored for different loan products, as a "one size fits all" approach might not be effective for marginalised and excluded groups.

Table 4.29: Preferred loan instalment period (% of households)

Loan instalment period	% of households
Weekly	39.06
Monthly	58.33
Yearly	2.08
Do not know	0.52

Source: InM, CRFS regional financial access survey, 2023

Regarding the starting period of installments, around 50 per cent of households prefer to begin payments one month after loan disbursement. Some households (about 15 per cent) are comfortable starting the installment process fifteen days after receiving the loan (Table 4.31). Notably, only around 1 per cent of households prefer to start the installment after seven days, which is the general practice for MFI loans. This highlights a divergence between the expectations of households seeking loans and the institutional arrangements of the loan providers.

Table 4.30: Desired time for starting repayment instalments after receiving loan (%)

Repayment schedule	% of households
Less than 7 days	1.04
7 days	3.65
15 days	14.59
30 days	50
2 months	25.02
3 months	4.69
6 months	0.52
yearly	0.52

Source: InM, CRFS regional financial access survey, 2023

4.11.2 Demand for insurance

The sample locations of the present study are highly vulnerable to various natural shocks occurring regularly. Floods and river erosion are common phenomena in char areas, leading to damage to houses, crops, and livestock. Additionally, diseases and accidents among family members are also frequent. Over the past year, nearly 53 per cent of sample households were affected by natural disasters such as floods, storms, and river erosion (Table 3.18). Ironically, more than 27 per cent of these affected households could not take any remedial measures (Figure 3.1). The remaining affected households financed the cost of remedies primarily from their savings, taking informal loans, and receiving assistance or grants from relatives.

The intensity of these shocks highlights the need for insurance products for people residing in disaster-vulnerable areas. Considering the types of shocks these people face and the consequent losses

they incur, four types of insurance products are crucial for them; such as, Housing/property insurance, Crop insurance, Livestock insurance and Health insurance.

Unfortunately, these insurance products are almost non-existent for poor, vulnerable people in Bangladesh. Neither government nor private insurance companies offer such insurance in the country. The Palli Karma-Sahayak Foundation (PKSF) has implemented livestock and health insurance through MFIs in selected areas for MFI members, but these are essentially microinsurance products. The only type of insurance available to people in remote vulnerable areas is life insurance, which is also the only type of insurance most people are aware of. However, people do not understand the basic concept of insurance. Instead of viewing it as a means of risk minimisation, they see life insurance products as a savings instrument.

The concept of insurance is that the client pays a non-refundable premium and receives a certain amount if a specified event occurs. Generally, people are unaware of this concept and, consequently, do not demand various insurance products other than life insurance (Table 4.32). More than 72 per cent of households have no demand for any type of insurance product, while 24 per cent have a demand for life insurance. Although the number is small, 3 per cent of households still demand health insurance.

Table 4.31: Demand for insurance products (% of households)

Demand for insurance products	% of households
Life insurance	24.29
Accident insurance	3.57
Health insurance	3.14
Asset insurance	0.57
Crop insurance	0.71
Business insurance	2.29
Loan insurance	2.14
Livestock insurance	0.43
Fisheries insurance	0.14
Not interested to buy insurance	72.43

Source: InM, CRFS regional financial access survey, 2023

4.11.3 Demand for microinsurance

The purpose of insurance is to mitigate the risks associated with various types of shocks. For poor and vulnerable people, recovering from losses due to these shocks can be extremely difficult. In many cases, they are unable to recover at all due to a lack of funds. Some may attempt to recover losses through their own savings (particularly if the amount is small) or by selling assets. If they have access to credit institutions, they might seek loans to finance their recovery. If formal credit is not available, they often turn to informal credit or seek grants from relatives, neighbors, or friends. In the absence of formal insurance mechanisms, this is how poor and vulnerable people cope with such shocks.

In our sample, 16 per cent of households express a willingness to pay for loan insurance.

4.11.4 Demand for mobile banking

In recent years, financial innovation combined with banking and mobile devices has rapidly increased in Bangladesh and other developing countries. In these regions, most poor individuals lack access to formal financial services, limiting their opportunities to transfer money and utilise other financial services. Factors such as inappropriate product designs, a scarcity of branches and ATMs in remote areas, and high operating costs relative to their economic status make formal financial services unattractive to marginalised groups. In this context, mobile banking services, which do not require a physical bank branch, offer a more suitable solution. These services are not limited to the poor; well-off individuals can also benefit from them.

Results from previous chapters reveal that approximately 92 per cent of households use mobile banking services, either through their own account or someone else's, and 84 per cent of households have their own active mobile bank account. While mobile banking offers a variety of services, transactions have become particularly popular, with around 93 per cent of households using mobile banking for this purpose. It is noteworthy that very few households (less than 1 per cent) use mobile banking for saving purposes (Table 4.33).

Effective policies can be implemented to raise awareness about the full range of services mobile banking provides. Since banks and microfinance institutions (MFIs) cannot establish branches in all remote and vulnerable areas due to cost constraints, encouraging mobile banking users to save in their own accounts would provide them with secure places to keep their money and promote saving habits. Over time, as mobile banking services expand, policies could be developed to offer loans against savings. Therefore, it is crucial to increase awareness about saving through mobile banking alongside transactional services. In our sample, 34 per cent of households expressed a desire to open a mobile bank account if they do not already have one.

Table 4.32: Reasons for preferring mobile banking (% of household)

Reasons for preferring mobile banking	% of household
Money transaction is easy	92.53
Safe	72.4
Little money can be saved	0.52
Confidentiality is maintained	21.01
Profit is available	0.17
Other	1.04

Source: InM, CRFS regional financial access survey, 2023

4.11.5 Demand for agent banking

Agent banking outlets are independent entities that conduct banking activities in a specific area on behalf of their respective banks. The expansion of agent banking outlets slowed last year due to some instances of fund misuse, which ultimately harmed the sector's reputation within the banking industry.

Although agent banking was introduced in Bangladesh in 2013, its coverage remains very limited in the surveyed areas. Only 1 per cent of the sample households have an agent banking account. Half of the households reported that agent banking services are not available when needed (Table 4.34). Other reasons for not preferring agent banking include the low rate of return on savings and the inconvenient distance to the outlets.

Table 4.33: Reasons for not preferring agent banking (% of household)

Reasons	% of household
Far away	11.11
Service not available when needed	50
Loan not available	5.56
Low rate of return on savings	22.22
Others	11.11

Source: InM, CRFS regional financial access survey, 2023

Major Findings

Households and businesses in Bangladesh have access to three primary financial institutions: formal banks and NBFIs, microfinance institutions (MFIs), and informal sources. However, the formal banks and NBFIs serve only 21 per cent of the population, while MFIs provide services to 43 per cent. Informal markets remain dominant, with 76 per cent of households accessing credit informally. Notably, mobile financial services (MFS) are almost universally available, with 92 per cent of households utilising them, which has significantly boosted overall financial access. However, MFS are predominantly used for transaction purposes.

Access to credit

Around 49 per cent of households access some form of credit, but only 5.86 per cent secure loans from banks or non-bank financial institutions (NBFIs), while 40.43 per cent rely on MFIs. Informal loans remain prevalent, with one-third of borrowing households using informal credit.

Formal credit is primarily used for income-generating activities (62 per cent) and asset building, with a smaller portion allocated for daily expenses (26 per cent) and loan repayments (8 per cent).

Around 37.5 per cent of informal credit is used for lumpy expenditures, including food and non-food items, while 33 per cent is directed towards economic activities, and 5 per cent is used for loan repayments. A notable portion of informal loans covers migration-related costs.

Deposits/ Savings

Only 21 per cent of households have savings accounts with banks or NBFIs, while 35 per cent save with MFIs. Distance from banking institutions reduces the likelihood of households opening bank accounts, especially among those with irregular or low incomes.

Education and income levels are closely linked to access to savings markets, with better-educated and higher-income households more likely to save in formal institutions. Only 15 per cent of households led by someone without formal education have bank accounts, but this rises to over 50 per cent for those with more than 12 years of education.

MFS, Insurance and Agent Banking

MFS has seen rapid growth, with 92 per cent of households accessing it, indicating a high level of penetration regardless of education or income.

Despite the presence of numerous insurance companies, the sector has minimal outreach among low-income groups. Only 2 per cent of households have life insurance, and 12 per cent have loan insurance.

Agent banking remains underutilised, with just over 1 per cent of households using it, despite 15 per cent being aware of the service. The Ten Taka accounts also have limited reach, with only 1 per cent of households using them.

Barriers to Financial Inclusion

Households face several obstacles in accessing formal financial services: excessive paperwork, minimum deposit requirements, and the physical distance to banks discourage account opening.

Low-income households and those with irregular earnings are particularly constrained, alongside a lack of financial literacy and awareness of products like insurance and agent banking.

Preferences for Financial Products

For loans, households prefer MFIs for their quick disbursement and less complex application processes. Flexibility in repayment schedules is also a key preference, with different installment periods favored by various sectors (e.g., monthly for businesses, annual for agriculture).

For insurance, faster claim settlement and better health services are high on households' priority lists. There is untapped potential in developing microinsurance products for low-income populations.

Technology and Mobile Banking

Technology-based financial products, particularly mobile and agent banking, hold great potential for expanding financial inclusion. However, fraud concerns in mobile banking must be addressed, with more awareness campaigns and risk funds to protect victims. There is a need for new, flexible products tailored to the needs of underserved populations.

Chapter 5

Financial Literacy and Awareness

Financial literacy, defined as the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing, is a critical factor in improving the economic well-being of individuals and communities. In disadvantaged areas of Bangladesh, however, financial literacy and awareness remain alarmingly low, contributing to a cycle of poverty and limiting access to essential financial services.

In these regions, many individuals lack basic knowledge about financial concepts such as savings, credit, insurance, and investment opportunities. This lack of awareness is often compounded by limited access to formal financial institutions, low levels of education, and cultural barriers that discourage the use of banking services. As a result, people in these areas are more likely to rely on informal financial systems, which can be risky and offer limited growth potential.

Moreover, the absence of financial literacy affects not only individual households but also the broader community. Without a clear understanding of how to manage money effectively, families struggle to plan for the future, invest in their children's education, or safeguard against financial emergencies. This situation perpetuates economic disparities and hinders overall development in these disadvantaged regions.

Efforts to improve financial literacy in these areas face numerous challenges. Many initiatives are hampered by logistical issues, such as the difficulty of reaching remote communities, and by a lack of tailored educational programmes that address the specific needs of these populations. Additionally, there is often a mistrust of formal financial institutions, which further complicates efforts to increase financial inclusion.

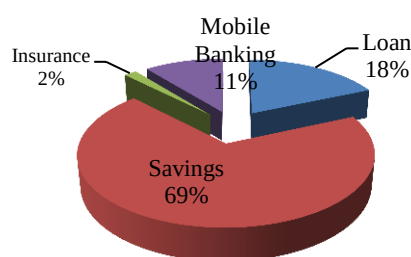
However, targeted interventions, such as community-based financial education programmes, partnerships with local organisations, and the promotion of digital financial services, offer promising avenues to enhance financial literacy and awareness. By equipping individuals with the knowledge and tools they need to make informed financial decisions, these efforts can play a crucial role in breaking the cycle of poverty and fostering economic resilience in disadvantaged areas of Bangladesh.

5.1 Preference of financial services

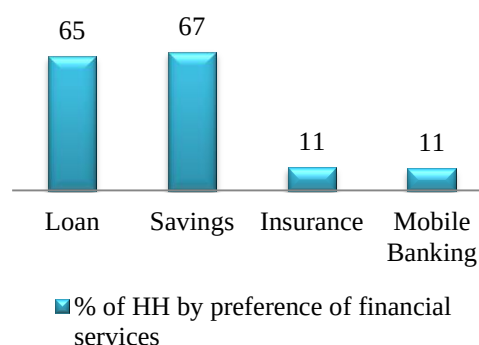
Respondent households were surveyed regarding their preferences for financial services. The majority (69 per cent) indicated that savings accounts are their top choice of financial product (Table 5.1). Following savings, loans and mobile banking emerged as the next most preferred options. Notably, only a small fraction (2 per cent) of households expressed a preference for insurance. These preferences were consistent across various districts.

Figure 5.1: Percentage distribution of household by first preference of financial services

Quantitative survey: First preference of financial services



Qualitative survey: Preference of financial services



Source: InM, CRFS regional financial access survey, 2023

Table 5.1: Percentage distribution of household by preference of financial services and districts

Type of Financial service	Bandarban	Kishoregonj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	Total
Loan	4	22	38	6	23	34	2	18.43
Savings	71	62	43	84	66	60	98	69.14
Insurance	1	1	1	9	0	0	0	1.71
Mobile Banking	24	15	18	1	11	6	0	10.71

Source: InM, CRFS regional financial access survey, 2023

Similar findings emerged from the qualitative survey (Appendix D, Table 39). According to the survey results, 67 per cent of respondents preferred savings, 65 per cent favored microloans, 11 per cent opted for payment services, and 11 per cent chose insurance products. This pattern is understandable, as rural households are more familiar with savings and microcredit services. In contrast, they are less acquainted with payment services, and trust in insurance companies among rural communities has yet to be fully established.

The respondents were also asked about their preferred institutions for accessing financial services. The majority (over 60 per cent) indicated a preference for MFIs, while 32 per cent preferred banks. The primary reasons for choosing MFIs as their financial service provider include the swift and hassle-free loan process, easy accessibility for obtaining loans, convenience of doorstep service, providing collateral-free loans with easy availability, ensuring financial assistance is readily available for urgent needs, and a straightforward, uncomplicated loan acquisition process.

5.2 Perceptions of financial services

The following table (Table 5.2) presents a percentage distribution of household opinions regarding financial services across seven districts in Bangladesh: Bandarban, Kishoregonj, Jamalpur, Netrokona, Lalmonirhat, Moulvibazar, and Sunamganj. The aggregate values reflect the overall view across all districts combined.

Key insights:

Savings/Current accounts: The majority of households across districts believe that having a savings or current account is beneficial. Notably, Netrokona, Lalmonirhat, and Moulvibazar report 100 per cent consensus. The lowest approval is in Sunamganj, at 68 per cent, which significantly brings down the aggregate approval to 90.43 per cent. This disparity indicates that while the general sentiment is positive, there may be specific regional factors in Sunamganj affecting household opinions.

Additionally, there is an overwhelmingly positive consensus (98.43 per cent aggregate) on the importance of saving, with nearly all districts scoring at or near 100 per cent. This suggests a strong cultural or economic inclination towards saving among households in these regions.

Bank safety: Trust in banks for financial transactions is generally high, with an aggregate approval of 93.14 per cent. Almost all districts report near or at 100 per cent confidence, except Sunamganj (69 per cent). This suggests that while banks are broadly seen as safe, there are regional disparities in trust, particularly in Sunamganj.

Microfinance institutions (MFIs) safety: The perception of MFIs as safe for financial transactions is also high, with an aggregate of 93 per cent. While there is strong approval across most districts, Sunamganj again reports lower confidence (88 per cent). This pattern suggests that while MFIs are trusted in general, they may face more skepticism in certain areas.

Insurance: The perception of the importance of insurance is more varied. While Moulvibazar reports a very high approval (99 per cent), other districts like Sunamganj (59 per cent) and Lalmonirhat (64 per cent) show relatively lower approval. The aggregate opinion stands at 79.86 per cent, indicating that while a majority sees value in insurance, there remains a significant minority that may not fully appreciate or trust insurance services.

Economic implications:

Regional disparities: The variation in opinions across districts, particularly in Sunamganj, Jamalpur and Bandarban may reflect underlying economic or cultural differences. Policymakers and financial institutions might need to tailor their approaches in these regions to improve financial inclusion and trust.

Focus on financial literacy: The lower approval rates for insurance highlight a potential gap in financial literacy or access. Financial education campaigns might be necessary to improve understanding and trust in insurance products.

Bank and MFI trust: The high trust in banks and MFIs overall suggests that these institutions have successfully positioned themselves as reliable financial partners. However, the lower trust in Sunamganj indicates that targeted interventions may be necessary to address local concerns and improve confidence in financial institutions.

The table reveals a generally positive attitude towards financial services across the surveyed districts, with some regional variations that merit further investigation and tailored policy responses.

Table 5.2: Percentage distribution of household by opinion about financial services and districts

Opinion	Bandarban	Kishoregonj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	Total
Have savings/ current account is good	95	96	75	100	99	100	68	90.43
It is good to save	100	100	90	100	100	100	99	98.43
It is good to have an insurance	80	85	74	98	64	99	59	79.86
Bank is safe for financial transactions	97	100	87	100	99	100	69	93.14
MFI's are safe for financial transactions	97	92	85	100	92	97	88	93

Source: InM, CRFS regional financial access survey, 2023

5.3 Score of financial literacy by districts

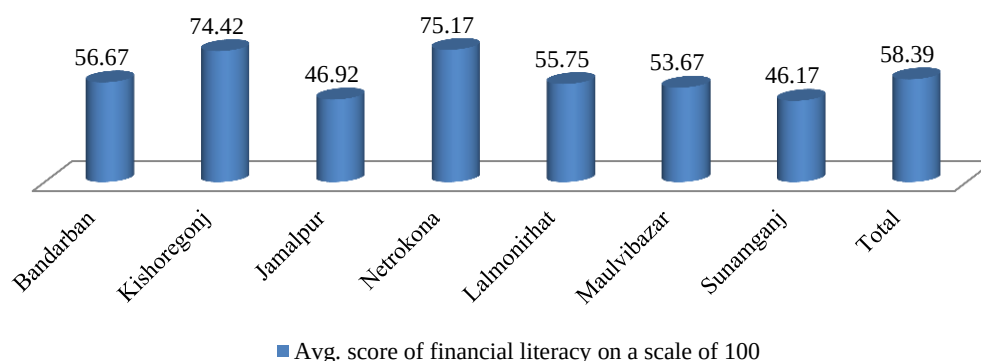
To assess overall financial literacy, respondents were asked 12 questions covering their knowledge of financial products, usage, and accessibility (Box 5.1). Each of these twelve indicators was constructed as a scale variable, based on specific actions or items. If a respondent achieved a positive score within the defined scale for an indicator, they were classified as empowered in that category and assigned a score of one. By combining these individual scores, we calculated the total financial literacy score for each respondent. The total financial literacy score on a scale of 0 to 100 has been calculated by using the formula: Score normalised = (Score/12)*100.

Box 5.1: Indicators for measuring financial literacy

Sl. no.	Questions	Passing criteria
1	Do you know where to get loan from?	If the respondent answer is yes and s/he can mention at least 2 source
2	Do you know what is saving account?	If the respondent answer is yes and s/he can mention at least 2 documents required for opening saving account
3	Do you know what a current account is?	If the respondent answer is yes and s/he can mention at least 2 functions of bank
4	Do you know what an MFI is? What are the functions of it?	If the respondent answer is yes and s/he can mention at least 2 functions of MFI
5	Do you know how to get an ATM card?	If the respondent's answer is Yes
6	Do you know the facilities that you will get if you have saving account with bank?	If the respondent can mention at least 2 benefits of having saving account
7	Do you know what mobile banking is?	If the respondent's answer is Yes
8	Do you know what a cheque book is?	If the respondent's answer is Yes
9	Do you know what interest is?	If the respondent's answer is Yes
10	Do you know what loan collateral is?	If the respondent's answer is Yes
11	Do you know what internet banking is?	If the respondent's answer is Yes
12	Do you know what agent banking is?	If the respondent's answer is Yes

The following figure presents the average financial literacy scores across different districts. We can find that Netrokona and Kishoregonj districts have better financial literacy compared to other districts, which can also be seen from their actual access to finance in banks, NBFIs and MFIs. Rest of the districts has moderate financial literacy. Percentage distribution of household in terms of indicators of financial literacy by districts is shown in Appendix C.

Figure 5.2: Average score of financial literacy by districts



Source: InM, CRFS regional financial access survey, 2023

5.4 Actionable Strategies for improving financial literacy

Financial inclusion remains a critical development priority in rural Bangladesh, where large segments of the population remain unbanked or underbanked. While mobile banking and microfinance have made strides, limited financial literacy continues to hinder the adoption and effective use of financial services. Enhancing financial literacy—defined as the ability to understand and use financial concepts and tools—is essential for empowering rural populations to make informed financial decisions, save for the future, and access credit responsibly.

Despite national progress, many rural regions—particularly in the districts of Bandarban, Kishoreganj, Jamalpur, Netrokona, Lalmonirhat, Moulvibazar, and Sunamganj—continue to face challenges in accessing formal financial services. These districts are characterised by high poverty rates, low education levels, remote geography, and limited financial infrastructure. A key barrier to inclusion is financial illiteracy, which prevents individuals from understanding, trusting, and effectively using financial products and services. To address this gap, it is essential to implement rapid, context-specific, and scalable financial literacy strategies tailored to the realities of these underserved communities. Several actionable strategies are discussed as follows.

1. Localised financial literacy campaigns through community institutions

Deploying financial literacy training through local institutions such as NGOs, cooperatives, and village development committees can yield immediate impact. These workshops should focus on practical skills such as managing household budgets, savings planning, understanding loans and interest rates, and using mobile banking platforms. In rural areas like **Netrokona or Lalmonirhat**, where trusted social institutions such as village councils, mosques, and schools are strong, community-based workshops are highly effective.

- Partner with local NGOs, cooperatives, and microfinance institutions (e.g., BRAC, ASA).
- Conduct workshops in local languages and dialects, using real-life examples from agriculture, small trade, or remittances.
- Use visual aids, posters, and leaflets to communicate budgeting, saving, and loan repayment principles.

2. Mobile and voice-based financial education

Mobile technology provides a cost-effective and scalable channel for delivering financial education. Since mobile phone penetration in rural Bangladesh is relatively high, even among low-income populations, SMS-based learning or voice-based education (IVR) systems can ensure wide outreach. In remote districts like **Bandarban and Sunamganj**, mobile penetration is higher than access to physical banks.

- Leveraging mobile phones can offer rapid scalability.
- Implement SMS- and IVR-based education programmes in Bengali and ethnic languages.
- Send weekly tips on financial practices, budgeting, and digital wallet usage.
- Partner with mobile financial service providers such as bKash, Rocket, and Nagad to integrate learning with user behaviour.

3. Train local youth and women as financial literacy facilitators

Empowering trusted community members as financial literacy ambassadors is a sustainable and locally-driven strategy. Teachers, community health workers, religious leaders, and youth volunteers can serve as peer educators. Many rural women in Moulvibazar or Kishoreganj are excluded from

formal finance due to social barriers. Engaging them as community financial ambassadors can break the cycle of exclusion.

- Provide short-term training to women leaders, youth volunteers, and school teachers.
- Use a peer-to-peer education model to facilitate informal learning.
- Conduct door-to-door awareness drives, especially in tea garden communities (e.g., in Moulvibazar) and char lands (in Jamalpur).

4. Radio and folk media for mass awareness

Mass media can quickly raise awareness and normalise financial practices in a community. Radio programmes and folk media like street theatre and puppet shows are especially effective in rural areas with limited literacy. In flood-prone or hard-to-reach areas like Sunamganj or Lalmonirhat, radio and folk media are cost-effective and widely accessible.

- Launch community radio shows on topics such as household money management, mobile money safety, and agricultural finance.
- Use drama, folk songs, and storytelling to simplify financial concepts for low-literacy populations.
- Broadcast in regional dialects at peak times when farmers and rural workers are listening.

5. School-based financial literacy programmes

Integrating financial literacy into school curricula can create long-term behavior change starting from a young age. Even in rural primary and secondary schools, basic financial concepts can be introduced in engaging and accessible ways. Investing in youth education in districts like Kishoreganj and Netrokona, where dropout rates are high, can foster a financially aware future generation.

- Introduce basic financial education in secondary school curricula.
- Conduct school clubs or competitions on saving habits, entrepreneurship, or digital banking.
- Provide teacher training and resource materials aligned with national education standards.

6. Financial literacy integrated with Social Safety Net programmes

Districts like Jamalpur and Bandarban have high reliance on government cash transfers and safety nets. Financial education can be embedded into these programmes.

- Deliver financial literacy sessions at the time of payment disbursement (e.g., old-age allowance, widow pension).
- Train Union Parishad officials and social workers to share simple financial tips during programme registration.
- Help beneficiaries understand digital payments, savings options, and how to avoid fraud.

7. Digital literacy boot-camps for youth and migrant families

Combining digital literacy with financial training is essential in a rapidly digitising economy. Short-term boot-camps can be conducted for youth and women to teach them how to navigate smartphones, use digital wallets, and access government services. In regions with high rates of youth unemployment and overseas migration—like Netrokona and Kishoreganj—digital literacy paired with financial training is crucial.

- Organise bootcamps in rural ICT centers or schools to teach smartphone use, mobile wallets, and remittance management.

- Target returnee migrants and families receiving remittances, teaching them how to save and invest.
- Use audio-visual tutorials and interactive exercises to reinforce learning.

8. Monitoring, feedback, and adaptive learning

Any financial literacy initiative should be responsive and data-driven. Rural communities differ by language, livelihood, and infrastructure.

- Collect baseline data on financial behaviours in each district.
- Use simple feedback tools—paper surveys, mobile polls, or focus groups—to assess progress.
- Adjust content and delivery methods based on community feedback and usage metrics.

Improving financial literacy in rural Bangladesh, especially in under-resourced districts such as Bandarban, Kishoreganj, Jamalpur, Netrokona, Lalmonirhat, Moulvibazar, and Sunamganj, requires a localised, inclusive, and adaptive approach. By combining traditional communication channels with digital tools, and by engaging community leaders and institutions, it is possible to rapidly enhance financial knowledge and foster behavior change. These strategies not only support financial inclusion but also empower rural households to make informed financial decisions, build resilience, and contribute to sustainable development.

Major findings

Financial Literacy:

Financial literacy is defined as the ability to understand and effectively use financial skills, such as personal financial management, budgeting, and investing. Netrokona and Kishoreganj districts have better financial literacy compared to other districts. Sunamganj, Jamalpur, Lalmonirhat and Bandarban have moderate financial literacy.

Preferences for Financial Services:

- 69 per cent of households identified savings accounts as their preferred financial product.
- Loans and mobile banking are the next most favoured options.
- Only 2 per cent of households expressed a preference for insurance products.

Preferred Institutions for Financial Services:

- Over 60 per cent of households prefer Microfinance Institutions (MFIs), while 32 per cent favour banks.
- The main reasons for choosing MFIs include quick and hassle-free loan processes, easy access to loans, doorstep service, collateral-free loans, financial support for urgent needs, and a simple loan acquisition process.

Trust in Financial Institutions:

- The majority of households believe having a savings or current account is beneficial.
- Trust in banks for financial transactions is high, with an overall approval rate of 93.14 per cent.
- MFIs are also perceived as safe, with an approval rate of 93 per cent.
- Lower trust in financial institutions in Sunamganj suggests that targeted interventions are needed to address local concerns and enhance confidence.

Insurance Products:

- The lower preference for insurance highlights a potential gap in financial literacy or access.
- Financial education campaigns may be necessary to increase understanding and trust in insurance products.

Chapter 6

Conclusions and Way forward

This chapter presents the conclusions of this study based on a household survey conducted in seven vulnerable districts of Bangladesh. It also outlines strategies for expanding financial inclusion, which is crucial for achieving inclusive growth.

According to the Population and Housing Census 2022, a total of 68.34 per cent of Bangladesh's population resides in rural areas, where access to formal financial services is limited. Despite their need for these services; whether to send or receive funds over long distances or to save money securely, many rural inhabitants remain underserved.

Several barriers hinder access to formal financial services for residents in rural communities. Limited physical infrastructure, including a shortage of bank branches and ATMs, combined with poor transportation networks, makes it difficult for individuals to engage with formal financial institutions. Furthermore, low levels of financial literacy and awareness, especially among rural and marginalised populations; contribute to the under-utilisation of banking services. Cultural norms and social factors also shape financial behavior, often leading to a preference for informal financial mechanisms over formal banking channels.

Despite efforts by the government and other stakeholders to expand financial services, formal financial institutions such as banks and microfinance organisations have struggled to establish a strong presence in some rural areas. However, the advent of digital financial services offers a promising opportunity to enhance financial inclusion. Mobile banking and agent banking models have the potential to overcome geographical barriers and reach underserved populations in remote areas. Nevertheless, challenges such as low digital literacy and poor connectivity must be addressed to fully leverage these technology-driven solutions.

Overcoming the barriers to financial inclusion requires a multi-dimensional approach that includes policy interventions, community engagement, and technological innovation. Developing targeted policies that prioritise the needs of marginalised communities and promote financial literacy initiatives is essential for raising awareness about formal financial services. Additionally, investments in infrastructure and the expansion of agent banking networks are crucial to improving outreach and accessibility. By adopting a holistic strategy that integrates institutional reforms, community empowerment, and technological innovation, policymakers can advance financial inclusion and support sustainable development in rural areas.

The outreach of formal financial service providers, which include commercial banks, nationalised banks, specialised agricultural development agencies, and village and regional registered cooperatives, is minimal in rural areas. These banks tend to focus on providing relatively large loans to wealthier borrowers. Meanwhile, low-income households and small borrowers are often discouraged from seeking formal financial services due to the high non-interest costs of borrowing, lack of collateral, and complex paperwork.

The informal credit market, consisting of friends, relatives, professional moneylenders, neighbors, commission agents, shopkeepers, landlords, and suppliers of trade credit, is characterised by low transaction costs, no collateral requirements, flexible loan terms, and smaller loan amounts. These loans can be used for both economic and non-economic purposes, with interest rates ranging from zero (in the case of loans from relatives) to very high (as charged by moneylenders).

The limited resources of informal lenders, combined with the reluctance of formal financial institutions to serve the rural poor, have created an unmet demand for financial services in these areas. Microfinance institutions (MFIs) have emerged as an alternative, offering quasi-formal financial products tailored to the needs of the poor, who have historically been excluded from formal financial services.

6.1 Summary of major findings

Formal financial services through banks have a 21 per cent access rate, while microfinance institutions (MFIs) cover 43 per cent of households. Rural areas show higher reliance on microfinance and informal financial services, with informal markets serving about 76 per cent of households. Access to MFS is widespread, with 92 per cent of households utilising it. Therefore, approximately 95 per cent of households have access to any kind of financial services, including insurance and mobile financial services. Excluding insurance, the access rate is around 94.86 per cent, but it drops to 60 per cent when both insurance and mobile financial services (MFS) are excluded.

District-wise, Netrokona, Moulvibazar, and Lalmonirhat have strong microfinance presence, whereas Kishoreganj and Moulvibazar show higher formal finance access. Despite the expansion of formal finance, informal finance remains significant, particularly in Kishoreganj, Jamalpur, Netrokona, and Moulvibazar, where over 80 per cent of households rely on it. Bandarban district has the lowest access to microfinance, at only 10 per cent.

The report analyzes access to credit in Bangladesh, revealing significant variations across different credit markets and locations. Key findings include:

Limited Formal Credit Access: Only about 5.86 per cent of households access credit from formal markets (banks and non-bank financial institutions). Districts like Lalmonirhat, Jamalpur, and Kishoreganj show slightly higher access rates, but formal credit is notably scarce in rural areas, with Netrokona district having the lowest access (2 per cent).

Dominance of Microcredit: Microfinance institutions dominate the credit landscape, especially in rural areas, with over 40 per cent of households accessing microcredit. The highest access is seen in Netrokona (66 per cent), Moulvibazar (57 per cent), and Lalmonirhat (51 per cent). However, access is much lower in Bandarban (8 per cent).

Prevalence of Informal Credit: Despite efforts to expand formal and microcredit services, informal credit remains widespread. Around 36 per cent of households use informal credit, particularly in Netrokona (69 per cent), Sunamganj (43 per cent), and Bandarban (38 per cent).

Geographical Variations: Credit access varies significantly by location. For instance, Bandarban has the lowest overall credit access, with only 19 per cent of households borrowing from any market. In contrast, districts like Netrokona have much higher credit access.

High Exclusion Rates: A significant proportion of households, especially in Bandarban (81 per cent), have no access to any formal credit markets. Other districts with high exclusion rates include Sunamganj, Kishoreganj, Jamalpur, and Lalmonirhat.

These findings highlight the challenges and disparities in accessing credit in Bangladesh, with formal credit being particularly limited, while microcredit and informal credit play crucial roles, especially in rural areas.

The formal financial system plays a crucial role in protecting people from the exploitation often found in informal markets. Households tend to use formal credit predominantly for income-generating activities (IGAs) and asset building, with approximately 62 per cent of such credit directed towards

these purposes. Additionally, a notable portion (about 26 per cent) of formal credit is used for substantial expenditures, including both food and non-food consumption. The use of formal credit for repaying previous loans is minimal, with only around 8 per cent allocated for this purpose.

The study has also assessed credit rationing among households, revealing that 17 per cent of borrowing households face unmet credit demand, with the highest rates in Jamalpur (45 per cent) and Bandarban (33 per cent) districts. Households increasingly rely on multiple credit sources due to credit constraints. Those accessing multiple markets face higher credit rationing (33 per cent) compared to those with single-market access (11 per cent). Credit rationing may be underestimated as borrowers often adjust their loan requests to fit known limits. Households not constrained by credit tend to be better off economically, with higher income, better food expenditure, more land, and improved access to water and sanitation, likely due to multiple income sources.

In terms of savings/ deposit accounts, the study reveals that 68 per cent of households had access to some form of savings in 2022, including banks, MFIs, or informal savings associations. Bank or NBFI savings accounts were accessed by 21 per cent of households, with 8 per cent holding multiple accounts. Microfinance institutions (MFIs) led in savings access, with 35 per cent of households participating. Informal savings options, like savings groups and rotating savings and credit associations, were less common, with only 5 per cent of households participating.

Regionally, savings access was highest in Netrokona, Jamalpur, Kishoreganj, and Moulvibazar districts, while savings in informal institutions were mostly absent in Lalmonirhat, Moulvibazar, and Sunamganj. Access to savings significantly decreases as the distance from financial institutions increases, particularly in rural areas, where distance from banks negatively impacts the likelihood of opening and maintaining savings accounts.

The study shows that access to savings varies significantly based on household characteristics such as occupation, education, and income. Households headed by day labourers have limited access to bank savings (9 per cent) but rely more on microfinance institutions (MFIs) for savings (27 per cent). Self-employed households have better access to formal savings, with 21 per cent using banks and 38 per cent using MFIs, and also use informal savings to manage business risks. Households led by professionals have the highest access to savings, with 84 per cent saving in some market, including 49 per cent in banks.

Education plays a crucial role, as access to bank savings increases with the household head's education level, from 15 per cent for illiterate heads to over 53 per cent for those with higher education. MFI savings are most common among less educated households. Income also influences savings behavior, with overall access to savings rising from 36 per cent in the lowest income quintile to 82 per cent in the highest. However, while access to bank savings increases with income, MFI savings are more common in lower-income households and decline after the third income quintile.

The study highlights the limited access to formal insurance in Bangladesh, with only 2 per cent of households having life insurance and 12 per cent having loan insurance. A significant 87 per cent of households lack any insurance coverage, often due to low awareness. Poor households typically rely on informal methods like borrowing or selling assets to cope with shocks, which can harm their food security and economic well-being. Microfinance institutions (MFIs) generally don't offer traditional insurance but do provide microinsurance tagged with Microcredit, which forgives loans in the event of a borrower's death. In the present study, it is evident that 65 per cent of households are aware of life insurance and 24 per cent aware of health insurance. However, insurance coverage in rural areas is very low.

In recent years, Bangladesh has experienced remarkable growth in digitalisation and the use of mobile financial services. As of June 2024, there are 232.42 million registered mobile money accounts (including Merchants). MFS is widely used for fund transfers, remittances, and security, with rural areas primarily using it for receiving remittances and urban areas for payments. The study finds that 92 per cent of households have access to MFS, either through their own accounts or others'. Access to MFS varies by district, with higher usage in areas like Moulvibazar and lower in districts like Sunamganj.

Agent banking in Bangladesh, pioneered by Bank Asia Limited and now largely led by Dutch Bangla Bank Limited, has the potential to improve financial inclusion by bringing banking services to underserved areas through local agents. Despite this potential, only about 1 per cent of households use agent banking services, though 15 per cent are aware of them. Challenges include customer awareness, security concerns, and the need for specially tailored financial products. Addressing issues like customer illiteracy, inadequate training, and insufficient marketing is crucial for the successful expansion and effectiveness of agent banking.

The Ten Taka account initiative, launched by Bangladesh Bank in 2010, aims to provide low-cost, no-frills banking access to unbanked farmers and extremely poor individuals. It allows account opening with a minimal deposit of BDT 10 and minimal documentation. The account's primary goal is to facilitate direct subsidy deposits and reduce administrative costs. Despite its potential, only 1 per cent of households have access to these accounts, with the highest adoption in Lalmonirhat at 6 per cent. The low coverage suggests challenges in reaching and effectively informing the target beneficiaries. The programme needs improved awareness and outreach to enhance its impact and broader adoption.

Several factors create barriers to the use of formal and semi-formal financial services by households and enterprises in Bangladesh. On the demand side, key obstacles include low household income, irregular earnings, lack of financial literacy, and a lack of confidence in financial institutions.

The most significant reasons for not opening a bank account include a perceived lack of need, the requirement of a large initial deposit, and excessive paperwork. Other notable barriers are the distance of the bank from one's home and unhelpful behavior from bank officials. Although less impactful, high loan interest rates and the need for collateral also discourage people from opening bank accounts.

When it comes to saving in formal institutions, about 78 per cent of rural households reported insufficient income as a barrier, and 37 per cent cited irregular income as a challenge. Other obstacles to saving include the requirement to repay all loans before saving and the distance of financial institutions from their homes.

Reasons for not using agent banking include the fact that approximately 71 per cent of households were unaware of it, while around 18 per cent preferred other transaction methods. Other reasons cited for not using agent banking include a lack of need for transactions, inconvenience, and concerns about security.

Marginalised and excluded groups have a demand for four key financial services: credit, savings, insurance, and mobile banking, each with specific desirable features. Among these, savings and credit products are the most sought after. However, only about 5.86 per cent of individuals have access to credit through banks and non-bank financial institutions (NBFIs), while around 40.43 per cent rely on microcredit. Additionally, 68 per cent of the sampled households regularly save, whether in formal or informal markets. The decision to borrow from a particular institution—be it a bank, a Microfinance Institution (MFI), or an informal lender—depends heavily on the procedural complexity of obtaining a loan. Proximity to the financial institution is another crucial factor influencing this choice, with

households tending to prefer institutions that are close to their homes. Similar preferences are observed for savings products.

In Bangladesh, the government, Bangladesh Bank, and other agencies have introduced a range of financial products and services to enhance access for the vulnerable segments of the population. These initiatives include special accounts for the underprivileged, agricultural and rural financing, microenterprise financing, mobile banking, agent banking, green financing, women entrepreneurship financing, financial literacy programmes, self-employment-based small loans, ultra-poor loans, and disaster management loans, among others. These products are predominantly offered by banks, NBFIs, and MFIs. Despite the presence of numerous insurance companies in Bangladesh, microinsurance activities for the poor remain marginal. Additionally, while the cooperative sector has significant potential, it currently lacks a notable presence in the country's financial market.

Financial inclusion efforts by financial institutions have shown an improving trend, with increased access to finance and broader geographical reach of services offered by banks and NBFIs. However, evidence indicates that there remains significant scope for improvement, as a segment of the vulnerable population continues to be underserved by existing financial products and services.

6.2 Excising policy framework

In Bangladesh, a range of inclusive programmes and policies have been implemented to accelerate economic growth by promoting financial inclusion. These initiatives involve collaboration between government agencies, the Bangladesh Bank, and various financial institutions, including banks, non-bank financial institutions, microfinance institutions, cooperatives, credit unions, and postal banks. Although financial inclusion efforts in the post-liberation period were somewhat operational, they were not intentionally focused, particularly with the expansion of branches of nationalised commercial banks (NCBs) like the Bangladesh Krishi Bank (BKB) across the country. Cooperative societies, owned by their members, played a significant role in including rural and urban populations in the financial system. Additionally, rural credit distribution efforts were made with the help of NCBs under various rural financing programmes. However, it is generally acknowledged that these initiatives did not effectively reach the poorest segments of the rural population, particularly the landless and the most impoverished.

The advent of microcredit marked a turning point, with the realisation that the poor are creditworthy, leading to the extension of limited financial services to them. This approach gained momentum as numerous NGO-MFIs emerged, specifically targeting the poor and landless populations.

The Government of Bangladesh has adopted a long-term perspective plan aiming to transform the country into a knowledge-based, middle-income economy by 2021, and ultimately into a peaceful, prosperous, and developed nation by 2041. The Perspective Plan of Bangladesh (2010-2021) and Second Perspective Plan (2021-2041) laid out a roadmap for achieving the national goals with a focus on sustainable development. Building on this long-term vision, along with other national and sector-specific plans, the government developed various strategies to address the challenges of economic, social, and environmental sustainability, with sustainable financial services and inclusive initiatives identified as key focal areas.

The Bangladesh Bank is actively involved in supporting the government's developmental goals, particularly those related to inclusive growth and poverty reduction. Several incentives, such as refinance lines from BB and limited interest subsidies, have been introduced to promote lending to farmers, small enterprises, and low-income households. Additionally, the central bank has launched a comprehensive financial inclusion campaign to extend financial services to disadvantaged populations

across the country. Policy measures have been implemented to support this effort, including innovative changes in branch opening regulations, allowing farmers to open bank accounts with a minimal deposit (as low as Tk. 10), issuing licenses for SME/agriculture service centers, and ensuring easy access to banking services for physically challenged individuals, the extreme poor, unemployed youth, freedom fighters, and others.

Other measures include relaxing loan repayment conditions for farmers affected by natural calamities, mandating all banks to participate in agricultural and rural credit initiatives, providing agricultural credit to sharecroppers, and formulating and implementing Agriculture and SME Credit Policies. There has also been a focus on financing women entrepreneurs, establishing refinancing schemes for banks, developing ICT solutions like mobile banking and smart cards, encouraging partnerships between banks and MFIs, promoting agent banking, green banking, financial inclusion-oriented corporate social responsibility (CSR) activities, and school banking. In recent years, the Bangladesh Bank has placed particular emphasis on financial literacy to bring the entire population under the umbrella of financial services and achieve broad-based inclusive growth.

The Microcredit Regulatory Authority (MRA), as the regulatory body for MFIs, has supported these financial inclusion efforts. MFIs typically offer financial services, including loans, savings, and sometimes insurance, to meet the needs of lower-income individuals, helping them eventually access larger loans from formal institutions like banks and NBFIs. To foster stronger ties between banks and MFIs, the Bangladesh Bank has developed policies for bank-MFI partnerships in the distribution of agricultural and rural credit. Special refinance schemes under the Sharecropper Project and the Small and Marginal Farmers' Agricultural Productivity Improvement and Diversification Financing Project serve as examples of direct refinance arrangements between BB and participating MFIs. In certain programmes, commercial banks have formed special arrangements with MFIs to disburse and recover credit for poor farmers in remote areas.

The Palli Karma-Sahayak Foundation (PKSF) also plays a vital role in financial inclusion, with its primary mandate being poverty reduction through sustainable employment creation by promoting institutions. PKSF provides institutional development support to its partner organisations (POs), primarily NGO-MFIs, and has emerged as a model 'domestic apex financial and capacity-building institution.' These POs deliver a range of financial products, including various forms of credit, savings, remittance services, and microinsurance. The government, Bangladesh Bank, and other agencies have driven policy-driven inclusive products to ensure greater financial access for vulnerable sections of the population (Box 6.1).

Box 6.1: Policy Driven Inclusive Products/Schemes

Bank accounts for farmers: Farmers can open a bank account by depositing BDT 10 at any state-owned commercial or specialised bank, using their National ID card or birth registration certificate along with an Agricultural Equipment Assistance Card issued by the Department of Agricultural Extension.
Bank accounts for social safety net beneficiaries: Beneficiaries of social safety net programmes can open a bank account by depositing BDT 10 at any state-owned commercial or specialised bank, using their National ID card and Payment Receipt Book containing the Pension Payment Order (PPO).
Bank accounts for freedom fighters: A freedom fighter can open bank account by depositing BDT 10 at any state owned commercial and specialised bank against national ID card and Payment Receipt Book for freedom fighter's allowance.
Bank accounts for the hardcore poor: Individuals classified as hardcore poor can open a bank account by depositing BDT 10 at any state-owned commercial or specialised bank, using their National ID card and the registration card issued by the Ministry of Food and Disaster Management.

Bank accounts for cleaning staff of Dhaka North and South City Corporations: Cleaning staff employed by Dhaka North and Dhaka South City Corporations can open a bank account by depositing BDT 10 at any state-owned commercial or specialised bank, using their National ID card and the employee ID issued by the city corporations.
Bank accounts for garment workers: All banks have been instructed to open accounts for garment workers with an initial deposit of BDT 100, using their National ID card or the ID card issued by their respective employers.
Bank accounts for small life insurance policyholders: Holders of small life insurance policies (up to BDT 0.15 million) can open a bank account by depositing BDT 100 at any state-owned commercial or specialised bank, using their National ID card or birth certificate along with the insurance premium deposit book or relevant policy documents.
Banking for working/street children: Working/street children can open bank account with the help of an NGO working for them by depositing BDT 10 using birth registration certificate (birth certificate can be obtained free of cost). Two nominated officials from concerned NGO will be the custodian of the account.
Bank Account under the National Service Programme: An unemployed young person may open an account at any scheduled bank by depositing BDT 50 under the provisions of the National Service Programme.
Workers of small footwear and leather product industries under LSBPC Project: All banks have been instructed to open bank account for workers of small footwear and leather product industries under LSBPC Project by depositing BDT 100 against national ID card/ ID card issued by respective employers.
Beneficiaries of Dustho Punorbason Programme of the Ministry of Religious Affairs: Individuals receiving financial rehabilitation allowances under the Ministry of Religious Affairs can open a bank account by depositing BDT 10 at any state-owned commercial or specialised bank. They must present their National ID card or birth certificate along with a certificate issued by the Upazila Nirbahi Officer.
Ultra-poor women and marginal tenant farmers under food and livelihoods security project of social safety net programme: Beneficiaries can open bank account by depositing BDT 10 at any state-owned commercial or specialised bank, upon presentation of a national ID card or birth certificate along with an FLS beneficiary card issued by the Department of Women's Affairs.
Revolving crop credit limit system: To ensure a continuous flow of credit, a three-year revolving crop credit limit system has been introduced, allowing for the automatic renewal of agricultural loans. This scheme provides facilities to farmers engaged in ongoing crop cultivation.
Second Crop Diversification Project (SCDP): Financed by the ADB, BB serves as the implementing agency for the project's credit component. Loan Amount is USD 26 million which is already disbursed, and revolving. Credit facilities are given for cultivation of high value crops and plantation of medicinal plants.
Small and marginal sized farmers' agricultural productivity improvement and diversification financing project (SMAP): The aim of the SMAP project is to enhance the agricultural productivity and diversification of small and marginal farmers (SMFs) by providing agricultural loans and offering training services through microfinance institutions (MFIs). Under this initiative, JICA provides concessional loans to the Government of Bangladesh (GoB) to support the programme.
Special refinance scheme for share-cropper: In the fiscal year 2009–10, Bangladesh Bank introduced a special credit scheme to provide sharecroppers with timely, low-interest, collateral-free credit through BRAC (MFI). This initiative targets sharecroppers who have historically been excluded from access to formal bank credit.
Special refinance scheme of Tk. 200 crore for milk production and artificial insemination: A Tk. 200 crore special refinance plan for artificial insemination-based milk production. The fund has a five-year term.
Revolving refinance scheme for jute: Through participating scheduled banks, a BDT 200 crore revolving refinance fund has been established for export-oriented jute mills and entrepreneurs in order to guarantee a fair

price for the jute growers.
Special credit programme for women: Banks are directed to give women priority credit for small business ventures relating to agriculture, agro-processing, and crop production.
Credit towards tribal farmers in Hill Tracts areas: Tribal farmers in the Hill region can receive agricultural and rural loans at a 5% subsidised interest rate.
Credit for the climate prone areas: Banks are encouraged to be flexible with their credit disbursement and recovery schedules in order to accommodate local demands and mitigate the negative effects of climate change.
Credit for physically handicapped people: Banks are advised to extend credit facilities to individuals with disabilities for various agricultural and non-agricultural self-employment and income-generating activities, taking into account the specific nature of their disabilities.
Flexible savings and credit for extreme poor: Partner organisations and MFIs offer flexible savings and credit facilities supported by PKSf.

Source: Based on the published brochures, leaflets, and annual reports of Bangladesh Bank.

There have been significant positive developments in terms of increased access to finance and the wider geographical reach of financial services offered by 62 scheduled banks, 5 non-scheduled banks and 34 non-bank financial institutions (NBFIs) as of August 2024. Geographical penetration, measured by the number of bank branches per 1,000 square kilometres, has increased over time. As of June 2024, Bangladesh had 11,297 bank branches across a total land area of 147,570 square kilometres. This equates to approximately 77 branches per 1,000 square kilometres in 2024, up from 44 in 2005.

While the collection of deposits from rural areas has improved in percentage terms, credit flows have remained stable. However, it is encouraging that the evolving approach of banks and NBFIs has expanded credit availability to agriculture, low-income households, small enterprises, and environmentally-friendly sectors, thereby bringing a large number of previously unbanked or underbanked socially disadvantaged individuals within the ambit of financial services. This expansion has also extended banking services to remote areas through the adoption of information and communication technology (ICT). In response, banks and NBFIs have generally established sustainable finance departments or units to support financial inclusion initiatives across the country.

As part of a major financial inclusion initiative, banks have opened more than 26.54 million new accounts (as of March 2023) for small farmers and other low-income individuals in both rural and urban areas. These accounts, which require only a nominal initial deposit as low as Tk. 10 and carry no service charges, are primarily used to receive agricultural input subsidies (38 per cent) and social safety net payments (37 per cent), while also functioning as savings and payment channels. In addition, nearly all scheduled banks have introduced accounts for schoolchildren, with school banking gaining growing popularity thanks to the active engagement of banks.

The core agricultural and rural credit sector, which has received policy support from Bangladesh Bank (BB), includes crops, fisheries, livestock, agricultural equipment, irrigation equipment, and poverty alleviation and employment generation activities. Agricultural financing in Bangladesh is supported by two state-owned specialised banks dedicated to lending in the sector. In addition, all commercial banks provide agricultural credit—either directly, through microfinance institutions (MFIs), or via actors within the value chain. Since 2009, the volume of agricultural credit disbursement has shown a steady upward trend. In recent years, the agricultural and rural finance programme has gathered momentum, with private commercial banks (PCBs), foreign commercial banks (FCBs), and state-

owned commercial and specialised banks taking on an increasingly active role in extending agricultural credit.

As of March 2023, agricultural credit disbursements amounted to Tk. 3,056.02 crores. Sector-wise, agricultural credit disbursement was as follows: 48.1 per cent for crops, 20.9 per cent for livestock and poultry, 12.4 per cent for fisheries, 5.8 per cent for poverty alleviation, and 12.8 per cent for other purposes. In addition, a crop diversification credit project supported by the Asian Development Bank (ADB) is providing financing for the cultivation of higher-value crops—such as vegetables, fruits, flowers, spices, and oilseeds—in the poverty-stricken north-western region of the country. State-owned banks are also extending loans to sharecroppers, many of whom are women farmers. Despite these efforts, the proportion of advances in agriculture, fishing, and forestry relative to total credit remains lower than desired.

In the realm of small and medium-sized enterprise (SME) programmes, the financing of micro and cottage industries is another key approach taken by banks and financial institutions to address financial inclusion. Since 2010, Bangladesh Bank has initiated a target-based SME lending programme. However, the targets are not imposed by the central bank; instead, the banks and NBFIs set their own targets. To promote agricultural development and strengthen food security, Bangladesh Bank has consistently provided refinance facilities to Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayan Bank (RAKUB) under government guarantees. The interest rates for participating financial institutions (PFIs) and end borrowers are 4.0 per cent and 8.0 per cent respectively, with a maximum loan tenure of one year. As of the end of March 2023, the total outstanding balance of refinance for both BKB and RAKUB stood at Tk. 2,554.46 crores (BB, 2023).

To extend formal financial services to the large unbanked and underbanked population, Bangladesh Bank (BB) has introduced bank-led mobile financial services (MFS). These services enable the quick and easy disbursement of inward foreign remittances and domestic funds, payment of utility bills, salaries, allowances, and pensions, as well as the buying and selling of goods and services, balance inquiries, tax payments, government subsidy disbursements, and the payment of social safety net benefits. To enhance the effectiveness of MFS, BB issued the 'Guidelines for Mobile Financial Services' in September 2012. MFS has created opportunities for fast and cost-effective transactions, even in the most remote corners of the country, providing the rural poor, including social safety net beneficiaries, with access to modern banking services.

Following the issuance of agent banking guidelines, it is expected that access to banking services in underserved areas will significantly increase as various pilot initiatives scale up in 2014. Agent banking is particularly suitable for financial institutions with limited branch networks in rural areas. By leveraging agent banking, these institutions can significantly expand their outreach, and with careful planning and implementation, agent banking can prove to be highly profitable for them. Scheduled banks in Bangladesh must obtain prior approval from Bangladesh Bank before undertaking agent banking activities. Moreover, any scheduled bank must meet certain requirements, including establishing its own policy, creating a separate department, developing an internal audit and monitoring manual, and having a competent IT infrastructure. BB has also set specific selection criteria for agents and sub-agents.

The use of ICT and mobile technology has brought about significant positive changes in delivering financial services through mobile banking. The use of technology could play a pivotal role in ensuring process efficiency, cost reduction, and broader financial inclusion. To enhance the smoothness and efficiency of loan processing for inclusive products such as agricultural and micro-enterprise financing, mobile apps could be integrated into the sanctioning process. Some projects are already reaping significant benefits from incorporating technology into loan processing. For instance, Bank

Asia has developed an “Online Loan Processing” system for the Ektee Bari Ektee Khamar project, which is low-cost, swift (following a cooperative model), and highly advantageous.

However, it is well known that the adoption of technology is not without its challenges. A lack of customer awareness and security threats are key obstacles to the expansion of technology-based banking. To ensure the smooth operation and growth of technology-driven financial inclusion initiatives, several issues need to be addressed. Customer illiteracy, insufficient training, inadequate marketing, and a lack of help desk support are significant challenges for mobile banking operations. These issues are equally relevant for agent banking operations within the country. Furthermore, channeling existing products through agent banking services will necessitate the design of appropriate financing products tailored to the specific needs of the demand side.

6.3 Major policy implications

To enhance financial inclusion in rural Bangladesh, specific policies should be tailored to address the unique challenges faced by financially excluded communities. Here are key policy suggestions:

a) Suggested specific Measures for Bangladesh Bank

1. Enhance accessibility to financial services

Expand rural bank branches: Provide incentives for banks to open branches or mini-branches in underserved rural areas. Consider shared banking infrastructure among multiple banks to reduce costs.

For example, the results show that the number of rural bank branches per 1,000 square kilometers in Bandarban is only 4.69, significantly below the national average. However, the number of rural bank branches per 100,000 adults is 10.4, which exceeds the national average. Despite this higher branch density relative to population, access to financial services through banks remains low, suggesting that banks are not effectively reaching the local population. Since access to financial services through MFIs is also limited in Bandarban, expanding banking activities by establishing additional MFI branches would help improve financial access in the district.

Rural banking incentives: Provide financial incentives for banks to establish branches and service points in remote rural areas. This could include tax breaks, subsidies, or public funding for infrastructure.

Promote agent banking: Expand the network of agent banking, where local businesses or individuals act as banking agents, offering basic banking services like deposits, withdrawals, and transfers in rural communities.

ATM and digital kiosk deployment: Deploy ATMs and digital financial service kiosks in rural markets and community centers, providing easier access to banking services.

Proactive approach by banks: The conventional model of formal banks and financial institutions—where clients are expected to approach the institutions—needs to be reversed, with banks instead reaching out directly to households and businesses. Banks should take a proactive approach to expanding access to financial services. For example, the BB's initiative requiring commercial banks to open Tk. 10 accounts has increased financial access, but many of these accounts remain dormant. Efforts are needed to activate these accounts, especially to facilitate government subsidies. Dormant accounts do not contribute to meaningful financial inclusion for the poor.

2. Promote digital financial inclusion

Expand mobile financial services (MFS): Encourage the use of mobile banking by reducing transaction fees, increasing the number of agents, and promoting mobile literacy among rural populations. This can be supported by public-private partnerships.

Low-cost mobile devices and data plans: Collaborate with telecom companies to provide affordable mobile devices and data plans specifically for rural areas, ensuring that residents can access mobile banking services.

3. Tailored financial products and enhance agricultural finance

Agricultural loans and insurance: Focusing on agriculture and small enterprises is crucial for achieving success in inclusive interventions. Collateral requirements and lengthy processing times are major challenges, where the informal sector has proven more proficient. To attract borrowers from the informal sector, agricultural and small/micro enterprise loans should be made collateral-free, the documentation process simplified, and processing times significantly reduced.

Value chain financing: Promote value chain financing models that integrate credit, input supply, and market access, ensuring that farmers have the resources they need throughout the production cycle.

Policy makers should develop financial products specifically designed for rural communities, such as low-interest agricultural loans, crop insurance, and livestock insurance, which can help farmers manage risks and invest in productivity. A low-interest agricultural loan refers to a loan provided to farmers or rural agricultural enterprises at below-market interest rates, often subsidised by the government or development institutions. These loans aim to support agricultural production, reduce rural poverty, and enhance financial inclusion, especially among smallholder and marginal farmers.

Micro-savings programmes: Promote micro-savings programmes that allow rural residents to save small amounts regularly, which can be done through MFIs, cooperatives, or mobile banking platforms.

4. Simplify regulatory requirements

Relaxed KYC norms: Introduce simplified Know-Your-Customer (KYC) regulations for low-value accounts in rural areas, allowing people without formal identification to access basic banking services through alternative verification methods like local community endorsements. Local community endorsements refer to expressions of support or approval given by community leaders, groups, or members towards a programme, initiative, organisation, or candidate. These endorsements are usually informal but can greatly influence local acceptance, participation, and success of a project or activity, particularly in rural or tightly knit communities.

Tiered banking products: Develop tiered banking products with minimal regulatory requirements for entry-level accounts, gradually increasing options and benefits as customers build a history of transactions.

5. Develop women-centric financial products

Support female entrepreneurs: Create financial products specifically for rural women, such as microloans for women-led businesses, savings accounts with lower minimum balances, and insurance products that address women's health and family welfare.

Women's cooperatives: Encourage the formation of women's savings and credit cooperatives, offering a collective platform for savings, credit, and financial education.

6. Regulatory support and consumer protection

Simplified KYC processes: Implement simplified Know-Your-Customer (KYC) processes for rural populations, allowing easier access to financial services while ensuring security and compliance.

Consumer protection in rural areas: Strengthen consumer protection laws specifically for rural customers, ensuring transparency in financial products and safeguarding against fraud and predatory practices.

7. Public-private partnerships (PPP)

Collaborative financial inclusion initiatives: Foster partnerships between the government, private sector, and non-governmental organisations to develop and implement financial inclusion projects targeting rural areas.

Subsidised financial products: Offer subsidies or financial incentives for products aimed at rural populations, such as low-interest loans, to make them more accessible and attractive.

8. Leverage technology and data

Digital identity and credit scoring: Utilise digital identity systems (like biometric ID cards) to facilitate access to financial services, and develop alternative credit scoring methods that consider informal income sources typical in rural areas.

9. Integration with Social Safety Nets

Link social benefits to financial accounts: Ensure that social welfare benefits, such as cash transfers, pensions, and subsidies, are disbursed through bank accounts or mobile wallets, encouraging the use of financial services and increasing financial inclusion.

Rural financial inclusion index: Develop a rural financial inclusion index to monitor progress and identify gaps in service delivery. This index should track access to and usage of financial services in rural areas, providing data to inform policy adjustments.

Community feedback mechanisms: Establish mechanisms for regular feedback from rural communities to understand their needs and challenges, ensuring that financial inclusion policies are responsive and effective.

4. Boost financial literacy and awareness

Community-based financial education: Implement community-driven financial literacy programmes, using local leaders and NGOs to educate rural populations on financial management, savings, and the benefits of formal financial services.

School programmes: Introduce financial education in rural schools to build financial literacy from a young age, ensuring future generations are better equipped to engage with financial systems.

Training for women and youth: Target women and youth with specific financial education programmes, as these groups are often more excluded. Empowering them with knowledge about financial products and services can have a broad impact on community development.

b) Suggested specific measures for Microcredit Regulatory Authority (MRA)

1. **Recognising the role of MFIs:** In Bangladesh, 731 licensed MFIs has been serving 40.86 million members, including 31.53 million borrowers; making a significant contribution to financial inclusion. Their role should be well acknowledged, as proper recognition and appreciation can motivate management and staff in their efforts.

2. **Microcredit for rural entrepreneurs:** Support MFIs in providing microcredit and other financial products tailored to the specific needs of rural entrepreneurs, particularly in agriculture and small-scale industries.
3. **Flexible repayment structures:** Offer loan repayment options that align with agricultural cycles and seasonal income patterns, reducing the financial strain on borrowers.
4. **Microinsurance potential:** Microinsurance holds significant potential, with some NGOs already offering these services to borrowers, including limited health microinsurance. However, the term "insurance" is not accepted by the Insurance Development and Regulatory Authority (IDRA) when provided by MFIs/NGOs. Despite this, microinsurance could be a vital component for the effective delivery of microcredit and other support services to vulnerable populations.
5. **Support for vulnerable groups:** Although some NGOs address the needs of blind, disabled, and transgender individuals, these groups often lack access to financial services and rarely seek funding for economic activities. MFIs/NGOs should first work to create demand for credit by helping these groups build confidence and capacity. Addressing their needs should be done in phases, starting with health and social support, followed by capacity-building, and eventually providing credit facilities.

c) Suggested Specific Measures for Insurance Development and Regulatory Authority (IDRA)

1. **Crop insurance and credit:** Develop specialised financial products such as crop insurance and agricultural credit that cater to the unique risks faced by farmers. Ensure these products are affordable and accessible.
2. **Microinsurance:** Microinsurance remains a largely untapped sector with considerable potential. To foster its development, appropriate policy and regulatory support is essential. While insurance companies could design products tailored to the needs of low-income groups, MFIs and banks should also be permitted to offer selected microinsurance products, integrated with their core financial services, to help clients manage risk more effectively. An arrangement similar to Bancassurance, where registered microfinance institutions (MFIs) partner with an insurance company, can be established to offer insurance products to the MFI's clients. Action research and piloting into potential delivery mechanisms should be conducted, and appropriate methods can then be implemented.

The public sector has an important role to play in expanding access to financial services, particularly by promoting savings and encouraging the use of formal financial systems among poor households. A key responsibility lies in working collaboratively with the private sector to incentivise financial institutions to serve low-income populations. Financial literacy for these households should also be prioritised. In addition, the government and Bangladesh Bank (BB) can strengthen regulation to ensure that providers deliver a wider range of pro-poor financial products while safeguarding the interests of low-income clients. Collectively, these measures seek to build an inclusive financial ecosystem in rural Bangladesh, extending access to all segments of society and supporting both economic growth and resilience.

6.4 Major policy implications for financial inclusion in specific marginalised rural areas of Bangladesh

To effectively promote financial inclusion across rural Bangladesh, policies must be tailored to meet the unique socio-economic and geographical challenges faced by communities in underbanked areas. Below are key policy suggestions, contextualised for the following specific regions (Table 6.1):

- Tribal hill areas (Bandarban)
- Ethnic majority areas (Netrokona)
- Char areas (Lalmonirhat, Jamalpur)
- Tea garden communities (Moulvibazar)
- Haor regions (Sunamganj, Kishoreganj)

Table 6.1: Tailored financial inclusion strategies for the specified regions and communities in Bangladesh

Region/ community	Key characteristics	Financial inclusion strategies/policies
Ethnic Majority (Netrokona)	Predominantly rural, agrarian society with limited access to formal finance	Expansion of agent banking and mobile financial services (MFS): Establish agent banking outlets and promote mobile financial services in rural marketplaces and union centres to increase access to banking for remote households. Agricultural finance tailored to local livelihoods: Offer seasonal loan products, crop insurance, and input financing aligned with the local agricultural calendar, especially for smallholder farmers and sharecroppers. Savings incentive schemes for rural households: Introduce flexible savings schemes with small deposit requirements and interest incentives, targeted at rural families to build financial resilience. Financial literacy through community-based approaches: Deliver financial education via local schools, mosques, and community centres, focusing on budgeting, debt management, and digital finance, using culturally appropriate tools. Access to identification and documentation services: Support initiatives to issue or update national identity cards and birth registrations, enabling formal account opening and participation in financial systems. Linking farmers to digital value chains: Promote digital payments and banking for agricultural produce sales through cooperatives and aggregators, reducing reliance on cash and increasing transparency. Women-focused financial inclusion initiatives: Develop tailored financial products and literacy programmes for rural women, encouraging savings groups and access to microcredit for home-based income activities. Access to government subsidies and social safety nets: Facilitate the digital delivery of agricultural subsidies, elderly allowances, and other state benefits through MFS or agent banking channels. Partnerships with NGOs and agricultural extension services: Collaborate with local NGOs and agricultural officers to build trust and promote uptake of financial services within rural farming communities.
Char Areas (Lalmonirhat , Jamalpur)	Flood-prone, remote, highly mobile population, seasonal	Mobile and agent banking expansion: Establish agent banking outlets and mobile banking services using boats and solar-powered kiosks to serve the geographically isolated and frequently shifting riverine populations. Flexible and portable financial products: Design financial services that are portable and flexible, allowing char dwellers—who often migrate seasonally or due to river erosion—to maintain continuous access to

	livelihoods	accounts, savings, and loans. Disaster-responsive insurance and credit: Introduce weather-indexed crop and livestock insurance, as well as emergency loan facilities, to support recovery from floods, storms, and erosion-related displacement. Financial literacy and awareness campaigns: Conduct locally relevant financial education programmes focused on digital finance, savings, and responsible borrowing, using community radio, megaphones, and local NGOs as delivery channels. Government-to-Person (G2P) transfers via MFS: Ensure social safety net payments (e.g., cash allowances, food subsidies) are delivered through secure mobile financial services to reduce leakages and increase reliability. Community-based savings and loan associations: Promote the formation of informal savings and credit groups, such as self-help groups (SHGs) or rotating savings and credit associations (ROSCAs), which provide support during lean seasons. Infrastructure and ID access support: Facilitate access to civil documentation (e.g., NID cards, birth certificates) necessary for formal account opening, and support local infrastructure (e.g., raised platforms for banking kiosks) to mitigate flood disruption. Women and youth-focused financial services: Develop tailored products for women and young people in char areas, particularly to support home-based enterprises, vocational activities, and informal trade. Partnerships with NGOs and MFIs: Leverage the existing presence of non-governmental organisations and microfinance institutions to extend financial services and build trust in the community.
Tea Gardens (Moulvibazar)	Marginalised tea workers, often without formal identification or bank access	Digital wage payment systems: Introduce digital wage disbursement mechanisms through mobile financial services (e.g., bKash, Nagad) or agent banking, ensuring that workers are paid directly into secure, low-cost digital accounts. Biometric and NID-linked banking access: Facilitate the issuance of national identity (NID) cards and biometric verification to support the opening of formal bank or MFS accounts, overcoming barriers to identity documentation. On-site agent banking and mobile units: Deploy agent banking outlets or mobile banking vans directly within or adjacent to tea estates to provide convenient access to basic financial services including savings, transfers, and small loans. Financial literacy in local languages: Design and implement financial education programmes in local dialects (e.g., Sadri, Oraon, Manipuri) focusing on budgeting, savings, debt management, and safe digital transactions, using community workshops and audio-visual tools. Group-based microfinance schemes: Encourage the formation of community-based savings and credit groups (e.g., self-help groups or cooperatives) that can access microloans and promote collective financial discipline. Women-centred financial products: Develop and promote savings and loan products tailored to female tea workers, who often play a critical role in managing household finances, to improve gender-inclusive financial access. Financial incentives for estate owners: Offer policy incentives (such as tax rebates or CSR credits) to tea estate owners who support financial inclusion initiatives, such as providing space for agent kiosks or facilitating

		ID enrolment. Partnership with NGOs and MFIs: Collaborate with non-governmental organisations and microfinance institutions already working in tea garden areas to expand outreach and enhance trust among marginalised groups. Access to social safety nets via digital channels: Ensure that social protection schemes (e.g., maternity benefits, old age allowance) can be accessed digitally by eligible tea garden workers, reducing leakage and improving efficiency.
Tribal (Bandarban)	Indigenous communities, cultural-linguistic barriers, limited formal financial footprint	Establish more bank branches and service points: The number of bank branches per 1,000 square kilometres in Bandarban remains significantly below the national average. The government and Bangladesh Bank should provide targeted incentives—such as tax relief or infrastructure subsidies—to encourage banks to open rural branches or shared-service centres. Promote agent banking and mobile units: In remote and dispersed settlements, banks should expand agent banking services using local community members as representatives. Mobile banking vans or temporary service camps could be used to serve hard-to-reach villages on a rotational basis. Tailored financial products: Financial products should be adapted to local economic activities such as hill agriculture, horticulture, and handicrafts. collateral-free microloans, crop insurance, and livestock finance schemes are essential for tribal farmers and artisans. Flexible loan terms: Repayment schedules must be aligned with local agricultural cycles and income patterns to accommodate seasonal variability. Culturally sensitive financial education: Deliver financial literacy programmes in local languages and dialects through trusted community leaders, schools, and local NGOs. Special focus should be placed on educating women and youth, who are often more financially excluded. Awareness campaigns: Promote understanding of the benefits of formal financial services and how to access them, using culturally appropriate communication channels such as community theatre, storytelling, and visual materials. Support for tribal women entrepreneurs: Develop microcredit and savings schemes tailored to women in Bandarban, particularly those engaged in cottage industries, weaving, or farming. Promote the formation of women's savings groups or cooperatives. Female agent banking representatives: Encourage recruitment and training of female agents to deliver banking services within tribal communities, improving access and trust among women. Leverage existing community structures: Partner with NGOs and MFIs already working in Bandarban to deliver financial services through familiar and trusted channels. Support community-based financial models: Facilitate the establishment of savings and credit cooperatives managed by local residents, enabling more sustainable and community-owned financial services. Community-based insurance: Develop and pilot microinsurance products—such as crop and health insurance—adapted to the specific risks faced by tribal communities, in partnership with MFIs and cooperatives. Link G2P payments to financial accounts: Disburse government cash transfers, pensions, and development funds via mobile wallets or basic bank accounts to increase usage of formal financial channels.

References

- Akter, S. (2016). Overview of financial inclusion in Bangladesh. *The journal of the study of modern society and culture*, 63(12), 225-255.
- Allen, F., Demirguc-Kunt, A., Klapper, L., & Peria, M. S. M. (2016). The foundations of financial inclusion: Understanding ownership and use of formal accounts. *Journal of financial Intermediation*, 27, 1-30.
- Andrianaivo, M., & Kpodar, K. (2011, April). ICT, financial inclusion, and growth: Evidence from African countries.
- Angelucci, M., Karlan, D., & Zinman, J. (2013). Win some lose some? Evidence from a randomized microcredit program placement experiment by Compartamos Banco (No. w19119). National Bureau of Economic Research.
- Attanasio, O., Augsburg, B., De Haas, R., Fitzsimons, E., & Harmgart, H. (2014). Group lending or individual lending? Evidence from a randomised field experiment in Mongolia (No. SP II 2014-303). WZB Discussion Paper.
- Augsburg, B., De Haas, R., Harmgart, H., & Meghir, C. (2012). Microfinance at the margin: experimental evidence from Bosnia and Herzegovina (No. W12/15). IFS Working Papers. Available at SSRN 2021005.
- Bangladesh Bank (2023), Quarterly Report on No-Frill Accounts (January-March 2023), Financial Inclusion Department, Bangladesh Bank.
- Bangladesh Bank (2023), Monthly Report on Agriculture and Rural Finance, Research Department, Internal Economic Wing, Bangladesh Bank.
- Bangladesh Bank (2019), Survey on Impact Analysis of Access to Finance in Bangladesh, Research Department, Bangladesh Bank.
- Banerjee, P. K., Siddique, M. M., Mehdee, T., Amin, M. R., & Alam, M. A. (2022). Financial Inclusion: Bank Based Initiatives and Achievements in Bangladesh. Bangladesh Institute of Bank Management (BIBM).
- Banerjee, A., Karlan, D., & Zinman, J. (2015). Six randomized evaluations of microcredit: Introduction and further steps. *American Economic Journal: Applied Economics*, 7(1), 1-21.
- BBS, B. (2022). Population & Housing Census 2022 Preliminary Report. Bangladesh Bureau of Statistics, Government of Bangladesh, 11.
- Bank, B. (2012). Mobile financial services in Bangladesh: An overview of market development. Bangladesh Bank Policy Paper, 1-28.
- Bapat, D. and Bhattacharyay, B.N., 2016. Determinants of Financial Inclusion of Urban Poor in India: An Empirical Analysis. CESifo Working Paper. (No. 6096).
- BBS (2013). Statistical Yearbook of Bangladesh 2012, Bangladesh Bureau of Statistics, Statistics and Informatics Division, Ministry of Planning, Government of the People's Republic of Bangladesh, Dhaka.
- Beck, T., & Demirgüç-Kunt, A. (2008). Access to finance: An unfinished agenda. *The world bank economic review*, 22(3), 383-396.

- Burjorjee, D. M., & Scola, B. (2015). A market systems approach to financial inclusion. Recuperado de [https://www. cgap. org/sites/default/files/researches/documents/Consensus-Guidelines-A-Market-Systems-Approach-to-Financial-Inclusion-Sept-2015_0. pdf](https://www.cgap.org/sites/default/files/researches/documents/Consensus-Guidelines-A-Market-Systems-Approach-to-Financial-Inclusion-Sept-2015_0.pdf).
- Chakroborty, T., & Sultana, M. (2023). Financial Inclusion for Rural Community in Bangladesh through Agent Banking. *International Journal For Multidisciplinary Research*, 5(3).
- Center for Financial Inclusion, (2013). *Seizing the Moment: On the Road to Financial Inclusion, Financial Inclusion 2020- A Global Forum, Action*.
- Center for Financial Inclusion, IIF, (2016). *The business of financial inclusion: Insights from banks in emerging markets*. Retrieved from: http://www.centerforfinancialinclusion.org/storage/documents/IIF_CFI_Report_FINAL.pdf
- Chibba, M. (2009). Financial inclusion, poverty reduction and the millennium development goals. *The European Journal of Development Research*, 21(2), 213-230.
- Claessens, S. (2006). Access to financial services: A review of the issues and public policy objectives. *The World Bank Research Observer*, 21(2), 207-240.
- Claessens, S., & Perotti, E. (2007). Finance and inequality: Channels and evidence. *Journal of comparative Economics*, 35(4), 748-773.
- Dabla-Norris, M. E., Ji, Y., Townsend, R., & Unsal, M. F. (2015). Identifying constraints to financial inclusion and their impact on GDP and inequality: A structural framework for policy. *International Monetary Fund*.
- Datta, D. (2004). Microcredit in rural Bangladesh: Is it reaching the poorest?. *Journal of microfinance/ESR Review*, 6(1), 5.
- FAS Country Data - IMF Data. Link: <https://data.imf.org/?sk=e5dcab7e-a5ca-4892-a6ea-598b5463a34c>
- Ferrari, A. (2008). *Increasing access to rural finance in Bangladesh: the forgotten" missing middle"*. World Bank Publications.
- Ghatak, M., & Guinnane, T. W. (1999). The economics of lending with joint liability: theory and practice. *Journal of development economics*, 60(1), 195-228.
- Hasan, M. E. (2003). Implications of financial innovations for the poorest of the poor in the rural area: Experience from Northern Bangladesh. *Journal of Microfinance/ESR Review*, 5(2), 6.
- International Organization for Migration. (2024). *World migration report 2024*. UN.
- Jalan, J.&Ravallion, M. (1999). "Is transient poverty different? Evidence for RuralDynamics in Developing Countries."Frank Cass Publishers. No.82-99
- Khan, S. (2022). *Promoting Women Entrepreneurship: Contribution of Banking Sector in Bangladesh*
- Khalily, M. A., Faridi, Rushad. 2011. *Multiple Memberships (Overlapping) in Micro Credit Markets of Bangladesh*. Dhaka: Institute of Microfinance (InM).
- Khalily, M. A., Khaleque, M. A., Bidisha, S. H., & Ahmed, M. (2011). *Access to financial services in Bangladesh*. Dhaka: Institute of Microfinance (InM).
- Khalily, M. A., Hasan, M., Akhter, N., Miah, P., (2014). *Access to Financial Services in Bangladesh (Phase II)*. Project Report, Institute of Microfinance (InM),

- MOF-Ministry of Finance, 2016. Activities Banks, Insurance and Other Financial Institutions 2015-16 (in Bangla), Government of Bangladesh.
- MRA (2023), MICROFINANCE IN BANGLADESH, MICROCREDIT REGULATORY AUTHORITY(ANNUAL STATISTICS), JUNE-2023
- Rahman, M. M., et al. (2021). Digital financial services and rural finance in Bangladesh: Challenges and opportunities. *Information Development*, 37(5), 1-15.
- Sarma, M. 2012. Index of Financial Inclusion–A measure of financial sector inclusiveness (No. 1207). Hochschule fuer Technik und Wirtschaft, Berlin.
- Sarma, M., & Pais, J. (2011). Financial inclusion and development. *Journal of international development*, 23(5), 613-628.
- Singh, S., Asrani, R., & Ramaswamy, A. (2016). Study on mapping the market potential and accelerating finance for women entrepreneurs in Bangladesh.
- Statistics, B. B. O. (2011). Statistical yearbook of Bangladesh. Statistics Division, Ministry of Planning, Dhaka, Government of the People's Republic of Bangladesh.
- Vision, M. (2020). 2041 a Reality: Perspective Plan of Bangladesh 2021–2041. General Economics Division, Bangladesh Planning Commission. Ministry of Planning, Government of the People's Republic of Bangladesh.

Appendix

Appendix A

Financial inclusion indicators for bank in Bangladesh

Year	ATM Per 1,000 km	ATM Per 100,000 adults	Branches per 1000 sqkm	Branches per 100,000	Borrower per 1000 adults	Deposit a/c per 1,000 adults	Loan a/c per 1000 adults	Deposit to GDP Ratio	Loan to GDP Ratio
2017	73.60	8.36	77.64	8.82	83.10	788.83	92.56	42.69	36.29
2018	79.94	8.92	80.15	8.94	83.09	854.46	91.75	41.12	36.48
2019	85.87	9.42	81.64	8.95	82.92	925.16	93.09	41.40	35.48
2020	97.59	10.53	82.43	8.90	83.04	991.06	91.31	43.73	36.16
2021	107.79	11.45	84.50	8.98	83.98	942.56	96.56	43.01	36.35

Source: FAS Country Data-IMF Data

Appendix B

Characteristics of households without access to financial markets (%)

Characteristics	No Access to Bank and MFIs	No Access to any Financial Services
Female Headed Households	63.01	8.22
Widow/Widower Household head	73.58	11.32
Occupation of Household Head		
Labour	56.69	3.94
Self-Employment	41.35	1.54
Service/Professional	27.03	0
Education of HH head		
Illiterate	60	4.49
Up to 5	36.64	1.03
Up to 9	36.36	0
S.S.C	21.43	0
H.S.C	14.29	0
Above H.S.C	26.67	0
Income Quintile		
Lowest	65.25	5.67
Second	42.14	1.43
Third	43.88	0.72
Fourth	34.29	2.14
Highest	31.43	0

Source: InM, CRFS regional financial access survey, 2023

Appendix C

Percentage distribution of household by financial literacy and districts

	Bandarban	Kishoregonj	Jamalpur	Netrokona	Lalmonirhat	Moulvibazar	Sunamganj	Total
Know about where to get loan	86	99	94	100	96	100	88	94.71
Know about Savings account	62	74	34	88	70	49	37	59.14
Know about Current account	13	72	18	88	29	28	3	35.86
Know about what can be done through bank account	58	73	24	88	50	48	42	54.71
Know about ATM/Debit card	13	39	10	23	5	15	7	16
Know about Mobile banking	88	98	80	100	81	94	91	90.29
Know about Internet banking	10	17	1	12	5	1	1	6.71
Know about Agent banking	12	27	7	18	13	24	3	14.86
Know about MFI's	95	97	92	100	96	96	89	95
Know about Cheque book	83	99	31	96	83	56	73	74.43
Know about Loan collateral	70	98	75	89	41	35	32	62.86
Know about Interest	90	100	97	100	100	98	88	96.14

Source: InM, CRFS regional financial access survey, 2023

Appendix D

Tables from FGDs

Table 1: Age distribution of household head by district

Age distribution, in years	Below 18	Between 18-30	Between 30-45	Above 45
Division	% of respondents			
Barishal	...	23.08	25.64	51.28
Chattogram	...	26.09	34.78	39.13
Dhaka	13.33	53.33	20	13.33
Khulna	...	20	50	30
Rangpur	...	23.94	47.89	28.17
Sylhet	...	13.04	43.48	43.48
Total	1.59	26.59	37.30	34.52

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 2: Marital status of household head by district

Marital status	Unmarried	Married	Widow/ widower
Division	% of respondents		
Barishal	2.56	84.62	12.82
Chattogram	14.49	79.71	5.80
Dhaka	16.67	83.33	...
Khulna	5.00	90.00	5.00
Rangpur	7.04	90.14	2.82
Sylhet	8.70	73.91	17.39
Total	9.52	84.13	6.35

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 3: Educational qualification of household head by district

	No formal education	Primary education/Equivalent	Secondary education/Equivalent	Higher secondary education	Honors	Masters
Division	% of respondent					
Barishal	12.82	61.54	20.51	5.13	...	...
Chattogram	23.19	39.13	20.29	8.70	4.35	4.35
Dhaka	23.33	36.67	26.67	13.33	...	...
Khulna	10.00	45.00	30.00	15.00	...	...
Rangpur	23.94	52.11	7.04	11.27	1.41	4.23
Sylhet	17.39	56.52	21.74	4.35	...	...
Total	20.24	48.02	18.25	9.52	1.59	2.38

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 4: Food insufficiency throughout the year in terms of months by district

	Less than 1 month	Between 1-2 months	Between 2-3 months	5 or above 5 months
Division	% of respondents			
Barishal	...	...	...	100.00
Chattogram	52.17	47.83	...	...
Dhaka	50.00	50.00	...	...
Khulna	66.67	33.33	...	...
Rangpur	...	...	...	...
Sylhet	26.09	47.83	26.09	...
Total	41.94	46.77	9.68	1.61

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 5: Percentage of households by sources of income

Source of earning	Barishal	Chattogram	Dhaka	Khulna	Rangpur	Sylhet	Total
% of respondents							
Farming	41.03	36.23	43.33	20.00	40.85	69.57	40.87
Day labourer	41.03	23.19	20.00	10.00	21.13	21.74	23.81
Poultry/Chicken Rearing	...	11.59	6.67	15.00	7.042	...	7.14
Cattle Rearing	...	4.35	30.00	10.00	8.45	...	7.94
Fish Farming/Fisherman	...	0	3.33	40.00	11.27	...	6.75
Driver/Transport Labour	10.26	5.80	3.33	5.00	8.45	4.35	6.75
Business	5.13	2.90	13.33	...	22.54	4.35	9.92
Govt. Job	...	2.90	...	...	8.45	...	3.17
Private Job	2.56	4.35	...	...	...	...	1.59
Others	...	8.70	...	...	...	...	2.38
Total	100	85.51	100.00	100.00	128.17	100.00	103.97

Note: ...means nil. Total may not add up to 100 due to existing of multiple source of income.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 6: Average monthly household income in taka

Division	Less than 5000	Between 5000-10000	Between 10000-20000	Between 20000-30000	Above 30000
% of household head					
Barishal	5.13	38.46	51.28	5.13	...
Chattogram	1.45	33.33	30.43	17.39	17.39
Dhaka	...	33.33	50.00	16.67	...
Khulna	10.00	20.00	25.00	40.00	5.00
Rangpur	25.00	47.22	27.78	...	...
Sylhet	...	8.70	47.83	39.13	4.35
Total	9.09	34.78	36.36	14.23	5.53

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 7: Average monthly household expenditure in taka

	Less than 5000	Between 5000-10000	Between 10000-20000	Between 20000-30000	Above 30000
% of household head					
Barishal	5.13	38.41	51.28	5.13	...
Chattogram	15.94	27.54	26.09	10.14	20.29
Dhaka	...	46.67	36.67	16.67	...
Khulna	10.00	30.00	40.00	20.00	...
Rangpur	23.94	32.39	33.80	9.86	...
Sylhet	...	...	47.83	43.48	8.70
Total	12.70	30.56	36.51	13.89	6.35

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 8: Institutional and non-institutional savings of households

Savings	Barishal	Chattogram	Dhaka	Khulna	Rangpur	Sylhet	Total
	% of household						
Institutional savings							
Savings account in banks	7.69	30.43	3.33	5.00	7.04	17.39	13.89
Term deposits in banks	2.56	7.25	...	...	...	4.35	2.78
Saving accounts in Micro-Finance Institutions	48.72	47.83	33.33	50.00	74.65	52.17	54.37
Savings account of 10Tk.	2.56	11.59	...	...	19.72	4.35	9.52
Saving deposits in clubs/ cooperative societies	...	5.80	16.67	25.00	0	0	5.56
Saving accounts	...	...	...	...	...	...	...
Prize bonds	...	...	...	...	...	...	...
Savings at post offices	...	...	...	...	...	...	...
Accumulated insurance premiums	2.56	13.04	...	...	9.86	4.35	7.14
Investment in capital market (e.g. share market)	...	1.45	...	...	...	...	0.40
Savings in mobile banking account	38.46	27.54	26.67	40	83.10	69.57	49.60
Non-institutional savings							
Savings in cash	...	65.22	36.67	55.00	53.52	21.74	43.65
Loans given to others	...	17.39	10.00	15.00	4.23	21.74	10.32
Deposits kept with others	...	15.94	10.00	15.00	...	4.35	7.14

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 9: Preference for institutional convenience in availing savings services (%)

	BKB	SOCBs	PCBs	NGO-MFIs	Co-operative societies	Mobile Banking	Agent Banking
Barishal	10.26	20.51	10.26	30.77	...	82.05	2.56
Chattogram	15.94	20.29	10.14	53.62	2.70	13.04	2.90
Dhaka	30.00	16.67	6.67	33.33	6.67	6.67	3.33
Khulna	5.00	15.00	...	75.00	10.00	50.00	...
Rangpur	29.58	7.04	2.82	71.83	1.41	53.52	2.82
Sylhet	8.70	8.70	13.04	52.17	...	69.57	...
Total	19.048	14.68	7.14	54.37	2.78	42.46	2.38

Note: ...means nil. Source: InM/BB CRFS Qualitative Survey, 2023

Table 10: Factors hindering savings in formal financial institutions (%)

Division	Location far from residence	Opted not to open account	Complicated procedure /paperwork	Minimum deposit required	Unfriendly behavior of staff	Low incentive of financial institution	Require collateral	Inadequate credit	Others
Barishal	...	82.05	58.97	87.18	...	...	48.72	...	...
Chattogram	20.29	14.49	27.54	10.14	14.49	...	5.80	15.94	23.19
Dhaka	30.00	16.67	33.33	16.67	10.00	3.33	23.33	20	...
Khulna	25.00	45.00	65.00	10.00	...	...	50.00	20.00	10.00
Rangpur	61.97	39.44	45.07	30.99	32.39	35.21	19.72	42.25	...
Sylhet	47.83	...	82.61	82.61	34.78	...	69.57	69.57	47.83
Total	32.94	33.33	46.03	35.32	17.46	10.32	27.78	26.59	11.51

Note: ...means nil. Source: InM/BB CRFS Qualitative Survey, 2023

Table 11: Facilitating factors for savings in formal financial institutions

Reasons	Location close to home	Higher interest rate on savings deposit	Income tax certificate requirement withdrawn for buying saving certificates	Collateral free loan advanced	Friendly attitude/behavior of staff
Division	% of respondents				
Barishal	66.67	74.36	51.28	100.00	51.28
Chattogram	10.14	50.72	13.04	56.52	18.84
Dhaka	23.33	40.00	10.00	20.00	13.33
Khulna	30.00	90.00	50.00	85.00	15.00
Rangpur	76.07	57.75	25.35	100.00	21.13
Sylhet	47.83	95.65	95.65	100.00	43.48
Total	44.05	62.30	32.54	77.38	25.79

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 12: Reasons for not depositing savings in a 10 tk. account

	Government subsidy/facilities	The bank is far away	Alternative financial institutions (e.g., MFIs) are accessible/convenient	Others
Division	% of respondents			
Barishal	10.00	...	10.00	80.00
Chattogram	21.05	18.42	47.37	13.16
Dhaka	...	44.44	55.56	...
Khulna	...	56.00	44.00	...
Rangpur	56.25	6.25	37.50	...
Sylhet	3.85	38.46	15.38	42.31
Total	15.32	29.03	36.29	19.35

Note: ...means nil. Others include: The accounts may have been opened solely to avail government subsidies or facilities, but they have a lack of knowledge about bank and no-fill accounts.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 13: Reasons for opening savings accounts in MFIs

Reasons	Location close to enterprise / home	Other formal institutions not available nearby	Available loan from MFI	Loans can be acquired swiftly and with ease	No paper work is needed	Friendly behavior of staff	Highly convenient	Doesn't require collateral
Division	% of respondents							
Barishal	7.69	...	48.72	48.72	48.72	38.46	51.28	51.28
Chattogram	5.80	17.39	47.83	33.33	23.19	24.64	24.64	18.84
Dhaka	16.67	10	26.67	40	23.33	30	30	33.33
Khulna	25	15	40	60	35	45	45	50
Rangpur	98.59	14.08	70.42	76.06	28.17	33.80	12.68	14.08
Sylhet	...	...	52.17	52.17	52.17	43.48	17.39	56.52
Total	33.73	17.06	54.37	52.78	36.51	37.70	29.37	31.75

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 14: Access to mobile banking

Division	% of households have mobile bank account
Barishal	64.10
Chattogram	62.32
Dhaka	50.00
Khulna	70.00
Rangpur	83.10
Sylhet	69.57
Total	68.25

Source: InM/BB CRFS Qualitative Survey, 2023

Table 15: Non-user of mobile bank account (last 1 year) among the mobile banking account holders

Division	Non-users (last 1 year)
	% of mobile bank account holders
Barishal	20.00
Chattogram	18.60
Dhaka	...
Khulna	...
Rangpur	10.17
Sylhet	...
Total	11.047

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 16: Reasons for opening mobile banking account

Reasons	Transaction purposes, (receiving and sending money)	Payment of bills	Recharging mobile phone	Savings in mobile account	Conducting business transactions	Shopping purposes	Others
Division	% of mobile banking account holders						
Barishal	61.54	5.13	12.82	15.38	5.13	...	...
Chattogram	66.67	11.59	26.09	23.19	7.25	5.80	...
Dhaka	43.33	10.00	23.33	16.67	20.00	6.67	...
Khulna	35.00	...	55.00	...	40.00	...	...
Rangpur	64.79	42.25	43.66	29.58	5.6	2.82	...
Sylhet	56.52	...	47.83	4.35	...	...	30.43
Total	59.13	17.06	32.94	19.44	9.92	3.17	2.78

Note: ...means nil. Others include, to access school stipends for their children, individuals have opened mobile banking accounts.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 17: Reasons for preferring mobile banking account over other options

Reasons	Money transactions are easier	Transactions are safe	Allows savings in small amounts	Confidentiality is ensured	Allows payment of bills	Profit in savings
Division	% of mobile banking users					
Barishal	64.10	64.10	64.10	48.72	5.13	...
Chattogram	55.07	28.99	21.74	24.64	17.39	7.25
Dhaka	36.67	16.67	23.33	20.00	20.00	10.00
Khulna	80.00	40.00	45.00	60.00	10.00	...
Rangpur	52.11	67.61	30.99	38.03	53.52	5.63
Sylhet	69.57	69.57	69.57	69.57	4.35	...
Total	56.75	48.41	37.30	38.49	24.21	4.76

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 18: Percentage of agent banking account holders

Division	Access to agent banking account
	% of agent banking account holders
Barishal	2.56
Chattogram	10.14
Dhaka	10.00
Khulna	...
Rangpur	2.82
Sylhet	...
Total	5.16

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 19: Agent banking account holders who have not used their accounts in past year

DIVISION	Non-users (Last 01 year)
	% of agent banking account holders
Barishal	100.00
Chattogram	42.86
Dhaka	...
Khulna	...
Rangpur	...
Sylhet	...
Total	30.77

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 20: Reasons for opening agent banking account

Reasons	Transaction purposes (receiving and sending money)	Payment of bills	For saving purposes	conducting Business transaction	Purchasing commercial product	Closer location of agent
Division	% of agent banking account holders					
Barishal	100.00	...	100.00	...	...	100.00
Chattogram	100.00	14.29	57.14	14.29	...	42.86
Dhaka	100.00	66.67	100.00	100.00	66.67	100
Khulna	...	...	...	...	...	...
Rangpur	...	50.00	50.00	...	...	...
Sylhet	...	...	...	...	...	...
Total	84.62	30.77	69.23	30.77	15.38	53.85

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 21: Sources of credit

	Bangladesh Krishi Bank (BKB)	State Owned Commercial Banks (SOCBs)	Private Commercial Banks (PCBs)	NGO-MFIs	Co-operative society	Informal money lenders
Division	% of household					
Barishal	5.13	...	2.56	51.28	...	56.41
Chattogram	8.70	2.90	1.45	50.72	2.90	40.58
Dhaka	3.33	3.33	...	26.67	...	43.33
Khulna	5.00	...	...	75.00	10.00	45.00
Rangpur	7.04	1.41	1.41	66.20	2.82	25.35
Sylhet	...	...	...	52.17	...	56.52
Total	5.95	1.59	1.19	54.37	2.38	40.87

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 22: Credit rationing scenario

	100% of the requested amount	Less than the requested amount	Didn't get any loan
Division	% of loan receiver		
Barishal	51.61	45.16	3.23
Chattogram	79.17	18.75	2.083
Dhaka	40.91	50.00	9.09
Khulna	55.56	44.44	...
Rangpur	75.00	25.00	...
Sylhet	75.00	18.75	6.25
Total	66.49	30.89	2.62

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 23: Reasons for sanctioning less than requested amount of loans

Reasons	Lack of collateral	Unprofitable project	Unwilling to pay bribe	Errors in the loan application process	Others
Division	% of loan receivers				
Barishal	0	2.79	0	0	3.49
Chattogram	88.88	33.33	77.77	55.55	0
Dhaka	63.63	27.27	27.27	45.45	0
Khulna	0	0	25	0	75
Rangpur	57.14	85.71	0	64.28	7.14
Sylhet	0	33.33	0	0	166.66
Total	38.98	38.98	20.33	32.20	28.81

Note: ...means nil. Others include: Financial institutes have expressed their intent to provide loans at a later date. Conversely, there are situations where financial institutions declined loan requests.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 24: Reasons for preference of loans from microfinance institutions

Reasons	Closeness of branch office to residence	Absence of other financial institutions nearby	Relative ease in getting loan	Less documentation requirements	Supportive and collaborative staff	Convenient	No need for collateral
Division	% of respondents						
Barishal	15.38	...	48.72	48.72	43.59	46.15	51.28
Chattogram	8.70	11.59	47.83	23.19	20.29	27.54	20.29
Dhaka	13.33	16.67	33.33	26.67	16.67	33.33	23.33
Khulna	10.00	10.00	75.00	90.00	100.00	75.00	75.00
Rangpur	74.65	22.54	71.83	23.94	50.70	28.17	26.76
Sylhet	...	...	52.17	52.17	39.13	52.17	52.17
Total	28.17	12.30	55.56	35.71	40.08	37.30	34.52

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 25: Institutional preference for future loans by households

	Krishi Bank	SOCBS	PCBs	NGO-MFIs	Co-operative Societies	Informal money lenders
Division	% of people					
Barishal	23.08	33.33	7.69	43.59	...	38.46
Chattogram	17.39	26.09	1.45	49.28	5.80	26.09
Dhaka	16.67	33.33	10.00	46.67	6.67	3.33
Khulna	...	50.00	20.00	75.00	...	35.00
Rangpur	33.80	36.62	2.82	85.92	...	1.41
Sylhet	26.09	26.09	...	86.96	...	69.57
Total	22.22	32.94	5.16	63.89	2.38	23.02

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 26: Access to informal credit

	Loans from informal money lenders
Division	% of household head
Barishal	56.41
Chattogram	40.58
Dhaka	43.33
Khulna	40.00
Rangpur	33.80
Sylhet	56.52
Total	42.86

Source: InM/BB CRFS Qualitative Survey, 2023

Table 27: Reasons for borrowing from non-institutional sources

Reasons	Loan procured without interest	Absence of other financial institutions nearby	Easy to procure the loan	No paper work needed to get the loan	Larger loans are available	No mortgage needed to get loan	More time can be availed to repay the loan
Division	% of respondents						
Barishal	59.09	...	100.00	100.00	...	100.00	86.36
Chattogram	60.71	17.86	75.00	89.29	25.00	71.43	46.43
Dhaka	84.62	23.08	30.77	92.31	23.08	69.23	38.46
Khulna	62.50	25.00	100.00	100.00	12.50	100.00	100.00
Rangpur	100.00	100.00	100.00	100.00	75.00	100.00	8.33
Sylhet	46.15	...	15.38	100.00	0	100.00	61.54
Total	70.37	31.48	75.00	96.30	26.85	88.89	50.93

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 28: Factors hindering savings in formal financial institutions

Factors	Financial institute do not operate here	Opted not to open account	Complicated procedure /paperwork	Required mortgage	Unfriendly behavior of staff	Low incentive of financial institution	Minimum deposit required	Challenges in securing sufficient loan
Division	% of respondents							
Barishal	25.64	23.08	69.23	66.67	...	...	69.23077	...
Chattogram	10.14	15.94	39.13	62.32	18.84	...	21.74	21.74
Dhaka	16.67	13.33	33.33	26.67	16.67	3.33	33.33	23.33
Khulna	25.00	25.00	65.00	65.00	40.00	...	...	30.00
Rangpur	59.15	22.54	40.85	47.89	39.44	45.07	38.03	8.451
Sylhet	21.74	...	95.65	82.61	43.48	4.35	95.65	60.87
Total	29.37	17.86	50.79	56.75	25.40	13.49	40.08	19.05

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 29: Preferred facilitating factors for accessing bank loans

	Closer location of bank branch	Lower lending rates	No documents needed to get a loan	Loan without collateral	Friendly behavior of the bank staff
Division	% of respondents				
Barishal	64.10	71.79	74.36	100.00	76.92
Chattogram	8.70	37.68	23.191	68.12	21.74
Dhaka	6.67	56.67	13.33	30.00	20.00
Khulna	50.00	80.00	...	90.00	60.00
Rangpur	60.56	70.42	50.70	80.28	25.35
Sylhet	21.74	100.00	100.00	100.00	43.48
Total	36.11	63.49	42.86	76.59	36.11

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 30: Agricultural loan application

	Agricultural loan
Division	% of household head
Barishal	25.64
Chattogram	14.49
Dhaka	20.00
Khulna	...
Rangpur	4.23
Sylhet	...
Total	11.51

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 31: Percentage of canceled agricultural loan applications

	Canceled loan
Division	% of loan applier
Barishal	40.00
Chattogram	40.00
Dhaka	50.00
Khulna	...
Rangpur	66.67
Sylhet	...
Total	44.83

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 32: Insurance history in the family

Types of insurance		Life Insurance	Accident Insurance	Health Insurance	Asset Insurance	Crop Insurance	Business Insurance	Loan Insurance	Livestock Insurance	Poultry Farm Insurance	Fisheries Insurance
Division		% of respondents									
Barishal	Currently have	5.13	...	...	...	...	...	33.33	...	...	...
	In the past, but not present	12.82	...	...	...	...	...	5.13	...	...	...
	Wants to have in the future	25.64	...	...	...	...	...	...	...	...	...
Chattogram	Currently have	7.25	...	...	...	...	...	47.85	...	...	...
	In the past, but not present	11.59	...	...	...	...	...	15.94	...	...	...
	Wants to have in the future	1.45	7.25	4.35	...	5.80	8.70	28.99	7.25	5.80	5.80
Dhaka	Currently have	...	...	...	...	...	...	10.00	...	...	...
	In the past, but not present	16.67	...	...	...	...	...	13.33	...	...	...
	Wants to have in the future	16.67	...	10	6.67	...	6.67	...	20.00	6.67	6.67
Khulna	Currently have	10.00	...	...	...	...	...	75.00	...	...	...
	In the past, but not	...	...	...	...	...	...	15.00	...	...	...

	present										
	Wants to have in the future	25.00	...	...	...	...	...	20.00	25.00	...	20.00
Rangpur	Currently have	5.63	...	...	...	...	...	...	...	...	...
	In the past, but not present	2.82	...	...	...	...	...	...	...	...	...
	Wants to have in the future	14.08	...	...	...	...	...	...	...	...	...
Sylhet	Currently have	4.35	...	...	...	...	...	...	...	...	...
	In the past, but not present	4.35	...	...	...	...	...	...	...	...	...
	Wants to have in the future	13.04	8.70	34.78	...	100	...	52.17	...	...	...
Total	Currently have	5.56	...	...	...	...	...	25.40	...	...	...
	In the past, but not present	7.94	...	...	...	...	...	7.94	...	...	...
	Wants to have in the future	13.49	2.78	5.56	0.79	10.71	3.17	14.29	6.35	2.38	3.97

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 33: Number of insurance claims

	Insurance claims
Division	% of family
Barishal	20.51
Chattogram	4.35
Dhaka	16.67
Khulna	...
Rangpur	1.41
Sylhet	4.35
Total	7.14

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 34: Percentage of people who have received insurance claim payouts

	Received money for insurance claims
Division	% of respondents
Barishal	12.50
Chattogram	33.33
Dhaka	20.00
Khulna	...
Rangpur	100.00
Sylhet	...
Total	22.22

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 35: Percentage of households wants loan insurance provided by micro-finance institution

	Loan insurance provided by MFIs
Division	% of respondents
Barishal	20.51
Chattogram	42.03
Dhaka	13.33
Khulna	40.00
Rangpur	66.20
Sylhet	34.78
Total	41.27

Source: InM/BB CRFS Qualitative Survey, 2023

Table 36: Reasons for wanting loan insurance

	To alleviate the financial burden on the family if the borrower passes away, ensuring they are not responsible for repaying the loan	Loan insurance provides a sense of financial security, offering protection against unforeseen events, making the borrowing process safer for individuals and lenders alike	The mandatory nature of loan insurance eliminates the scope for consumer feedback, as it becomes a compulsory part of the lending process
Division	% of respondents		
Barishal	20.51	20.51	10.26
Chattogram	37.68	17.39	14.49
Dhaka	26.67	6.67	40.00
Khulna	40.00	30.00	20.00
Rangpur	81.69	50.70	45.07
Sylhet	34.78	34.78	34.78
Total	46.03	28.57	27.78

Note: ...means nil. Source: InM/BB CRFS Qualitative Survey, 2023

Table 37: Reasons for not wanting loan insurance

	Reduction in Loan Amount	High Premium Costs	Lack of Additional Benefits	Limited Consumer Feedback Opportunities	Others
Division	% of respondents				
Barishal	...	5.13	15.38	...	20.51
Chattogram	7.25	13.04	5.80	17.39	1.45
Dhaka	20.00	6.67	43.33	36.67	...
Khulna	15.00	10.00	65.00	40.00	...
Rangpur	66.20	11.27	7.042	32.39	...
Sylhet	17.39	...	...	...	...
Total	25.79	9.13	16.27	21.43	3.57

Note: ...means nil.

Others include, it's not trust worthy.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 38: Types of barriers to accessing financial services

Barrier	Barishal	Chattogram	Dhaka	Khulna	Rangpur	Sylhet	Total
	% of respondents						
	Low						
Financial institutions not operating nearby	7.69	36.23	23.33	20.00	7.04	21.74	19.44
Excessive rules/documents for account opening	5.13	14.49	...	35.00	14.08	8.70	12.30
High initial deposit requirement	10.26	23.19	...	...	12.68	...	11.51
Poor behavior of organisation's employees	...	21.74	...	...	19.72	39.13	15.08
Security deposit requirement	2.56	8.70	...	40.00	11.27	...	9.13
Rejection of account opening request	...	...	...	...	14.08	91.30	12.30
Difficulty in obtaining credit	...	27.54	...	...	18.31	...	12.70
Low interest rates on savings	...	4.35	...	10.00	7.04	52.17	8.73
Religious reasons for not using financial services	...	11.59	...	...	9.86	56.52	11.11
Avoiding financial institutions due to low income	...	7.25	...	...	15.49	...	6.35
	Medium						
Financial institutions not operating nearby	...	4.35	...	...	8.45	34.78	6.75
Excessive rules/documents for account opening	20.51	13.04	10.00	...	8.45	8.70	11.11
High initial deposit requirement	17.95	4.35	...	...	15.49	39.13	11.90
Poor behavior of organisation's employees	...	5.80	16.67	...	7.04	30.43	8.33
Security deposit requirement	7.69	4.35	...	...	18.31	39.13	11.11
Rejection of account opening request	...	...	6.67	...	5.63	8.70	3.17
Difficulty in obtaining	...	8.70	...	...	9.86	...	5.16

credit							
Low interest rates on savings	...	18.84	...	...	12.68	...	8.73
Religious reasons for not using financial services	...	2.90	...	...	15.49	...	5.16
Avoiding financial institutions due to low income	...	5.80	...	...	18.31	...	6.75
High							
Financial institutions not operating nearby	17.95	10.14	...	75.00	23.94	43.48	22.22
Excessive rules/documents for account opening	66.67	31.88	33.33	80.00	4.23	82.61	38.10
High initial deposit requirement	66.67	10.14	23.33	40.00	7.04	60.87	26.59
Poor behavior of organisation's employees	5.13	14.49	10.00	30.00	4.23	30.43	12.30
Security deposit requirement	28.21	46.38	33.33	20.00	12.68	60.87	31.75
Rejection of account opening request	...	...	3.33	...	14.08	4.35	4.76
Difficulty in obtaining credit	25.64	20.29	30	25	2.82	100.00	25
Low interest rates on savings	...	28.99	30.00	20	7.04	100.00	24.21
Religious reasons for not using financial services	...	4.348	...	...	19.72	...	6.75
Avoiding financial institutions due to low income	...	17.39	46.67	20.00	5.63	91.30	21.83

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 39: Preference of financial inclusion products for the underprivileged

Products	Savings Accounts		Microloans		Payment of Bill		Insurance	
	% of respondents	Reasons	% of respondents	Reasons	% of respondents	Reasons	% of respondents	Reasons
Division								
Barishal	100.00	Having savings is crucial for safety and security, serving as a vital resource in emergencies, ensuring financial stability and providing a lifeline when	92.31	Loans are essential in critical conditions, providing vital financial support for emergencies and addressing family issues that require immediate attention.	12.82	Repayment of loans or bills	20.51	It provides financial security by waiving off the loan in case of an accident or death, ensuring that the family is not burdened with any liabilities thereafter.

		needed.						
Chattogram	56.52	Serve as a crucial resource in times of need, providing financial security for the present and future, benefiting both individuals and future generations. However, the challenge lies in the inability to accumulate sufficient savings due to financial constraints, seeking a financially independent loan becomes essential to overcome future economic challenges and ensure stability, while the savings act as a reliable safety net in times of unforeseen danger	46.38	Loans play a pivotal role in elevating income, aiding businesses with low capital, enabling property acquisition for the poor, addressing family struggles, and facilitating ambitious endeavors that propel impoverished families toward economic empowerment.	2.90	Enjoy the convenience of managing and paying your bills comfortably from home, without the burden of loans.	11.59	Insurer can get a lump sum amount, compensation damages in case of an accident, and family can receive money if the insurer die and have insurance.
Dhaka	60.00	Serve as a	36.67	Loans	23.33	It's a	10.00	It's risky

		valuable resource in times of danger, providing a safety net and securing a better future.		serve as a catalyst for establishing income-generating activities, allowing individuals to engage in meaningful and fruitful work.		positive move to avoid loans and manage bills responsibly to maintain financial well-being.		
Khulna	40.00	Paves the way for a secure and prosperous future	100.00	SMEs frequently explore loans to support their business objectives	...	...	10.00	It will be good to get one time money
Rangpur	60.56	Saving serves multiple purposes, from meeting immediate financial obligations like next month's installment and supporting business ventures through loans to securing future wealth and providing both present and future benefits, making it a profitable and socially responsible practice.	60.56	Planning a daughter's wedding is facilitated by loans, offering installment-based payments and the option to mortgage land to cover expenses. Loans can also empower families to run businesses independently, creating financial stability.	12.68	One can easily receive bills. Ensuring prompt bill payments is crucial to avoid complications.	...	...

Sylhet	91.30	Savings offer a dual advantage by not only serving as a financial safety net but also providing a means to repay loans.	91.30	Mortgaging land with a loan not only unlocks financial resources but also acts as a catalyst for increasing the family's income and fostering economic stability.	21.74	Loan should be reduced	26.09	Conducting pure, transparent insurance company service activities, so that insurance services are available in future, will be useful in future.
Total	66.67		64.68		11.11		10.71	

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 40: Preferable institution to accessing financial services and reasons

Products	Bank		MFIs		Co-operative societies		Insurance companies	
	% of respondents	Reasons	% of respondents	Reasons	% of respondents	Reasons	% of respondents	Reasons
Division								
Barishal	71.79	If a collateral-free loan is granted, there is no fear of losing money, and conducting transactions in the bank is secure, affirming the safety of financial transactions within the banking system	51.28	Provide a swift and accessible avenue for obtaining loans, ensuring financial assistance is readily available for urgent needs and making the loan acquisition process straightforward and hassle-free.	...	...	...	
Chattogram	26.09	Choosing a bank is advantageous due to its safety, with low-interest rates for	59.42	Offer speedy and hassle-free loans, providing swift help during financial	7.25	Provide accessible financial services near home, offering	11.59	Insurance serves as a means to access financial services, offering

		loans, making it a secure place for financial transactions and fostering development through access to low-interest loans, ensuring both safety and financial growth.		crises. Unlike traditional banks, MFIs streamline the loan process, ensuring easy access to funds without the need for collateral. Additionally, MFIs facilitate incremental borrowing and support group-based loan initiatives, making financial services more inclusive and accessible.		the opportunity to invest small amounts for substantial returns.		protection from risks, ensuring future benefits, and providing monetary support in times of danger.
Dhaka	36.67	Its lower interest rates compared to Microfinance Institutions (MFIs), ensuring cost-effective financial services and making it a preferred option for individuals seeking lower borrowing costs.	46.67	Provide loans with simpler and more lenient conditions, ensuring easy access to financial services for individuals with low income.	...	...	...	...
Khulna	50.00	It is safe.	85.00	Offer simplified processes, making it easy to access financial	30.00	Gives loan on easy condition	10.00	It will be good to get one time money.

				services and obtain loans without complex requirements.				
Rangpur	9.86	Banks provide easily available loans without requiring collateral, offering a reliable and permanent institution for financial needs and goals.	61.97	Offer the convenience of doorstep service, providing collateral-free loans with easy availability. They trust borrowers and facilitate loans based on demand, ensuring accessibility to financial services.	...	...	...	...
Sylhet	30.43	Banks offer the flexibility of providing long-term loans, allowing individuals to secure substantial funds for their diverse financial needs and aspirations	69.57	Ensures easy loan availability with flexible conditions, promoting economic development.	13.04	Savings in insurance will help you cope with future crises	13.04	The service of the insurance company seems to be transparent.
Total	32.14		60.32		5.56		5.16	

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Table 41: Policies to increase access to financial services for disadvantage people

Policy Description	Barishal	Chattogram	Dhaka	Khulna	Rangpur	Sylhet	Total
	% of respondent						
Loans should be provided on easy terms without collateral	100.00	73.91	66.67	90.00	76.06	100.00	81.35
Low-interest loans should be provided to the underprivileged	100.00	75.36	80	95.00	39.44	100.00	73.41
There should be financial institutions in close proximity	100.00	26.09	20	65.00	56.34	52.17	50.79
Everyone should be treated cooperatively	100.00	49.28	20	40.00	25.35	100.00	50.79
Income tax certificate not to be submitted to open account/get loan for the underprivileged community.	100.00	40.58	23.33	30.00	28.17	100.00	48.81
Other	...	...	...	10.00	...	...	0.79

Note: ...means nil.

Source: InM/BB CRFS Qualitative Survey, 2023

Annex 1

List of Reports under the Comprehensive Rural Finance Study

Sl. no	Title	Reference No.
Analytical and Survey Report		
1.	Reshaping Rural Finance in Bangladesh: Key to Building Prosperous, Equitable and Inclusive Rural Society	Study Completion Analytical Report: Summary Results and Major Recommendations
2.	Pathways To Smart and Inclusive Rural Bangladesh: Key Recommendations for Reshaping Rural Finance	Comprehensive Summary of Major Recommendations
3.	গ্রামীণ বাংলাদেশে অন্তর্ভুক্তিমূলক উন্নয়ন প্রসারে আর্থিক খাতের সমস্যা ও চ্যালেঞ্জ: ভবিষ্যত যাত্রা পথের জন্য কৌশলগত সুপারিশের সারসংক্ষেপ	Analytical Summary Report in Bangla: Major Findings and Recommendations
4.	Bangladesh: Report of the Rural Finance Survey 2023	National Survey Report
Policy Paper and Policy Brief		
1.	BANGLADESH: Review of Rural Finance System and Policy Implications	Policy Paper No. 2025-01
2.	Access to Finance: The Smart Vehicle of Empowerment for Vulnerable Communities in Bangladesh	Policy Brief No. 2025-01
3.	Dynamising Rural Enterprises in Bangladesh: Access to Finance is the Key	Policy Paper No. 2025-02
4.	Financing Industry Based Clusters in Rural Bangladesh	Policy Paper No. 2025-03
5.	Rural Women Entrepreneurship and Access to Finance: Challenges and Opportunities in Bangladesh	Policy Paper No. 2025-04
6.	Access to Finance of Rural Farming Households in Bangladesh: Challenges and Opportunities	Policy Paper No. 2025-05
7.	বাংলাদেশের গ্রামীণ নারী উদ্যোক্তাঃ সফলতার পথে চ্যালেঞ্জ এবং অর্থায়নের ভূমিকা	নীতি সংক্ষেপ ২০২৫-০১
8.	বাংলাদেশে গ্রামীণ কৃষি পরিবারের অর্থায়নঃ সুযোগ, চ্যালেঞ্জ ও সম্ভাবনা	নীতি সংক্ষেপ ২০২৫-০২
Background Report		
1.	Changing Face of Rural Finance in Bangladesh: Achievements and Future Challenges	Background Report No. 2025-01
2.	Financial Needs of Selected Marginalised and Vulnerable Communities in Bangladesh	Background Report No. 2025-02
3.	Access to Finance for Rural Entrepreneurs in Industry Based Clusters of Bangladesh	Background Report No. 2025-03

4.	Access to and Use of Financial Services by Rural Entrepreneurs in Bangladesh	Background Report No. 2025-04
5.	Access to Financial Services by Rural Women Entrepreneurs in Bangladesh	Background Report No. 2025-05
6.	An Overview on Rural Finance in Bangladesh Structure, Policies and Priorities	Background Report No. 2025-06
7.	Supply Side Analysis on Comprehensive Rural Finance	Background Report No. 2025-07
8.	Access to Finance of Farming and Non-farming Households in Rural Bangladesh	Background Report No. 2025-08
9.	Penetration of Agent Banking and Mobile Financial Services in Rural Areas of Bangladesh	Background Report No. 2025-09
10.	Regional Variation in Access to Finance by Rural Households in Bangladesh	Background Report N0. 2025-10

Report Availability

This publication, along with all other background papers of the Comprehensive Rural Finance Study (CRFS), is available in digital format on the official website of Bangladesh Bank.

To access and read the full reports, please visit:

Website: www.bb.org.bd