

Financial Inclusion: General Overview, Central Banks' Role and De-Risking Practices



Md. Perwez Anzam Moonir
Joint Director
Bangladesh Bank
(The Central Bank of Bangladesh)
Email: perwez.moonir@bb.org.bd

08 May 2017
Intercontinental Cairo Semiramis Hotel, Egypt

Points to be discussed

- General Overview
- Bangladesh Bank's Key Initiatives
- De-Risking Practices

Financial Inclusion
[General Overview]

[General Overview]

- Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable.

Financial Inclusion
[General Overview]

Reality of the present World up to the date

- 2 billion adults don't have a basic account.
- 59% of adults cannot afford financial services.
- More than 200 million MSME lack of adequate financing.
- Women, rural poor and remote people are more financially excluded.
- 80% of adults in fragile conflict-affected states are outside the financial system.

Source: Financial Inclusion Overview, The World Bank, 5th April 2017

Financial Inclusion

[Bangladesh Bank's Key Initiatives]

Financial Inclusion – Big Picture

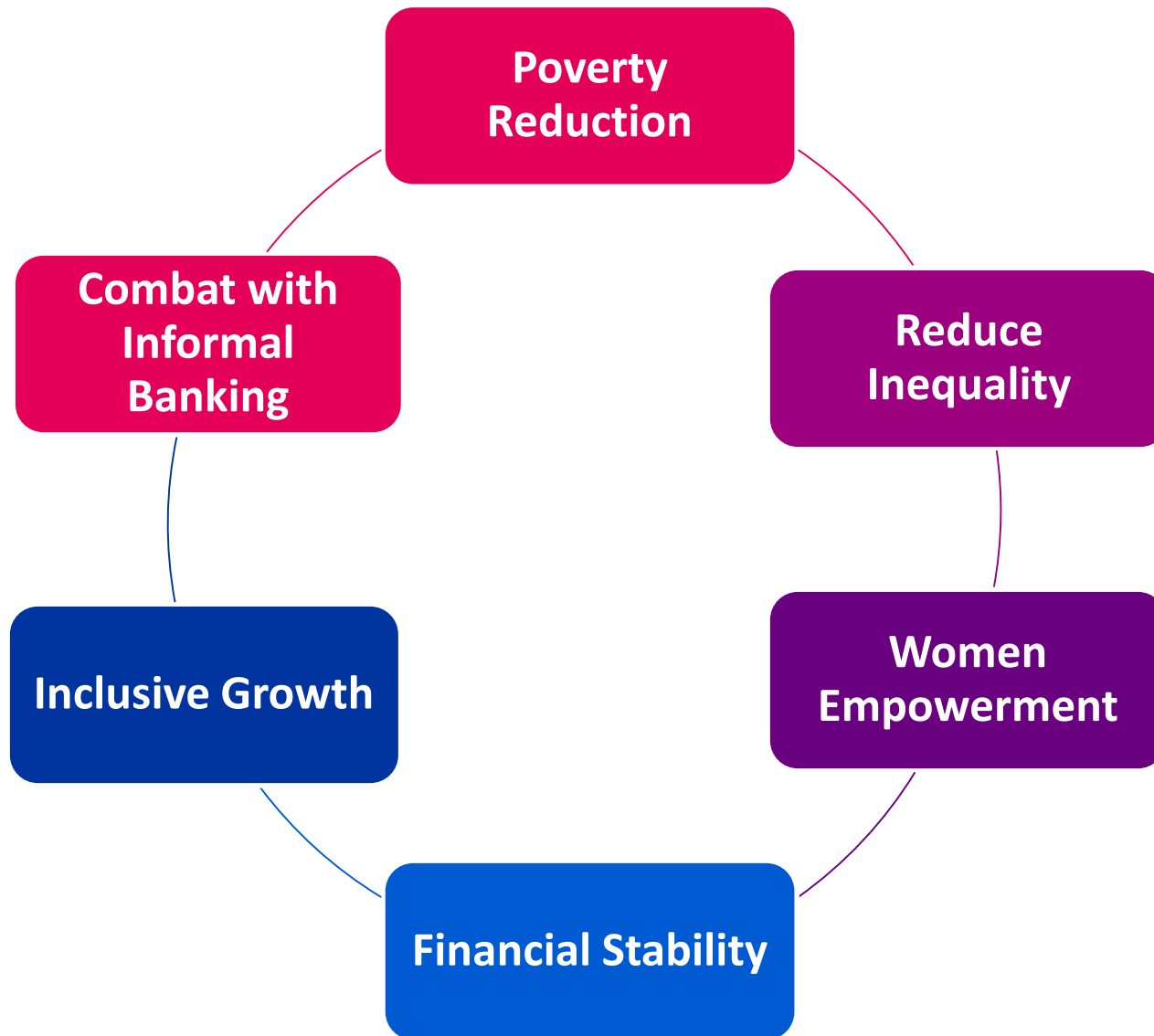


**Financial Inclusion
Initiatives by
Bangladesh Bank**

**Inclusive
Development Goal of
Government of
Bangladesh**

**Sustainable
Development Goals of
United Nations**

Why Bangladesh Bank promote financial inclusion?



Key Financial Inclusion Initiatives

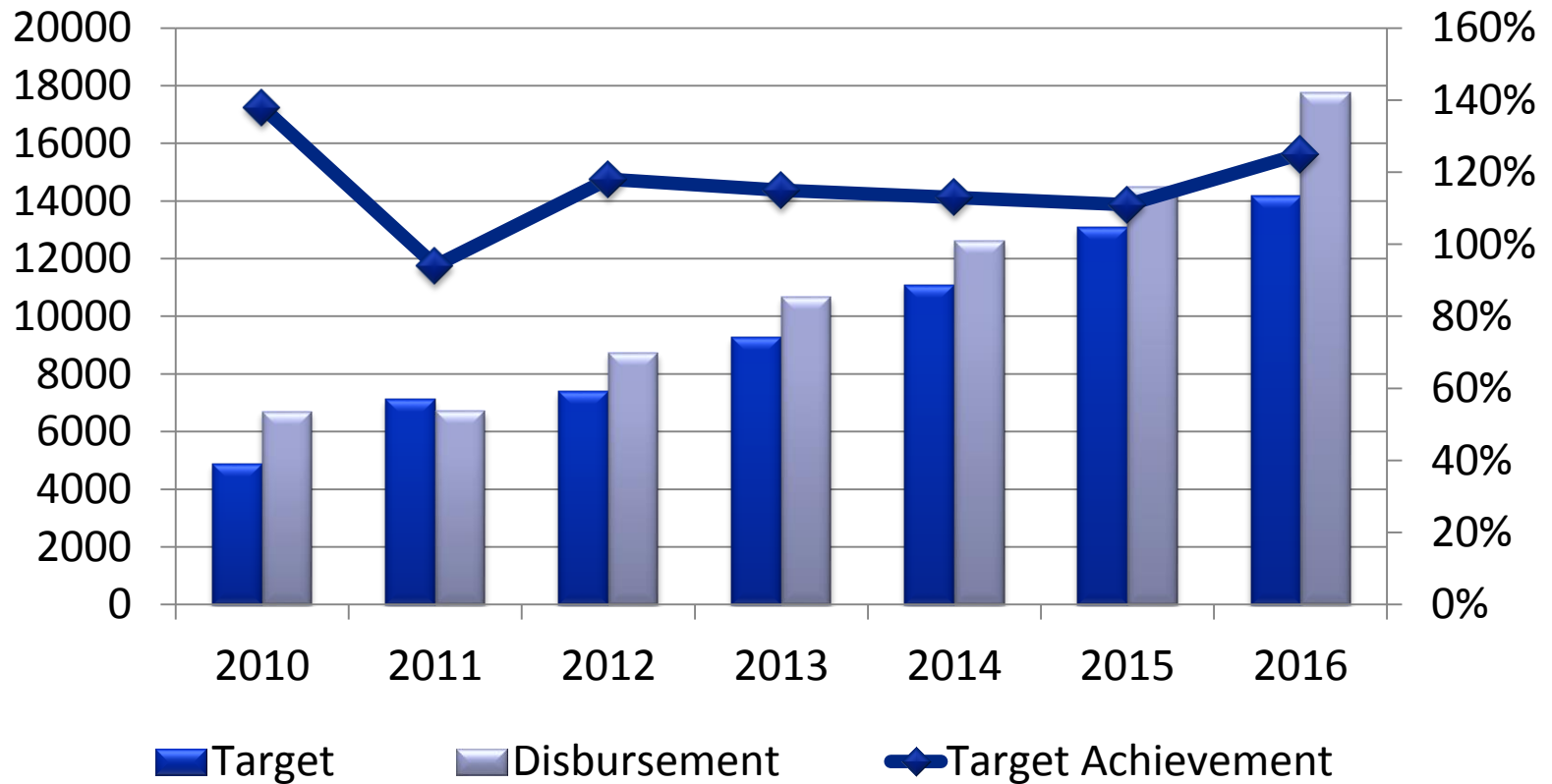
- Agricultural Credit
- SME
- Mobile Financing Service
- No Frill Account
- Agent Banking
- School Banking
- Financial Literacy Program

Bangladesh Bank's Key Initiatives

Agricultural Credit Program

- A special collateral free low cost agriculture-loan scheme for the landless, marginal and unbanked deprived sharecroppers which is being disbursed using NGO linkages.
- A concessional rate of 4% Credit facilities for cultivation of pulse , oil seeds, spices and maize to increase the production and reduce the dependency on import.
- To ensure timely and hassle-free disbursement of agricultural Credit to real farmers BB has set up **three-tier monitoring system**. Such as:
 - Monitoring at disbursing bank level
 - Monitoring by Branch offices of BB
 - Monitoring by Head Office of BB
- The performance in the Agricultural and rural credit policy and program will also be reflected in the “M” portion of the CAMELS rating done by BB.

Target and Disbursement of Agricultural Credit: FY 2010-2016 (USD in million)



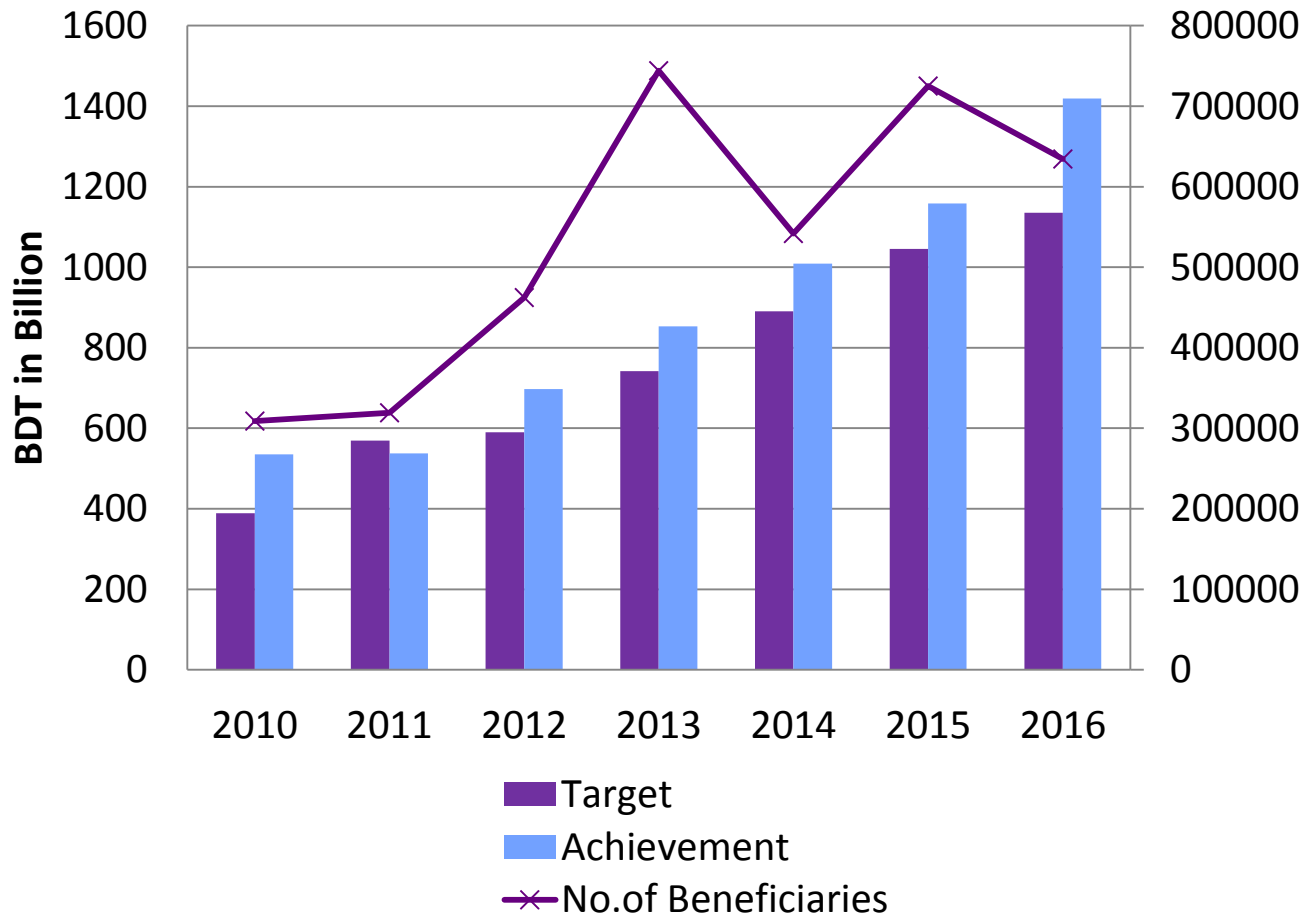
Data Source: Bangladesh Bank

Bangladesh Bank's Key Initiatives [cont.]

SME Sector Developments

- Institutional Building-Creation of new dedicated departments
- Regulatory Improvements and Policy Interventions
 - Launching of SME Credit Policies and Program in 2010
 - Target Based Lending
 - SME Cluster Development
 - Broadening Financial Inclusion through SME financing led policies
 - Women Entrepreneurship Development Policies that engender financial Inclusion
 - Women Entrepreneurs' Financing
- Refinancing support from own and development agencies fund to provide low cost funding to CMSMEs
- Demand side Interventions-Providing trainings and other infrastructural facilities.

Target and Achievement in CMSME Lending: 2010-2016



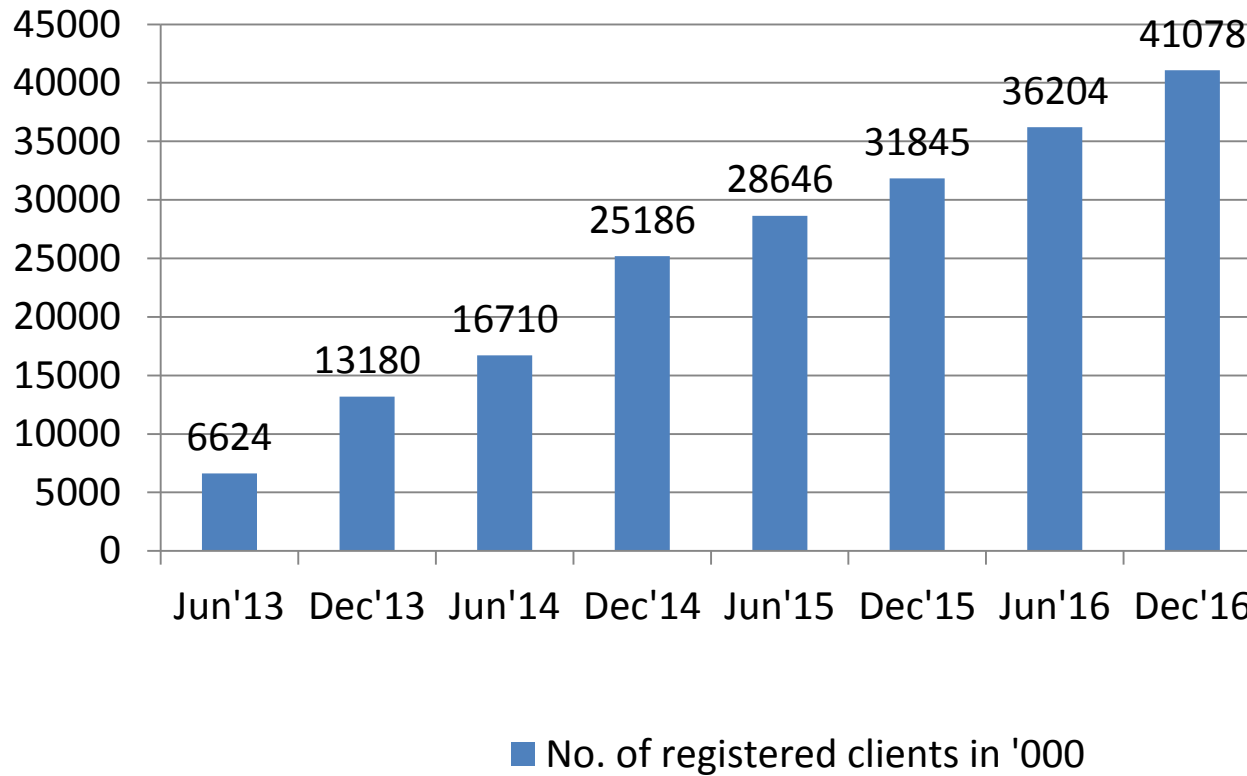
Data Source: Bangladesh Bank

Bangladesh Bank's Key Initiatives [cont.]

Mobile Financial Service (MFS)

- Bangladesh Bank has introduced bank-led mobile banking through mobile phone operators to extend financial services to this large portion of underserved population.
- The rapid growth of mobile phone users and countrywide coverage of mobile operator's network have made the delivery channel an important tool.
- Under this system anyone can open a mobile banking account through specified agent if he or she has a mobile phone.
- The introduction of MFS has made the transfer of money a matter of seconds.
- The main beneficiaries are poor/lower income group people/mass people .
- Currently 17 Banks are providing the services and the no. of active accounts is 2.39 crore.

MFS growth in terms of Number of MFS registered clients



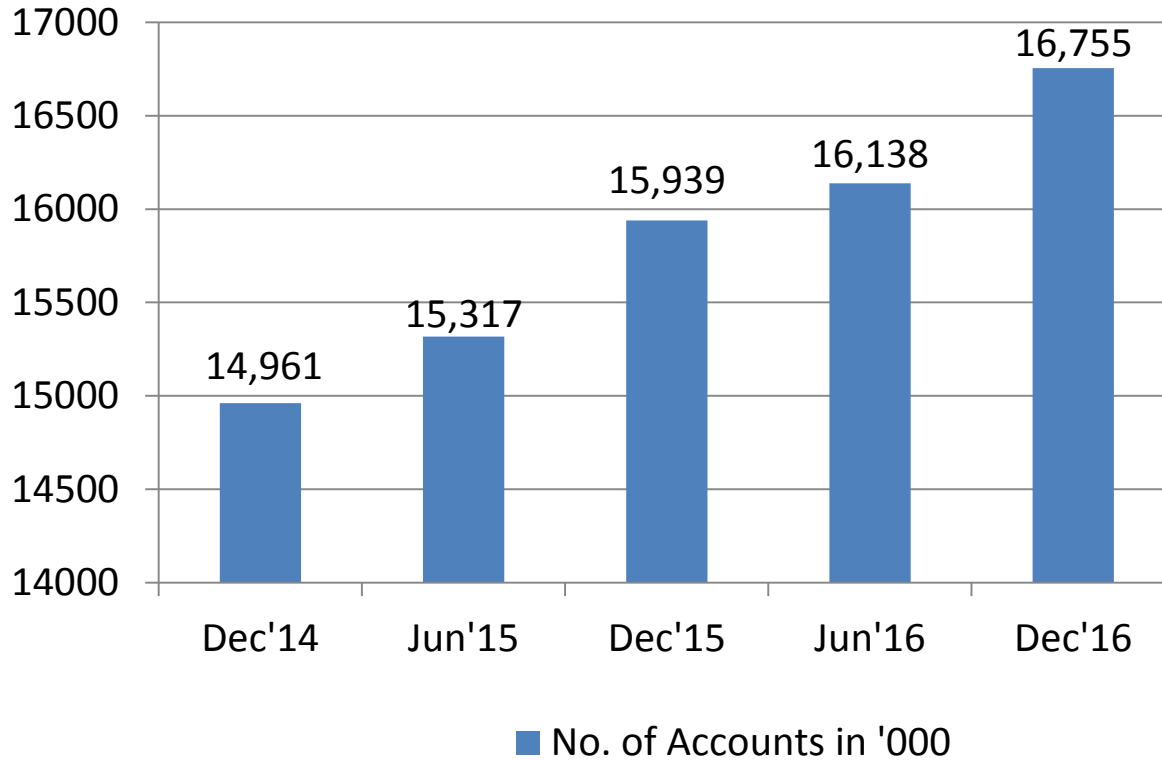
Data Source: Bangladesh Bank

Bangladesh Bank's Key Initiatives [cont.]

No Frill Account (NFA)

- BB instructed to open NFAs for farmers in January 2010 and gradually issued policy guidelines for all scheduled banks comprising flexible conditions to open account of-
 - Farmers,
 - poor segments of population having earning capacity,
 - vulnerable part of population covered under social safety network programs,
 - City corporation workers
 - Garments workers
 - Leather sector workers and so on.
- These people can open account by depositing only Tk. 10 (less than 1 USD).
- No charges will be applicable to these accounts.
- Till today, Around 1.67 crore accounts have been opened under these programs.

Growth of No-frill A/Cs



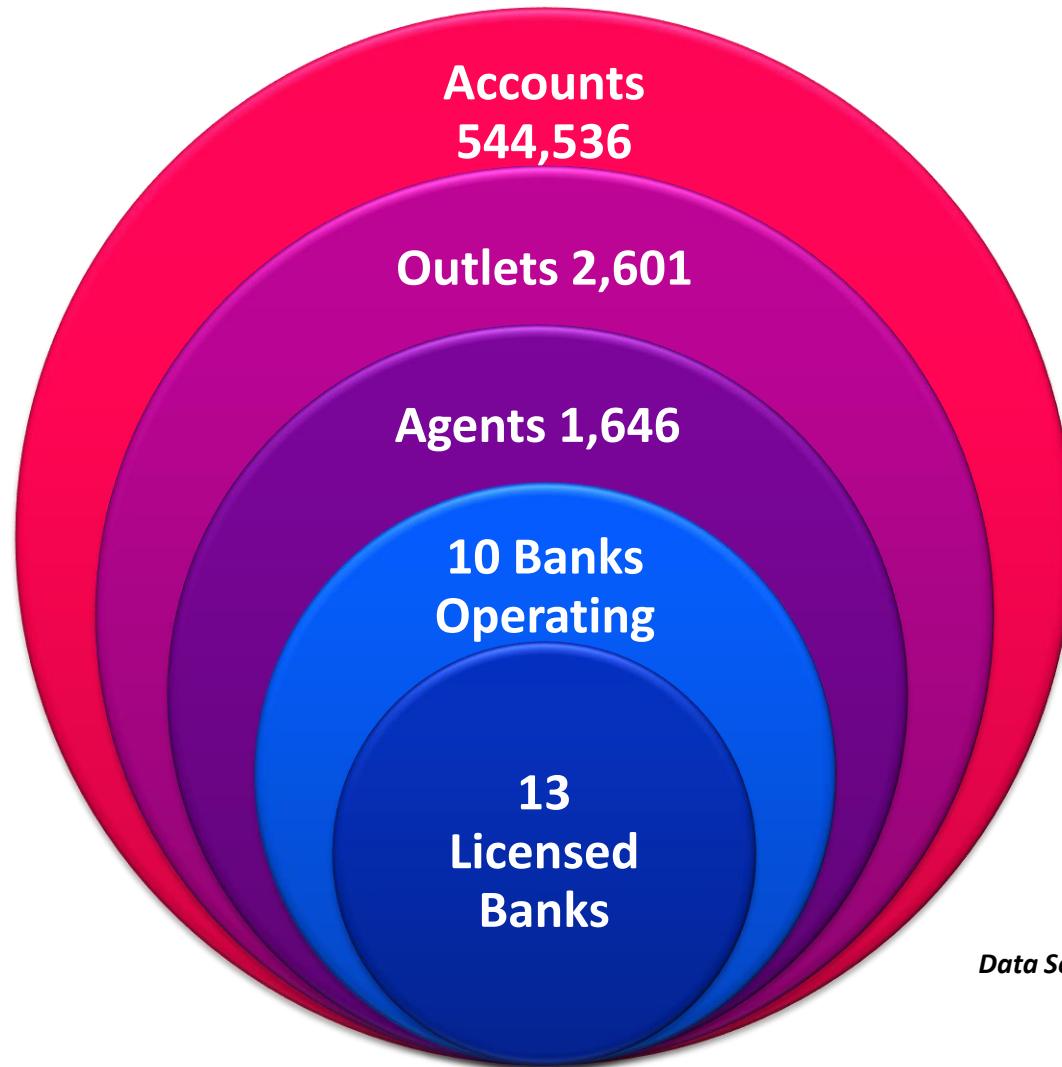
Data Source: Bangladesh Bank

Bangladesh Bank's Key Initiatives [cont.]

Agent Banking

- Agent banking services was introduced in 2013 to provide digitized services to poor/lower income group people/mass people with a new and innovative approach.
- It has opened doorway to provide banking services through an outlet by banks where branch establishment is extremely difficult or not feasible.
- Agent banking aims at serving the underserved population through engaging agents under valid agency agreements in limited scale banking and financial services.
- At present 10 banks are operating agent banking through 2601 outlets.

Agent Banking (up to Dec 2016)



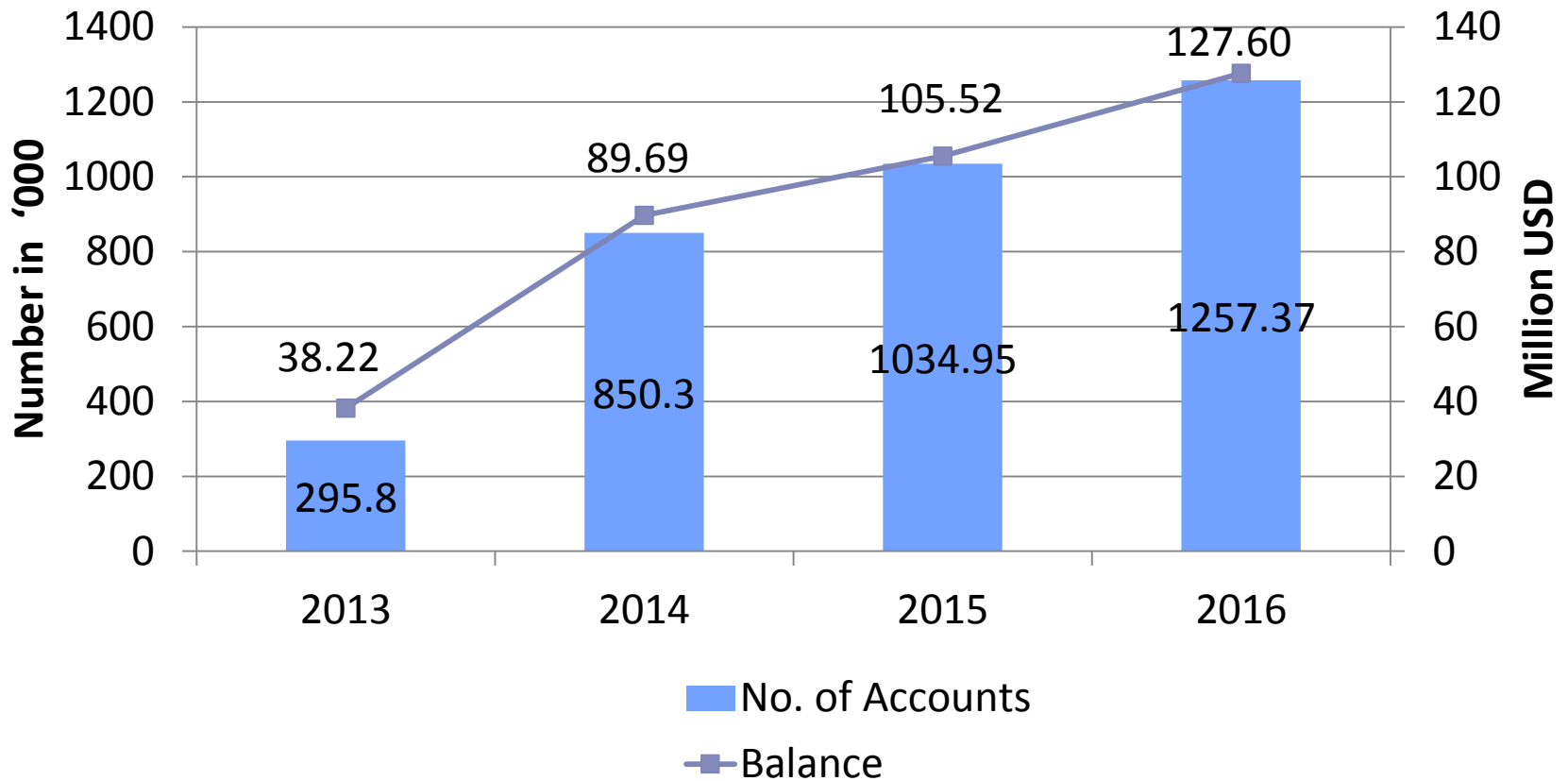
Data Source: Bangladesh Bank

Bangladesh Bank's Key Initiatives [cont.]

School Banking

- To make the youngsters financially literate and build the habit of savings by these youngsters to enhance deposit mobilization and productivity, School Banking has been introduced in November 2010.
- A guideline has been issued in 2013 to provide students with necessary banking services by ensuring more transparent, encouraging and dynamic institutional financial supports to them under the school banking program.
- Accumulation of these small deposits is a stabilizing factor for the financial system.
- This financial net covers students up to age of 18 years with an initial deposit of BDT 100 (around only 1 USD).
- Upto December 2016, the number of School Banking accounts is 12,57,370 and the total balance is USD 127.60 million.

Growth of School Banking Account and Amount of Deposit



Data Source: Bangladesh Bank

Bangladesh Bank's Key Initiatives [cont.]

Financial Literacy Program

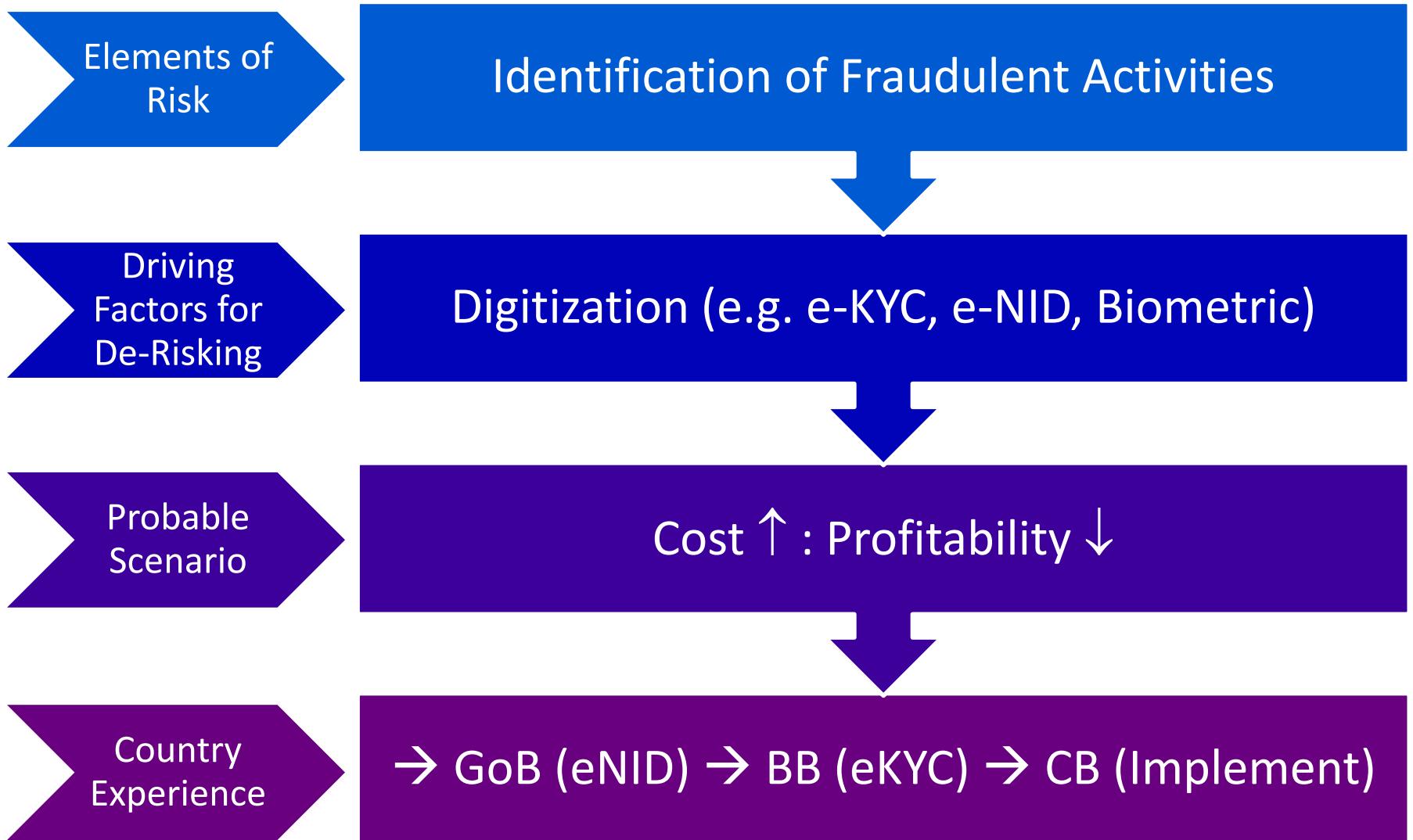
- Awareness conferences for SME entrepreneurs specially for women entrepreneurs.
- Regional level workshops with banks and other stakeholders.
- Banking fair and exhibition of banking services and products.
- School Banking conferences are being arranged in different districts through lead-bank system to increase awareness and financial literacy.
- Media and web based awareness program.

Financial Inclusion
[De-risking Practices]

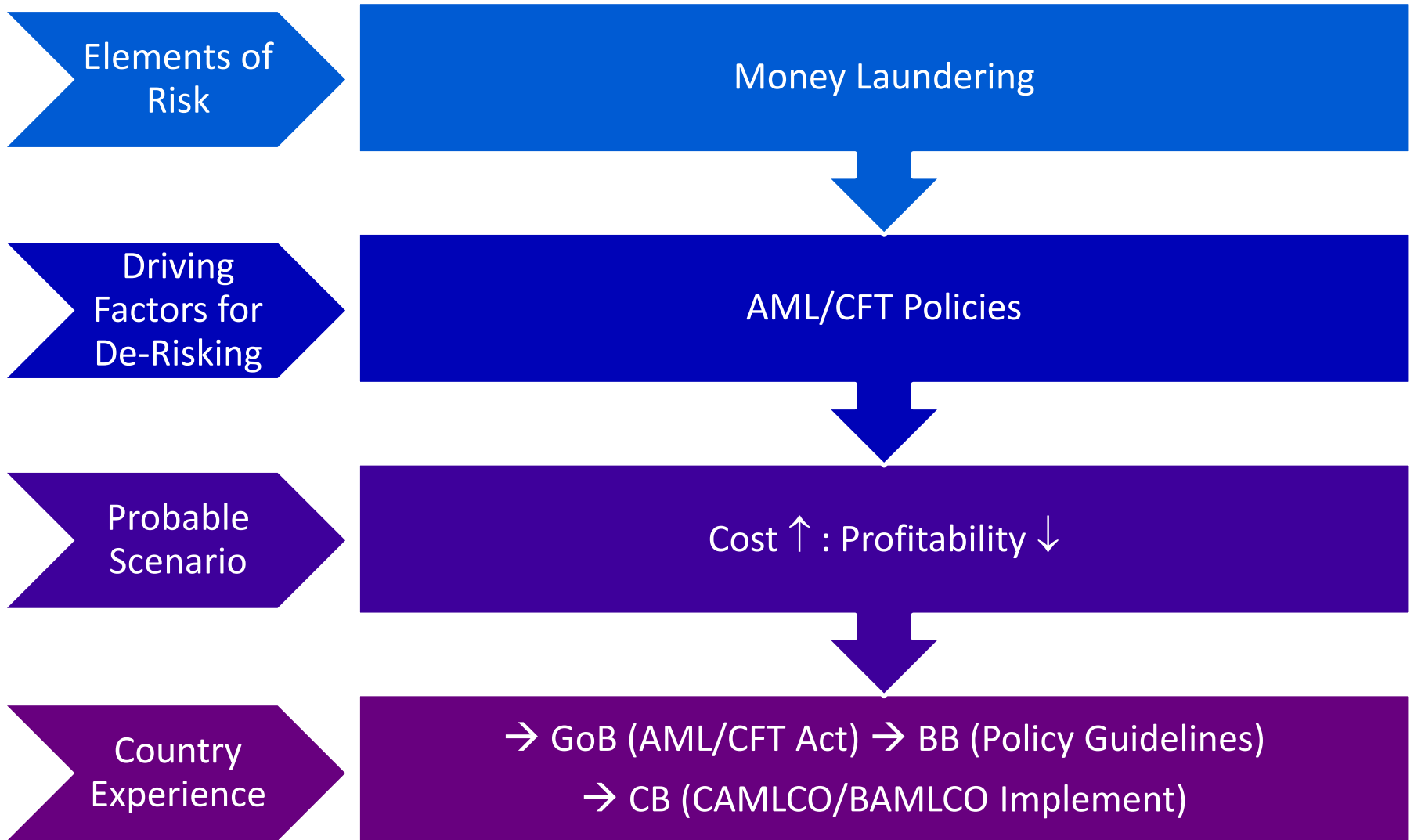
Drawbacks of De-risking Practices

- All the driving factors regarding de-risking practices are associated with high cost which will eventually reduce income/profitability in individual customer, Banks, Central Bank and Government level.

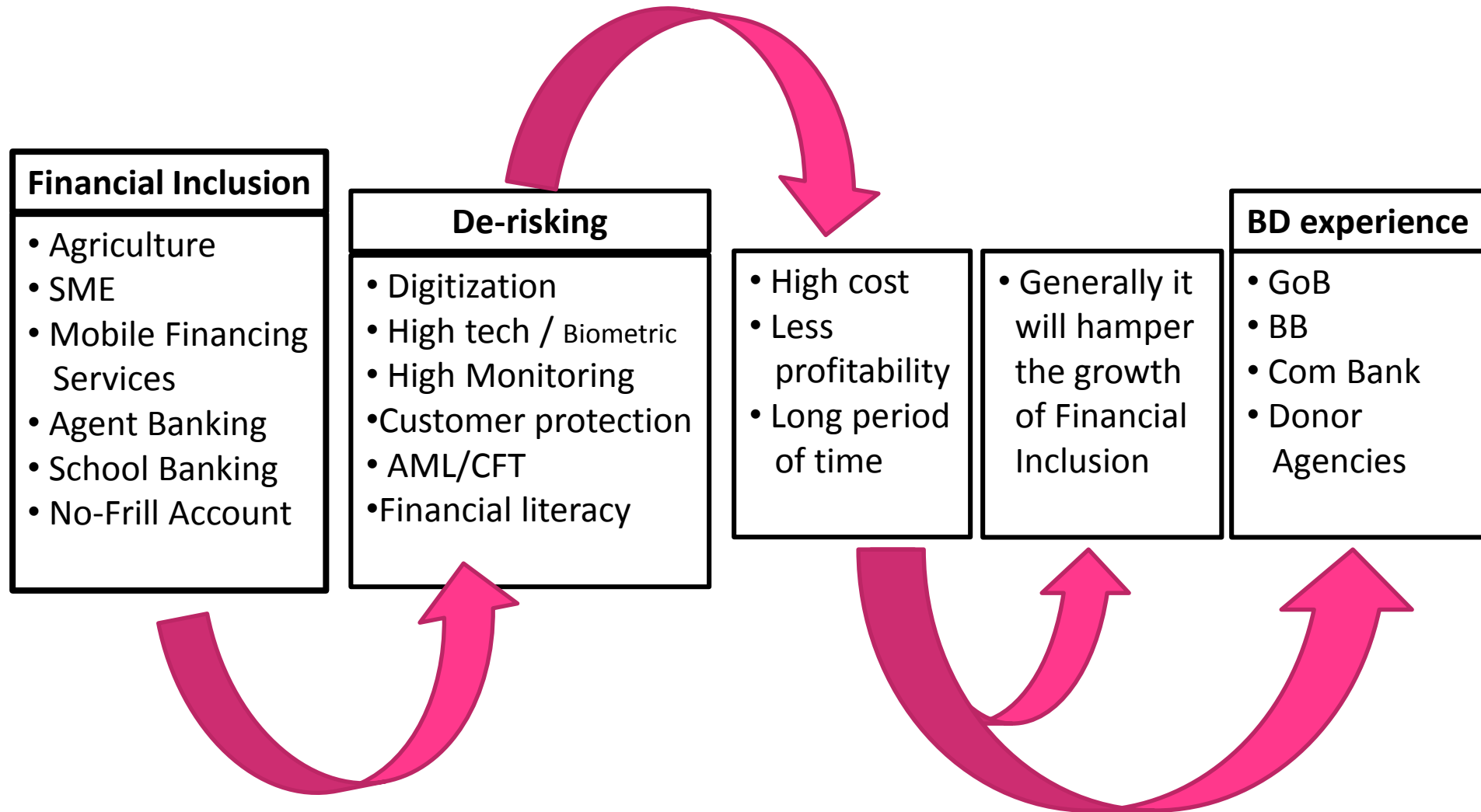
Financial Inclusion – Digitization



Financial Inclusion – AML/CFT



Financial Inclusion, De-risking and its Impact



**Thank
YOU**