



# National Financial Inclusion Strategy: Strategic Considerations

# Outline

---

- “ Why a national financial inclusion strategy? Why digital?
- “ Where we want to go – targets
- “ Where we are now – context
- “ Key thrusts
- “ Exploring synergies: The “first and last mile” of financial inclusion
- “ Fostering a virtuous inclusion cycle: Innovation, demand, and trust

# Why a financial inclusion strategy? Why digital?

---

- “ Financial inclusion is for social cohesion and empowerment.
- “ A national financial inclusion strategy:
  - “ provides a comprehensive framework with all stakeholders’ consultation.
  - “ facilitates prioritization and coordination, leveraging synergies.
- “ Digitization:
  - “ democratizes and enhances both efficiency and inclusion.
  - “ expands inclusion from financial to social services.

# Where we want to go – Targets

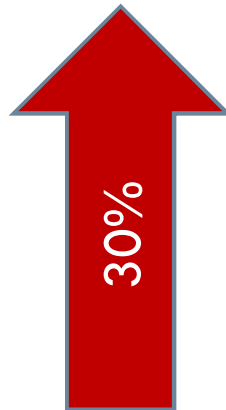
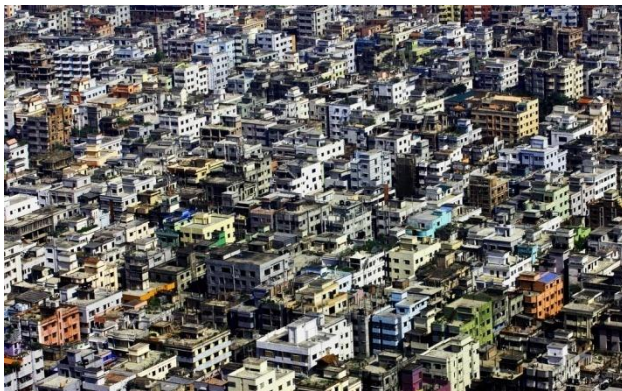
---

- “ The government has embraced sustainable growth agenda, aided by the central bank’s financial inclusion initiatives.
- “ **SDGs:** Expand access to banking, insurance and financial *services for all*
- “ **7<sup>th</sup> 5-Year Plan** (2016-’20):
  - “ Financial inclusion: “No one left behind”
  - “ Digitization: For better governance, transparency, and service delivery

# Where we are now – Context

“ From a low-income agrarian society at its birth in 1971, Bangladesh is now a lower middle-income country of 160 million people in the midst of critical transitions.

## Urbanization



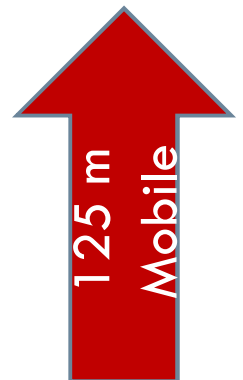
## Industrialization



## Demographics

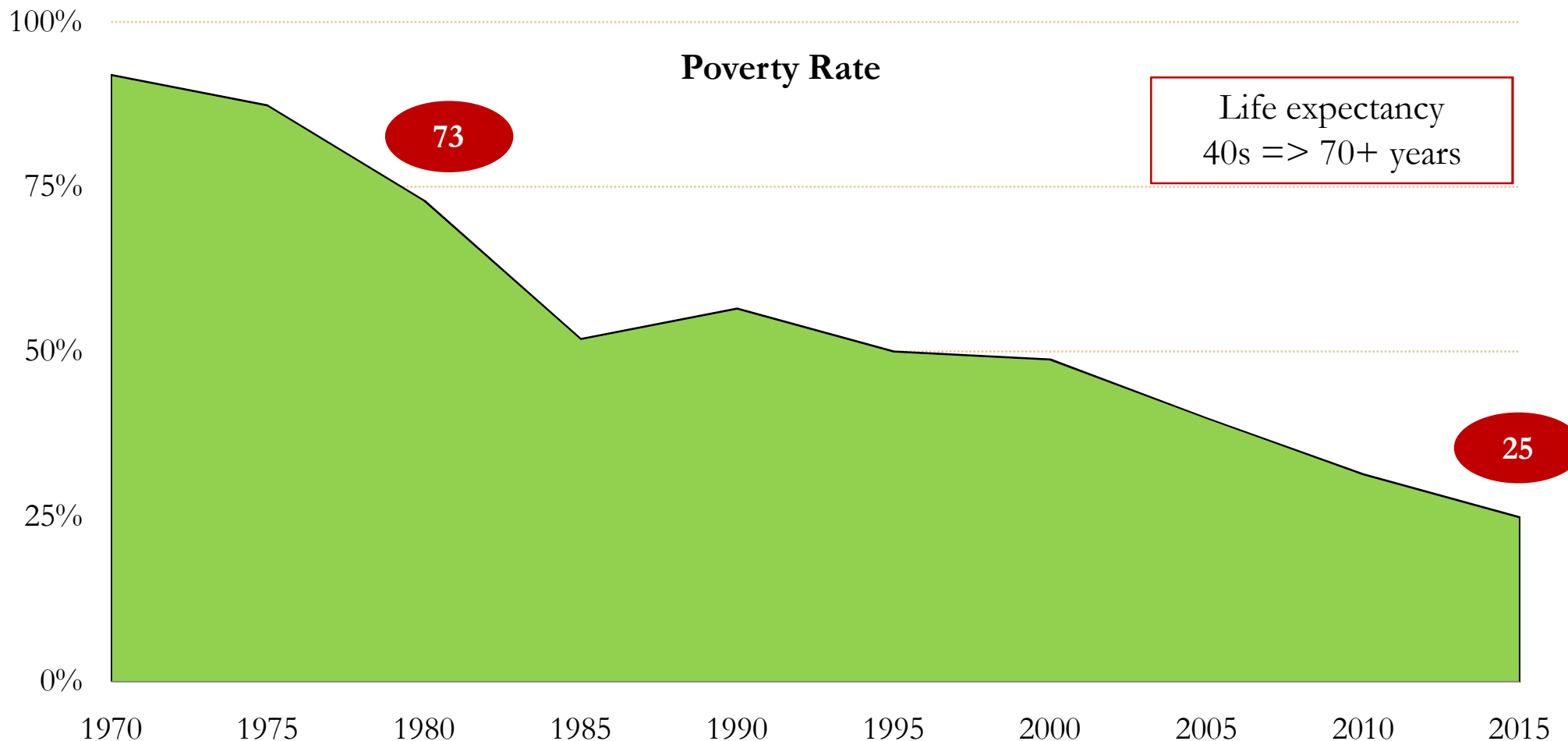


## Technology



# Where we are now – Poverty Reduction

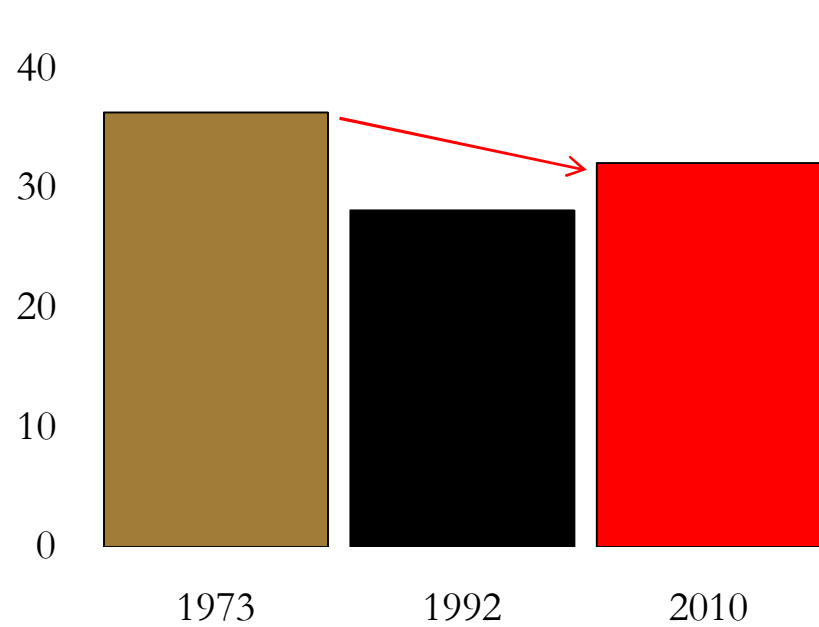
“ Growth from labor-intensive manufacturing , agriculture, and remittance has been inclusive, supporting poverty reduction and gains in HDIs.



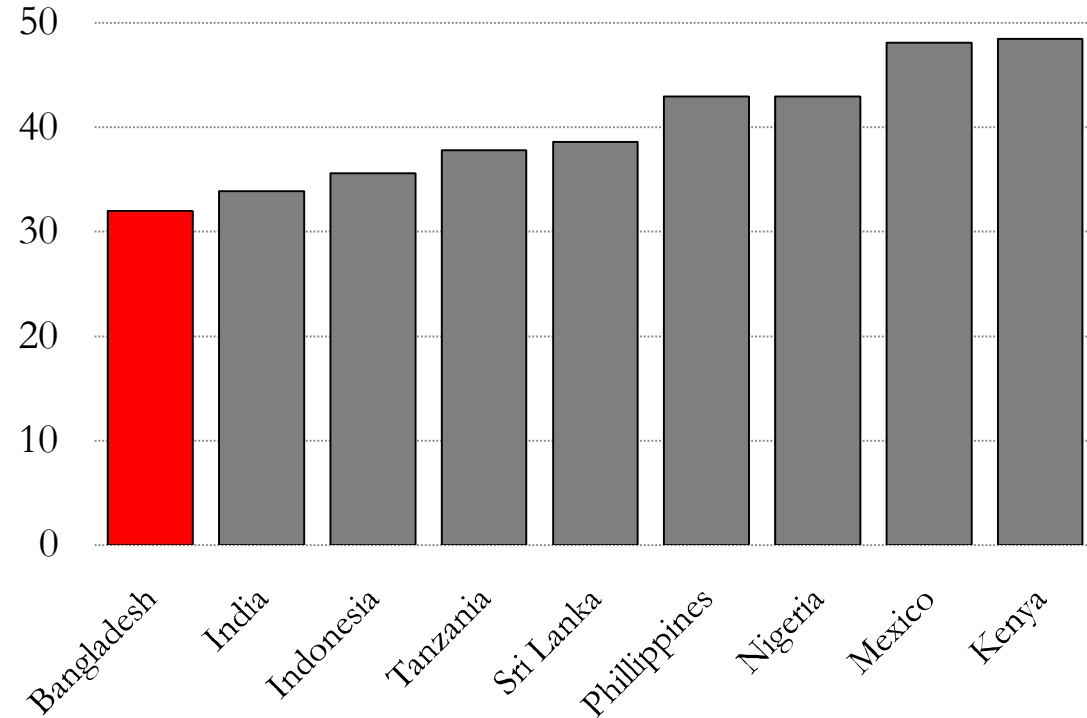
# Where we are now – Inequality

” Inclusion minimized inequality: lower than the start and lowest among the peers

### Gini Coefficient : Bangladesh



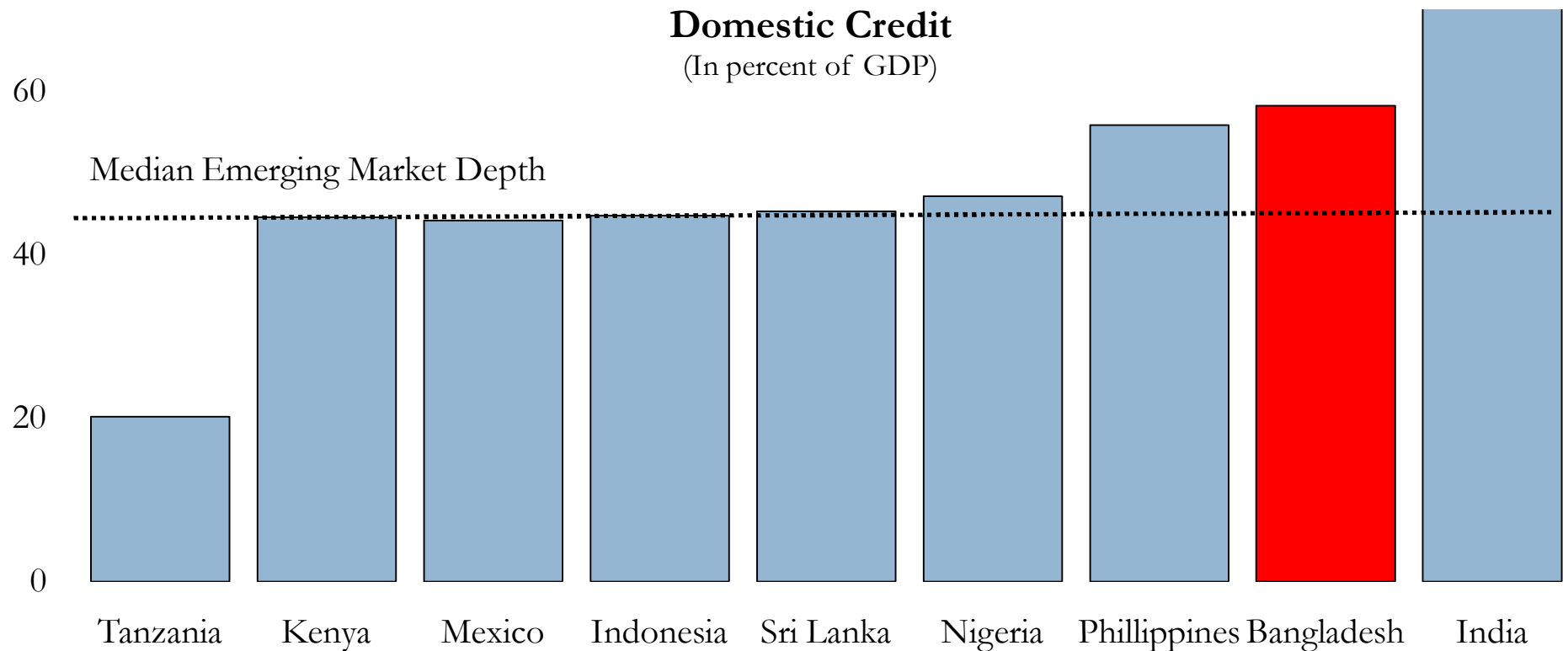
### Cross-Country Gini Coefficients



# Where we are now – Financial Depth

---

“ Bangladesh ranks well in terms of its financial depth.

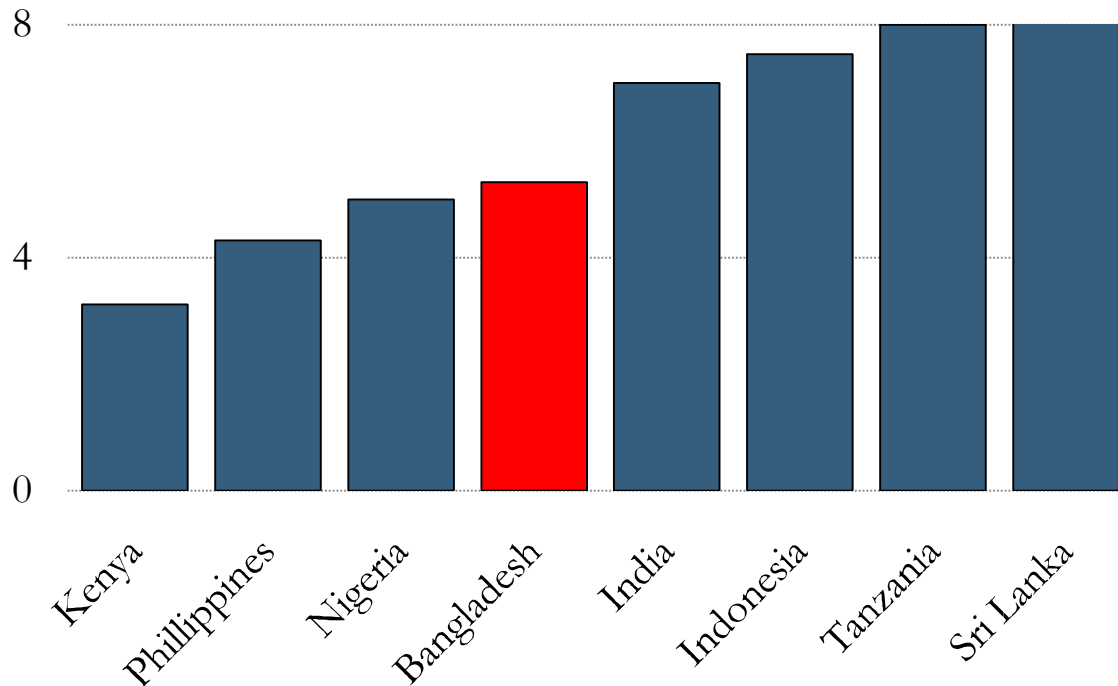




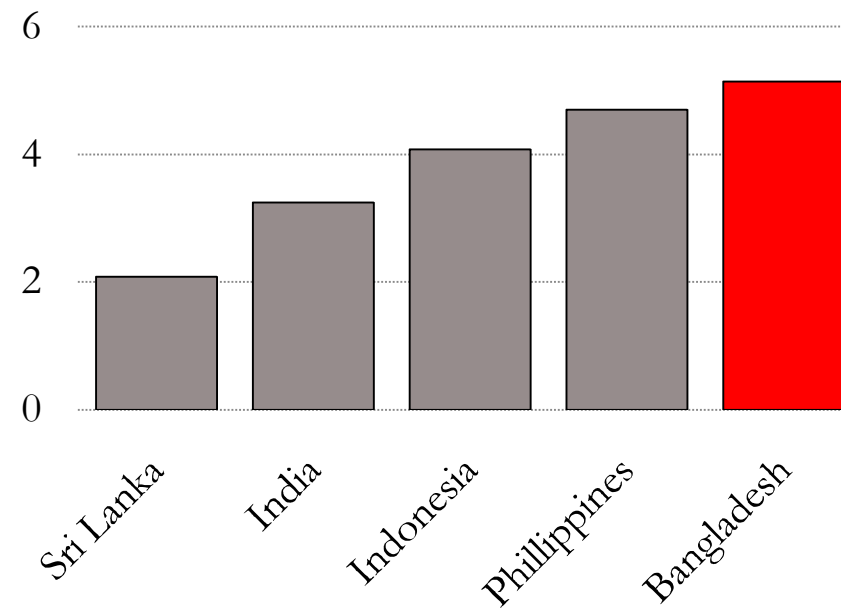
# Where we are now – Agriculture Credit

“ Size of agriculture sector credit also ranks well, with high impact on output.

**Agriculture Credit**  
(In percent of total credit)



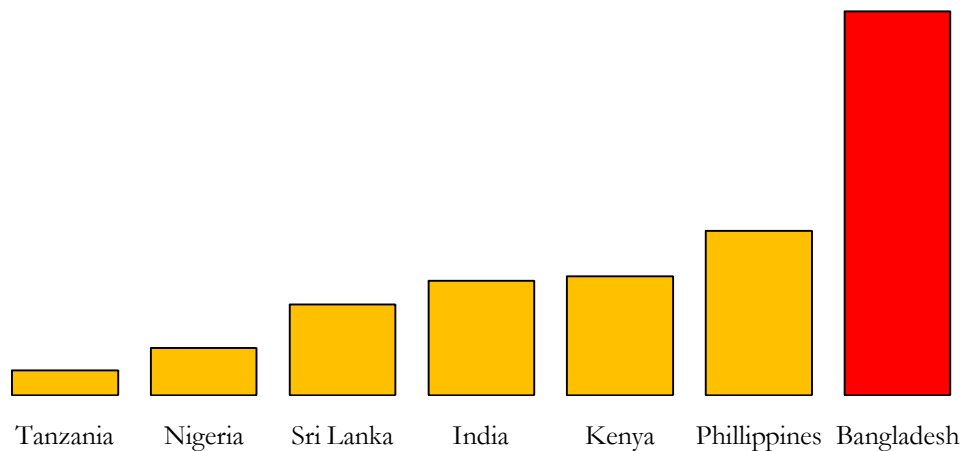
**Productivity: Agriculture Credit**  
(Value added per unit of credit)



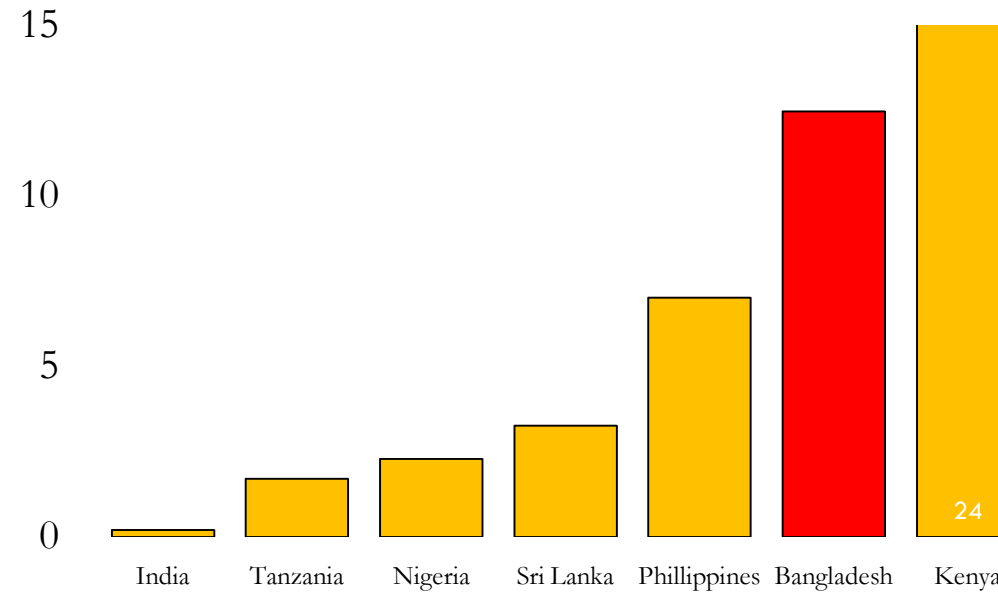
# Where we are now – MFIs

“ MFIs are playing an effective role in financial inclusion.

**Borrowers**  
(In percent of population)

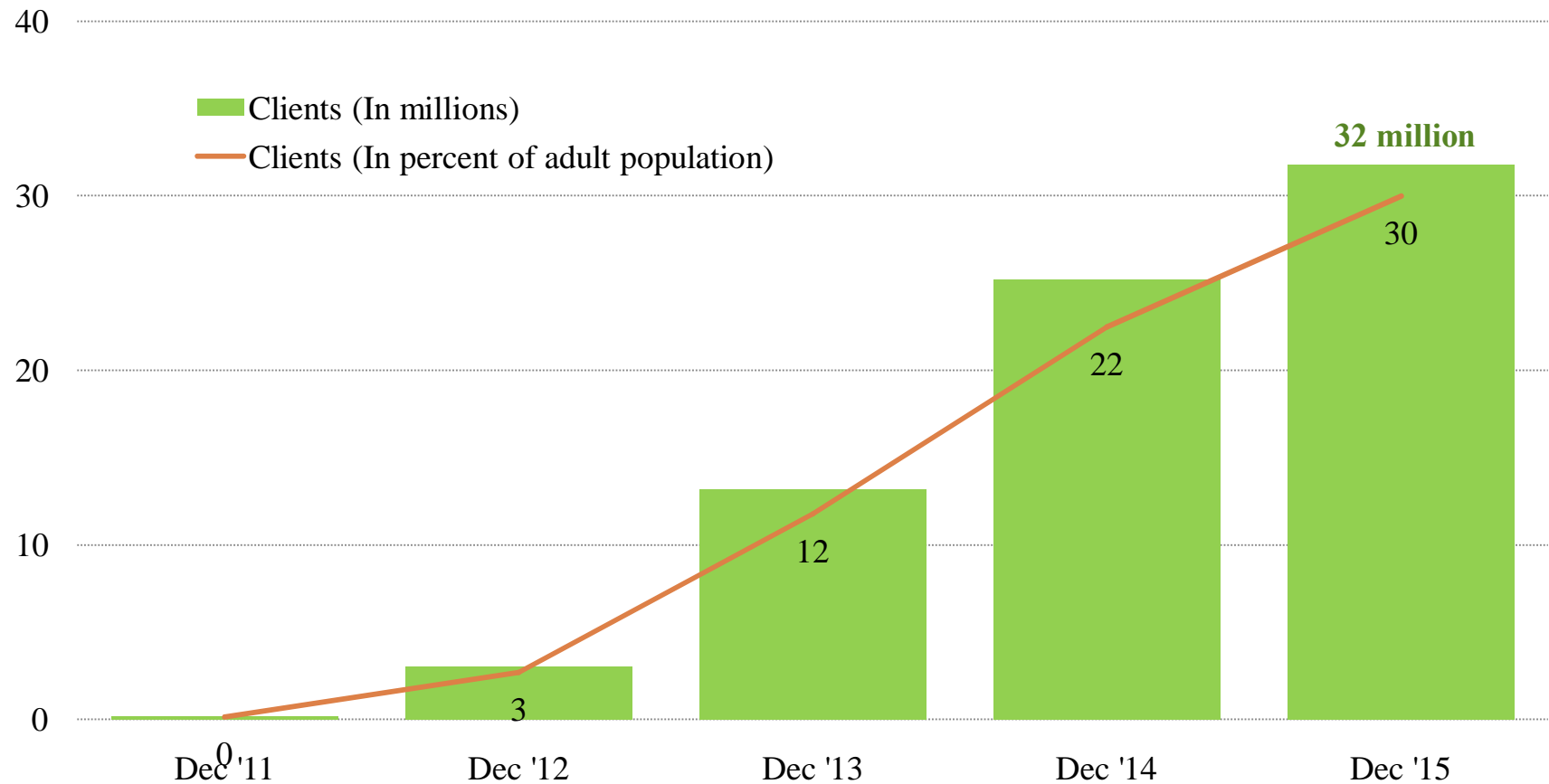


**Depositors**  
(In percent of population)



# Where we are now – MFS

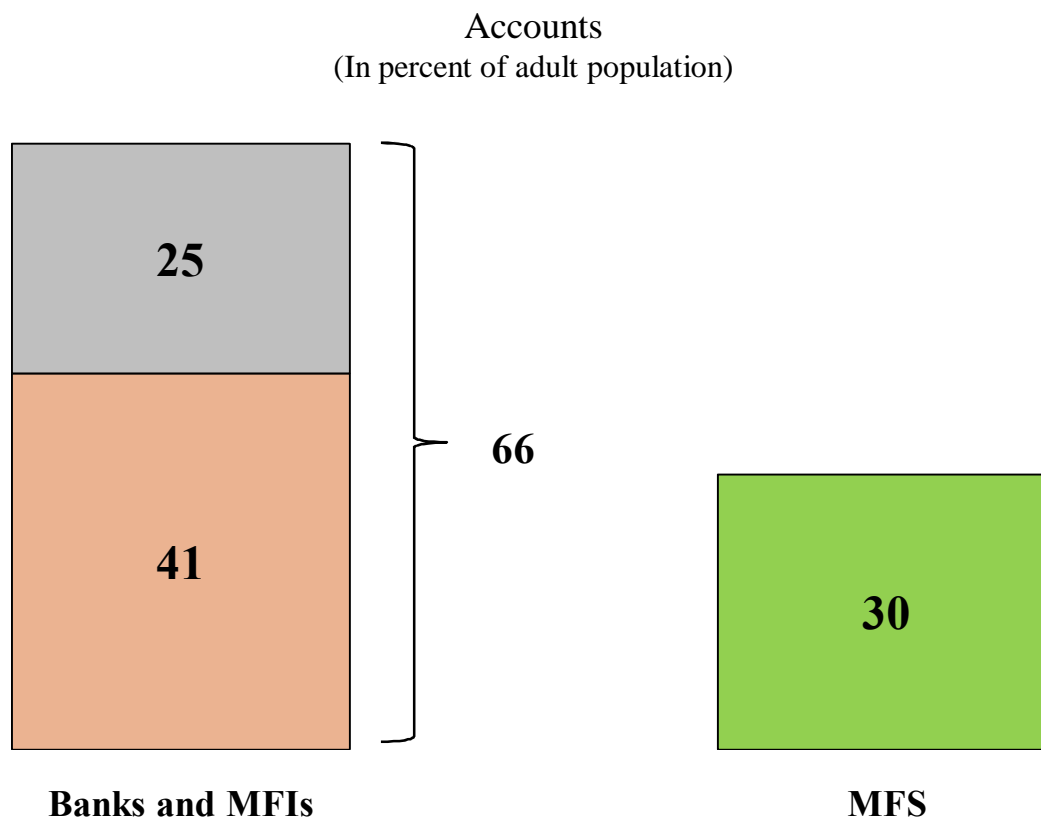
“ Digital inclusion through MFS represents a paradigm shift.



# Where we are now – Summary

---

“ Bangladesh has made impressive strides in financial inclusion.



**How to move towards universal access?**

# Objectives

---

- “ Include the excluded or vulnerable groups and sectors, often exposed to income, wealth, and climate change shocks.
- “ Minimize marginalization and vulnerabilities amid Bangladesh’s transitions.
- “ Leveraging technology for the reach and sustainability of inclusion initiatives.

# Key Thrusts

---

- “ Sector (Agriculture)
- “ MSME (Refinancing)
- “ Gender Priority
- “ Rural Access (Promoting rural branches)
- “ Marginalized and excluded (Landless; No Frill Accounts)
- “ Green Financing
- “ Life-cycle approach toward inclusion (school banking, pension)
- “ Insurance (crop, livestock, fishery)
- “ Digital inclusion initiatives

# Laying the Foundation for a Digital Ecosystem

---

- “ The government and BB have built technology infrastructure *connecting* the “first and last mile” financial inclusion with various enablements:
  - “ Online credit information and supervisory reporting
  - “ Payment systems (RTGS)
  - “ Bangladesh Automated Clearing House (BACH)
  - “ National Payment Switch (Interoperability)
  - “ Electronic fund transfer (EFT)



# Laying the Foundation for a Digital Ecosystem

---

- “ The government and BB is working **on** the “first and last mile” inclusion:
  - “ NID-linked G2P Payments, a catalytic initiative for the digital ecosystem
  - “ Union Digital Centres (4500+ Union Parishads, lowest tier of local government)
  - “ Agent Banking; Point of Sale (POS); Rural branches; Rural Savings Banks (One House One Farm)
  - “ Ongoing initiatives: Joyeeta (women’s economic empowerment)
- “ NID-linked inclusion initiatives for efficiency, transparency, and governance

# The FIRST and LAST MILES of Inclusion

---

- “ The public sector plays a catalytic role in the first mile access and the private sector in the last mile innovation.

## Easing the FIRST MILE

- “ MFS
- “ Agent Banking
- “ Rural Branches, Savings Bank
- “ Post Offices
- “ Union Digital Centres

## Bridging the LAST MILE

- “ MFS
- “ Agent Banking
- “ Post Office
- “ NID-linked e-KYC
- “ Union Digital Centres
- “ Delivery of social safety nets

# A Virtuous Cycle: Innovation, Demand, and Trust

---

- “ Sustainable inclusion requires innovation that can create and respond to the bottom-up demand.
- “ Trust and risk management are essential for scaling up any initiative.
- “ Ingredients:
  - “ Fostering innovation (Challenge Fund Initiative)
  - “ Financial literacy
  - “ Consumer protection (Customer Interests Protection Centre)
  - “ Coordination among regulatory agencies
  - “ Demand and impact assessment

# Guiding Principles

---

## Strategy Formulation

with national support and led by a s high level steering committee

## Consultation

With and among public and private stakeholders

## Coordination

across agencies and between the public and private sectors (FIs, MFS, tech solution providers)

## Synergies

among products and providers (e.g., insurance can unlock credit, payment ease deepens deposit and credits)

## Innovation

followed by regulation (learning by doing, experimentation)



# National Financial Inclusion Strategy