

ACTION- FRAMING CONFERENCE

# TRANSFORMING FINANCIAL MARKET FOR SMALL BUSINESSES

26th February, 2020



## Business Finance for the Poor in Bangladesh



Executing  
Agency



Implemented  
by



Managed by



Funded by







## **Ahmed Jamal Deputy Governor Bangladesh Bank**

Bangladesh has achieved tremendous success in every parameter of the SDG in last ten years and is which also includes it becoming middle income country. It is second fastest growing economy in Asia. The GDP growth is expected to hit a high of 8.13% for the year 2020. We are blessed that such tremendous results will be delivered in the year when the entire country will celebrate the 100th birth anniversary of the Father of the Nation, Bangabandhu Sheikh Mujibur Rahman

The total number of SMEs in Bangladesh is estimated at 8 million. These SMEs contributes to 25% of the GDP and employs over 50% of the working population. Bangladesh Bank has taken a number of schemes and programs to facilitate the growth of SMEs through special funding schemes and expansion of SME focused institutions. Bangladesh Bank has established departments focusing on financial inclusion, for small and medium enterprises. To further drive Bangladesh Bank's SME agenda, the Business Finance for the Poor in Bangladesh (BFP-B) was launched in 2015 for which Bangladesh Banks is the implementing agency. Under the leadership of Sustainable Finance Department (SFD), Bangladesh Bank the BFP-B programme played a critical role in enacting policy reforms, supporting the development of the National Inclusion Strategy and successfully scaling SME financing focused business models. Bangladesh Bank has also worked extensively with the BFP-B programme in establishing the credit information bureau for the microfinance sector.

Finally, I would like to congratulate our trusted bilateral partner Uk Aid, colleagues from the SFD team, colleagues from the Financial Institutions Division, Ministry of Finance and Nathan Associates for successfully implementing the BFP-B programme.



## **Afsana Islam Deputy Team Leader Growth and Private Sector Development DFID Bangladesh**

**Bangladesh is a development success story and has made significant progress over the last 20 years in reducing poverty, improving healthcare and maintaining a strong economic growth. In the last 12 years income per capita has increased three folds to USD 1905. A key contributor to these positive changes can be pinned to the role of the 8 million micro, small and medium enterprises. Despite their role, access to finance remain a key challenge. In 2013 only 29% firms had a line of credit with a formal financial institution. Value of collateral needed for a loan stood at 271.1%**

**In 2015, UK Aid in partnership with the Government of Bangladesh launched the Business Finance for the Poor in Bangladesh (BFP-B) with a mandate to drive financial inclusion for small businesses in Bangladesh and ensure a fair opportunity for all , now and for the future. The program delivered extraordinary results. Approximately 1.2 million businesses received business development services of which approximately 300,000 were women led. New business models covering agent banking, weather index-based insurance, blockchain technology, alternative credit scoring tool and other digital solutions have been successfully introduced in the market. A key achievement which we are quite proud of is BFP-B contribution to the development of the National Financial Inclusion Strategy for Bangladesh. I hope going forward, the lessons generated from the BFP-B programme will be adopted and built upon by future financial sector reform programs. I congratulate our partners from the Ministry of Finance, Bangladesh Bank, Microcredit Regulatory Authority and Nathan Associates the impact delivered through BFP-B.**



## **Eamon Cassidy Managing Director Nathan Associates London Ltd.**

The role of financial sector development in driving sustainable economic growth and poverty reduction is complex. Sustainable financial deepening and broadening of the sector relies on more than just short-term interventions or focused private sector investment. Nathan Associates considerable experience across the globe over the past 20 years has taught us that only an efficient and effective market-based system can provide the structure, stability and resilience required for sustained development of the local private sector and economy.

I am delighted that in the 7 years that Nathan Associates has managing and supporting financial sector stakeholders in Bangladesh, under the UK Department for International Development's flagship Business Finance for the Poor Programme, we have managed to deliver wide ranging and lasting impact to leave a legacy in the financial system of Bangladesh. From developing the first National Financial Inclusion Strategy in conjunction with our partners in the Ministry of Finance and Bangladesh Bank through to developing the Bangladesh's first Microfinance Credit Information Bureau we have been able to shape changes to the way the financial system works with small and medium enterprises throughout the country.

At Nathan Associates we recognise that harnessing the creative force of technology, and particularly FINTECH, for disruptive innovation requires adaptive programming and the ability to think differently. Ensuring a rigorous analytical basis for new development increases the chances of success. Through the challenge fund component of the BFP-B programme our team in Bangladesh in partnership with a wide cross section of commercial businesses have been able to operationalise this approach by supporting 36 projects across all sectors of the financial sector to benefit over 350,000 micro and small enterprises.

We hope that these experiences and lessons learnt from the BFP-B programme will be used to further deepen and deliver practical evidence-based solutions to meet the needs of a growing and evolving private sector in Bangladesh.

# Business Finance for the poor in Bangladesh

Business Finance for the Poor in Bangladesh (BFP-B) programme, a £25m facility funded by UK aid and managed by Nathan, has been working with the Government of Bangladesh, regulators, commercial financial institutions, and technology companies, to create economic opportunities for small businesses. Recognizing small businesses as one of the main drivers of growth for Bangladesh, employing over half of the country's workforce and contributing to a quarter of the GDP, this programme has been working towards improving the policy and regulatory environment, enhancing the credit worthiness and triggering private sector investments for small businesses. The aim has always been to expand finance for these 8 million small businesses, not through compulsion and compliance but through incentives and enablement.

## Changes Achieved-

These investments have resulted in 5 new regulations that make 7 million small businesses commercially attractive to banks, financial technology companies, microfinance institutions, impact investors, and capital market exchanges.

Additionally, 15 new business models have been generated from 36 investments. These demonstrate without doubt the commercial business case of serving the small business segment with insights on how to reduce risk, cut acquisition costs and increase life-time value of small business clients.

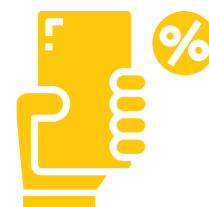
## Results -

These innovations in regulations and business models have generated big changes by










- reducing time to approve loans from 45 days to 2 days
- reducing time to disburse loans from 15 days to 2 days
- incorporating the use of psychometric, social media and mobile usage data sets in the risk underwriting process
- releasing additional £100 million financing to small businesses
- creating first time access to financial services for over 300,000 small businesses
- triggering £19 million additional investment by the private sector

## Highlights -

- For every GBP spent by BFP-B Challenge Fund GBP 207 worth of financing has been disbursed
- GBP 1.5 (BDT 150) was required to extend business development and financial services to 1 MSE.
- BDT 25 public financing triggered an additional BDT 125 private sector financing



# Programme Agenda

9:30 am - 10:00 am		Registration and refreshments		
10:00 am - 10:20 am	Welcome remarks	 <p>Ahmed Jamal Deputy Governor, Bangladesh Bank Project Leader, BFP-B Project</p>		
10:20 am - 10:40 am		Keynote session- Moving the needle on finan-		
 <p>Presenter Feisal Hussain Team Leader BFP-B</p>	<p>The session will cover major achievements and lessons from BFP-B assisted policy reforms and investments for commercial providers, government and development partners</p>			
10:40 am - 11:30 am		Address by guests		
 <p>Chief guest Md. Ashadul Islam Senior Secretary FID, Ministry of Finance</p>	 <p>Special guest Jim McAlpine Acting Country Representative DFID, Bangladesh</p>	 <p>Special guest Eamon Cassidy Managing Director Nathan, London</p>		
11:30 am - 12:45 pm		Session 1- Harnessing digital transformation		
<p>The session will focus how targeted and sequential digital transformation can dramatically reduce cost of customer acquisition and risk underwriting for financial institutions</p>				
 <p>Moderator Buddhika Samarasinghe Head of Global Practices Nathan, London</p>	 <p>Panelist Mominul Islam CEO IPDC Finance Limited</p>	 <p>Panelist Arfan Ali Managing Director Bank Asia Limited</p>	 <p>Panelist Luna Shamsuddoha Chairman Doha Tech New Media</p>	 <p>Panelist Vince Paar General Manager Asia Pacific</p>
12:45 pm - 2:15 pm		Lunch and networking		

2:15 pm - 3:15

Session 2- Adoption of omni channel distribution model

The session will highlight how financial institutions are gaining a competitive edge through deeper understanding of customer behaviour from a combination of physical and digital channels.



Moderator

Feisal Hussain  
Team Leader  
BFP-B



Panelist

Kamal Quadir  
CEO  
bKash Limited



Panelist

Farzana Chowdhury  
Managing Director & CEO  
Green Delta Insurance  
Company Limited



Panelist

Mashrur Arefin  
Managing Director  
City Bank



Panelist

Dr. Hasan Imam  
Chairman  
Bangladesh SME  
Corporation Ltd.

3:15 pm - 4:15 pm

Session 3- Creating a blended finance architecture for catalysing impact investment in Bangladesh

The session will focus on creating a foundation for non-debt based financial instruments and what more needs to be done to attract impact investors



Moderator

Arafat Hossain  
Manager  
BFP-B



Panelist

Arif Khan  
CEO & Managing Director  
IDLC Finance Limited



Panelist

Azad Chowdhury  
CEO  
AIM Steps Limited



Panelist

Sharawat Islam  
Managing Director Bangla-  
desh  
Truvalu Group



Panelist

Shameem Ahsan  
Chairman  
VCPEAB

4:15 pm - 4:45

Refreshments

4:45 pm - 5:45 pm

Session 4- Role of market facilitators

The session will identify what government and donor actions are required to further catalyse private sector investment in expanding financing for small businesses



Moderator

Eamon Cassidy  
Managing Director  
Nathan, London



Panelist

Arijit Chowdhury  
Additional Secretary  
FID, Ministry of Finance



Panelist

Manfred Fernholz  
Team Lead  
European Commis-  
sion



Panelist

Anir Chowdhury  
Policy Adviser  
A2i



Panelist

Afsana Islam  
Deputy Team  
Leader  
Growth & Private  
Sector Develop-

5:45 pm -6:15 pm

Prayer and coffee break

6:15 pm -7.00 pm

Award ceremony - Recognising and celebrating public and private

- Tech for the future
- Connecting people
- Impact market builder
- BFP-B excellence
- Special recognition



Chief Guest

Shahriar Alam  
State Minister  
Foregin Affairs  
Gov. of Bangladesh



Guest of Honor

Md. Ashadul Islam  
Senior Secretary  
FID, Ministry of Finance



Special Guest

Aftabul Islam  
Director  
Bangladesh Bank  
Investment Committee,  
Chair

7.00 pm -8.00 pm

Cultural show, closing remarks and dinner



# Business Finance for the Poor in Bangladesh

## -Leaving a legacy in market facilitation within the financial sector

### Section 1: The Context

Bangladesh, once known as the country for its wrenching poverty and natural disaster, has become one of the world's economic success stories. Aided by a fast-growing manufacturing sector - its garment industry being second only to China's, Bangladesh's economy has averaged above 6% annual growth for nearly a decade.

The booming economy has been largely driven by its 8 million micro and small business, which contributes to nearly 25% of the GDP and employs over half of the country's workforce. The export-oriented industrialisation has been another key area of the success story. Key export sectors include textiles, shipbuilding, fish and seafood, jute and leather goods. It has also developed near self-sufficient industries in pharmaceuticals, steel and food processing. The economy is diversifying. The service sector – including microfinance and computing contributes to 53% of the GDP. The success of the IT industry is central to digital transformation with nearly \$1 billion technology products being exported every year – a figure that the government expects to increase to \$5 billion by 2021.

Despite such economic growth, the financial sector of the country was still underdeveloped during the early 2010s. Only 29.1% of the adult population had bank accounts with 8.5 bank branches for every 100,000 people. Although the banks have been able to serve the big and medium enterprises well, there was a dearth of financial instruments that could serve the need of the country's emerging small and micro enterprises.

### Section 2: Role of MSMEs and Market structure

**Small enterprises play a crucial role in generating employment and driving economic growth and poverty reduction in Bangladesh.** Data from Bangladesh Bank (BB) estimates that the country's 8 million Micro, Small and Medium

Enterprises (MSMEs) contributed to 25% of the country's GDP in 2012, generating employment for over 28 million people, and accounting for 52% of the total employment in the whole country. These firms however experience severe constraints in accessing the finance they need to grow, develop and most critically, increase their productivity. These financing constraints are particularly acute for smaller, micro-sized firms (MSEs). This is reflected in the most recent World Bank Enterprise survey in Bangladesh which found that 26.5% of small compared to 22.7% of medium sized local firms consider access to finance a major constraint. The equivalent survey in India finds that just 15% of MSMEs find access to finance a major constraint. Globally, the number is close to 30% . The unmet demand for financing in the MSME segment in developing countries is valued at \$5.2 trillion.

This finance gap suggests that 59% of potential demand for MSME finance is unmet. Interestingly, within the total MSME finance gap, 14% share is attributed to the microenterprise finance gap and 86% to the SME. Such imbalances indicate that microenterprises have relatively higher unmet needs from formal sources, which might be replaced with alternative sources, such as funding from friends and family, business partners, peer-to-peer markets or informal financing arrangements.

Across regions, government and aid agencies have followed a traditional delivery approach for financial inclusion - directed lending in banking sectors, and although as a foundation for financial inclusion such initiatives do bring in results in terms of access, they are not fully sustainable because of the lack of the ecosystem support needed.

**Bangladesh government has made significant progress in establishing a robust financial sector.** Bangladesh's financial sector has been able to outperform countries with similar demographic and socio-economic status across the globe in

terms of providing access to formal financial services for individuals and households. The microfinance sector is serving nearly 27 million clients, majority of them micro and small entrepreneurs, with SME banking portfolio of BDT 53,000 crores.

In comparison, the formal financial sector, specially the banks, was unable to serve the needs of MSMEs in Bangladesh. While MSMEs are being served only by the microfinance sector, they lack access of options of financial services that meet their needs. By addressing the constraints impacting on the ability of these enterprises to access finance, there is a potential space to make a sizable contribution to the expansion of regular paid employment for poor women and men, and, at a more macro level, contribute to the competitiveness and growth of the Bangladeshi economy. Government regulations have also seldom enforced banks to lend to the SMEs and agriculture sector, however, considering it a riskier initiative, banks have found alternatives- by doing wholesale lending through MFIs.

**During the year 2013 and 2014, DFID Bangladesh together with the government decided to create a flagship initiative** to directly address the problem of unserved and underserved MSEs by financial sector. They identified the lack of a nurturing ecosystem for small businesses in Bangladesh and initiated the business case for a project that would create a vibrant eco-system comprised of (a) micro and small enterprises that drive growth and employment and (b) a dynamic financial sector that offers a diverse set of products and business models to meet their needs.

In order to achieve that, multi-layer interventions were needed, that works at macro level to have a cohesive and nurturing policy and regulatory environment, at meso level to ensure proper infrastructures are in place and at micro level to ensure innovative business models address the lack of access to finance for MSEs. The underlying cause for the lack of ecosystem support for MSMEs is so prominent across regions is because there is:

- lack of visibility of small businesses- as majority of the small and medium enterprises do not have a formal cashflow and inventory management system, it is difficult for them to prepare paperwork that proves their financial capacity.
- lack of collateral- as majority of the micro and small entrepreneurs have limited assets, they find it difficult to show collateral which a major requirement of the banks.

### Section 3: Market systems approach of BFP-B

**Typically, development projects address problems instead of addressing root causes**, which is why problems persist even after development projects end. Majority of the interventions of development projects acts as service providers and try to address the needs of the beneficiaries, hence when projects end, there is no provision in the market to continue.

Nathan associates, the managing agent of flagship programme- Business Finance for the Poor in Bangladesh (BFP-B) took a market systems approach as there was a need to counter-point market system approach over delivery approach, e.g., traditional approach to small business finance- directed lending. As good as these initiatives are, they cause major drain in fiscal resources and regulatory enforcement doesn't always generate sustainable results.

Unless financial institutions find that small businesses are a key commercial value proposition, they will only intervene through compulsion and there are limitations to that compulsion. In order for the financial institutions to consider MSEs as viable business opportunities, specific systemic constraints of the market system needed to be identified and addressed through market facilitation. The programme tried to identify root causes of underperformance of different financial sector ecosystems- focusing on three areas:

- a) High cost of acquisition- manual processes to acquire and process

services for MSEs was costly and time consuming

- b) Lack of engagement with small businesses- there wasn't a clear recognition of lifetime value of small businesses to banks
- c) Lack of investment capital for MSEs there wasn't any structured mechanism for investors to invest in MSEs

**BFP-B has taken a facilitative and non-linear approach with these constraint areas** where they engaged with market actors and re-designed incentive mechanisms for the market actors to continuously offer services beyond project life cycle. Multi-layer interventions were implemented to address the macro level, meso level and micro level challenges.

- a) Policy - by generating evidence and recommendations to build the case for regulatory change, improving sector coordination and building consensus between regulators and market actors to facilitate adoption of recommendations for policy change, and advising and assisting the Ministry of Finance and regulators to put the changes into operation.
- b) Challenge fund - by absorbing some of the financial-risks associated with investing in these business models through a grant of up to 50% of the project, BFP-B buffered the private sector to overcome market failures that would otherwise prevent them from making an initial investment, either from the cost of information discovery, costs of mitigating risks or simple lack of available capital.
- c) CIB - by helping the government to establish a functioning credit information bureau for the microfinance sub-sector that will generate credit reports for microfinance borrowers, at least 30% of which are classified as small businesses.

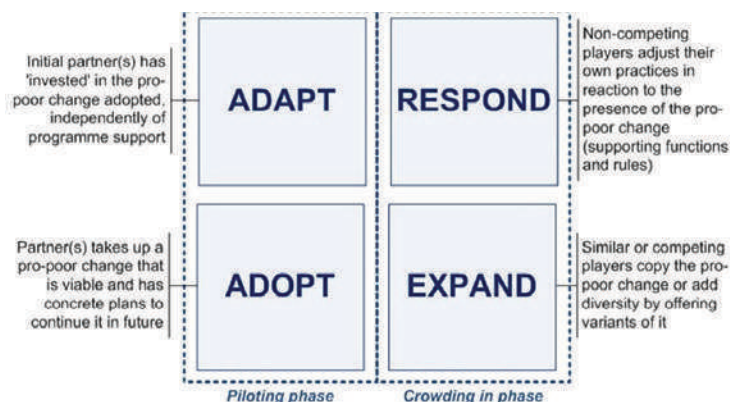
Improved credit histories can -

- i. enhance credit worthiness of microfinance borrowers

- ii. improve loan portfolio quality of microfinance institutions
- iii. create the condition for graduation of small businesses from the microfinance sector to the commercial bank
- iv. create opportunities for the microfinance sector to secure additional capital from investors

An effective way of addressing the constraints would be, the entry into the market, adoption of business models and initiation of operations by early adopters, gradually paving the way for other firms. However, that's not enough if the ecosystem is weak and restrictive. Refining ecosystems needs use-case evidence. This approach fits into the market systems development programmes that aim for systemic change leaving behind systems that work better for the poor.

Systemic change framework developed by D. Nippard, R Hitchins and D. Elliot Was used in response to two fold management and measurement needs.



The piloting phase – the firm level stages:

### Adopt

A market player has successfully adopted a behaviour/practice change to the ultimate benefit of the poor producer/worker/consumer, recognises the value of continuing with these changes irrespective of programme inputs, and has accordingly made plans to invest in upholding these changes and cover any associated recurrent costs.

### **Adapt**

The market player(s) that adopted the behaviour/practice changes pioneered during the pilot has made qualitative and/or quantitative investments that allow them to continue with or augment changed practices, without programme support. These actions, independent of the programme, constitute an 'acid test' for whether pro-poor outcomes will sustain at any level.

The crowding in phase- the market level stages:

### **Expand**

A number of market players, similar to those that pioneered the pro-poor behaviour/practice changes, have adopted comparable changes - either pure copies or variants on the original innovation - that are upheld without programme support.

### **Respond**

The emergence and continued presence of the pro-poor changes have incited market players in supporting systems to react to the new market reality by re-organising, assuming new/improved roles, developing their own offers, or moving to take advantage of any opportunities that have been created. The response enables pro-poor behaviour/practice changes to develop further, or evolve, and indicates a new capability within the system, suggesting that it can and wants to support pro-poor solutions to emerge and grow.

## **Section 4 – Analysis of BFP-B initiatives across the financial sector**

### **National Financial Inclusion Strategy- Bangladesh**

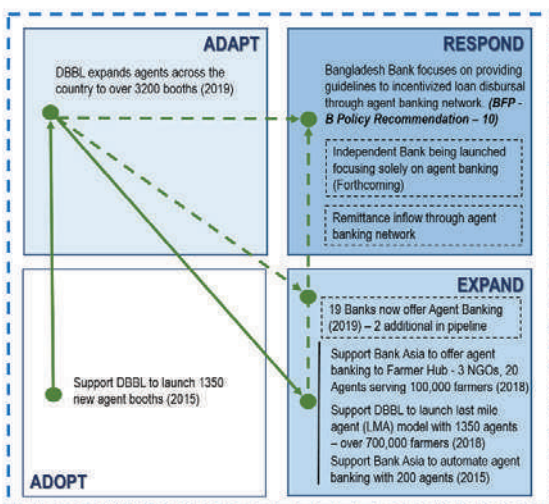
BFP-B with support from Financial Institutions Division, Ministry of Finance and renowned policy experts developed an overarching strategy to ensure a cohesive ecosystem support for the MSMEs. The National Financial Inclusion Strategy (NFIS) was developed to support the government to ensure sustainable and impactful financial inclusion through digitisation and innovation.

NFIS is a roadmap of actions, agreed and defined at the national or sub-national level, which stakeholders follow to achieve financial inclusion objectives. It provides an important opportunity to introduce an evidence-based, prioritised, better resourced, and more comprehensive approach to expanding access and usage of financial services. This strategy has been formulated with 5 objectives and 12 strategic goals consisting of 65 targets on financial inclusion of Bangladesh. To implement NFIS-B, the role of financial service providers and development partners has been elaborated. The coordination structure of NFIS-B has been segregated in four tiers by keeping the Minister, Ministry of Finance on top as the strategic chief. Bangladesh Bank has been identified as central implementing agency to establish the national secretariat of NFIS-B.

The successful implementation of NFIS in Bangladesh would strengthen financial sector and institutions as well as improve efficiency of transactions. It will also help to extend support to businesses to manage liquidity, access credit, mobilise savings for investment and mitigate economic shocks.

## Making digital transformation and omni channels work in the banking sector

Rural and semi-rural MSEs lacked access to banking services due to inadequate bank network penetration. Accessibility to banking facilities was difficult as on average each person had to travel 7 km to go to the nearest banking facility. In 2015 only DBBL and Bank Asia started its agent banking operations and had a small portfolio of just over 1200 outlets. BFP-B played a pivotal role in expanding agent banking network across the country, when it partnered with these two first adopters.



Initially BFP-B worked with DBBL to expand their network with 1350 agent booths in 2015-16 (Adopt); back then DBBL had roughly 1500 booths, which now stands at over 3300. Following success of this intervention, BFP-B further partnered with DBBL to deepen the outreach of the established agent network outreach by offering door to door banking services to individuals and small businesses. This initiative extended banking services and financial literacy to clients. This model was a massive success because the original target of 250,000 had already reached over 700,000 clients (Expand).

BFP B also supported Bank Asia in improving cost efficiency by triggering digital transformation in their business processes and through setting up one stop service centres for agri entrepreneurs. The model helped to reduce processing times and transaction cost (Expand).

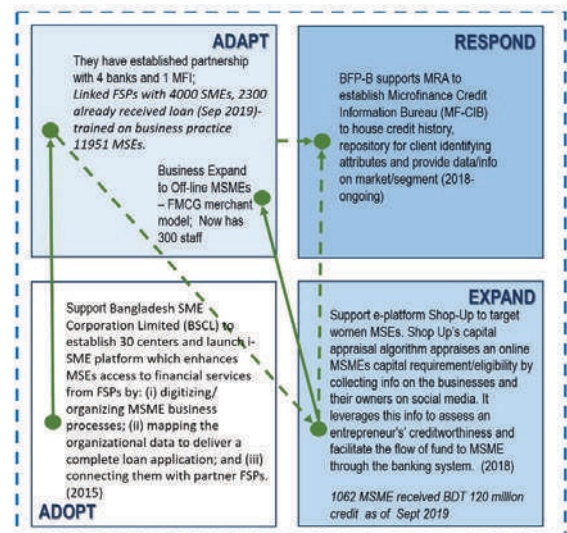
BFP-B has also commissioned policy research and influenced Bangladesh Bank to formulate guideline that will incentivise banks to offer credit through their agent network. Once this guideline

is issued (forthcoming in Feb 2020) i.e. institutionalised, this will create 'response' in the financial market and expand the credit market through agent banking network (AAER)- see backward arrow above.

Agent banking sector now has over 9000 outlets operating across the country and nearly 40 lakh accounts that have mobilised remittances of TK 11,937 crores and deposits of TK 6,169 crores in 5 years. The success of such innovative initiatives has contributed towards a systemic change in the market by facilitating country wide expansion and improving cost efficiency. However, DBBL and Bank Asia still owns 89% of the market share despite having 19 banks operating in this space, implying that a proper crowding-in in this sector hasn't happened yet. Another important factor that needs addressing is the low AD ratio, which was at 5% by the end of 2019 and is far from the ideal ratio of 75-80%. This implies that loan disbursement through this channel has not picked up yet and the credit potential of the rural population is still unmet.

## Making digital transformation work in the microfinance sector

**Fintech for MFI client acquisition-** Rural smallholder farmers and agro MSEs are often financially excluded because they lack the preparedness and financial literacy to comply with bank requirements and thus are discouraged from applying for fear of rejection. MSEs lack the internal readiness which would allow banks the necessary confidence to evaluate and extend financial products to them.



To address this issue, BFP-B tried different approaches. In 2015, BFP-B partnered with Bangladesh SME Corporation Limited (BSCL), to establish a semi-automated ERP platform for MSEs which would help to link the MSEs to the FSPs. The i-SME platform enhances MSEs access to financial services from FSPs by: (i) digitising/organising MSME business processes; (ii) mapping the organisational and financial data to deliver a complete loan application; and (iii) connecting them with partner FSPs. So far, they have already linked FSPs with over 4000 SMEs, out of which nearly 2300 have already received loans. Using such a data-enabled platform would enable the MSEs avail further opportunities for accessing all types of financial products including venture capital funds.

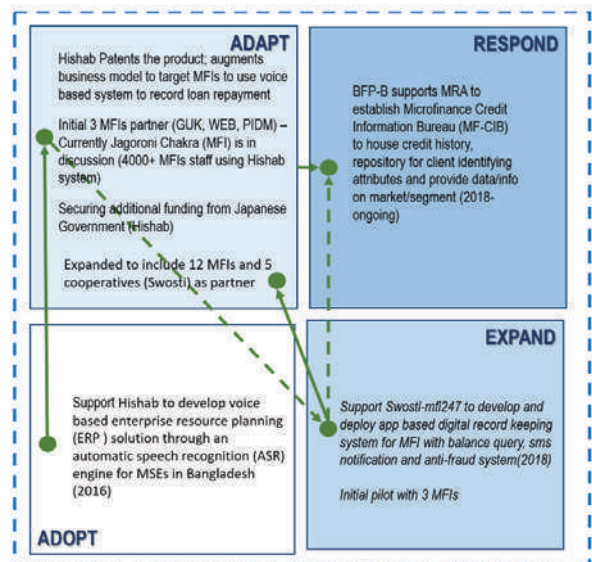
As further expansion into the area of alternative credit rating, BFP-B has invested in Shop-Up mainly for developing alternative credit assessment algorithm, loan application app, providing business development services to merchants who are using ShopUp app to run their online businesses, train MSEs on the loan application process, developing merchant success stories and promoting the success stories through social media. BFP-B's investment in Shop-Up gave it credibility and acted as a catalyst resulting in additional investment from other sources (e.g. Gates Foundation). From a small start-up that BFP-B invested in, Shop-Up is now a company with over 300 staff. They have also adapted their business model and are shifting to offline MSE support as well which has the potential to be a major source of revenue in future. Through this platform so far, over 1000 MSEs received credit valued at BDT 120 million.

Through another initiative, BFP-B partnered with CRAB to pilot an alternative credit scoring tool to address the complexity of client provided information verification and conventional risk assessment process. This initiative would utilise transaction data and telco data coupled with machine learning approach to generate credit scores for clients. So far, the credit scoring tool has been developed and the firm is seeking to

partner with microfinance institutions and banks to link the clients to them. This would be a ground-breaking model for financial inclusion. With 165 million subscribers, practically this initiative has the potential to bring every mobile phone user under formal financial service with particular focus on credit access.

BFP-B's efforts in supporting creditworthiness of MSEs goes beyond working with the private sector. A major initiative of BFP-B is supporting MRA to establish MF-CIB, a credit information bureau for MFI clients. This initiative will be a massive leap to ensure financial visibility of the MSMEs and would play a big role to address the credit gap of the MSME sector. Furthermore, this initiative will give the MSEs an opportunity to graduate to formal banking sector to utilise their full credit potential as they would be able to meet the credit history requirements set out by most banks.

**Fintech for MFI efficiency-** The microfinance sector is the most easily accessed financial services for the MSEs, however, this comes at a price-high interest rate. The rates are high as the microfinance sector has high cost of operation since majority of the process is manual and requires more manpower compared to other FSPs in the financial market.



BFP-B ventured into an opportunity to work with MFIs to improve their cost efficiency with Hishab, an innovative Fintech provider, to support their development of voice-based enterprise resource planning (ERP) solution through an automatic speech recognition (ASR) engine for MSEs in Bangladesh. The partnership began in 2016 and initially was supposed to target MSEs directly, however, since the model has been augmented and Hishab has partnered with 3 MFIs to use their patented voice-based recognition system to record repayment from client. This significantly brings down transaction cost, delays in record keeping and even reduces incidence of financial misappropriations at the field level. With this new model Hishab has moved away from directly targeting MSEs to targeting MFIs and so far, has partnered with 4 MFIs covering 4000 MFI agents. This initiative's success has also helped to secure funding from JICA.

With the intention of driving cost efficiency by supporting digital transformation within MFIs, BFP-B partnered with Swosti mfi-247. It is a digital platform that digitises MFI back office business processes, courtyard meetings and replaces the paper-based loan application processes. The model has so far expanded with the company partnering with 12 MFIs and 5 cooperatives. In the long run such models increase efficiency and staff productivity for MFIs and thus incentivising them to reduce cost of capital and compete with other FSPs.

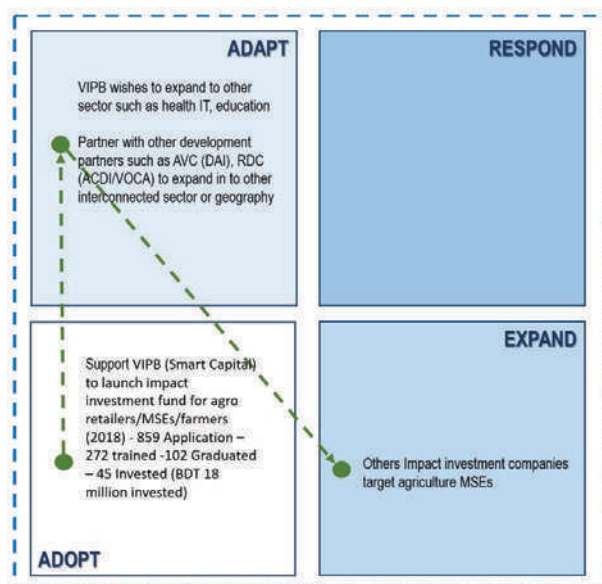
These fintech based interventions within the microfinance sector to drive the cost efficiency and ensure visibility for MFI clients by itself are big successes, however, to ensure systemic change, more such interventions need to be implemented in a much bigger scale.

BFP-B has also worked with Microcredit Regulatory Authority to develop guideline on Microenterprise lending to structure lending policies for micro enterprises. This policy would help MFIs to have identify and differentiate micro enterprises with the structured definition and standardise the lending process and reporting procedures.

## Making blended finance work for MSEs

Rural smallholder farmers and agro-based MSEs often lack the access to formal financing that suits their repayment capability. Formal finances are available in the market, such as microfinance which is of short term and do not always suit the repayment capability of farmers/MSMEs. To address this, in 2018, BFP-B with VIPB along with its consortium members invested in launching a comprehensive program that includes running an accelerator programme for agri-entrepreneurs, establishing and operationalising farmers' hub through seed and quasi-equity investments.

VIPB is a long-term business model as they need to invest for at least 4 years before expecting any return. While it is still too early for having meaningful progress towards systemic change, BFP-B's contribution did support VIPB to secure additional collaboration with other corporate and donor agencies. The following diagram showcases how BFP-B envisages this intervention to evolve after the project comes to an end. Through this initiative 272 MSEs received training through the accelerator programme, out of which 102 MSEs graduated. Patient capital, equity and quasi-equity investments in rural areas were completely unheard of specially in Bangladesh.



Bringing this type of financing tools to rural MSEs is a major step towards broadening the scope of financial instruments within the capital market as this offers the much-needed financial choice for agro-based MSEs.

BFP-B has also worked with ACACIA and its consortium members to develop for the first time in Bangladesh, an investment platform to manage the impact focused fund invested in MSEs. The platform has an extensive array of features including screening, investing, monitoring, reporting and assisting better management of MSME portfolio. The platform enables the measurement of impact generated through investment made by the fund.

Overall, through these initiatives BFP-B facilitated seed and equity investment of over GBP 1.6million across over 1,300 MSEs.

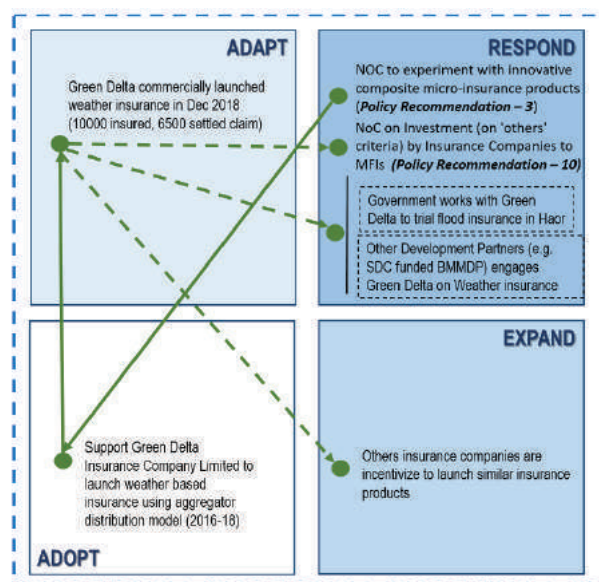
In order to initiate innovative MSE financing at a broader scale, conducted a policy study on Innovative MSE Financing products and delivery channels. The recommendations include taking a regulatory sandbox approach to test visibility of innovative MSE financing instruments and amending the existing Bangladesh Security Exchange Commission (BSEC) Alternative Investment rules, 2015 to include crowdfunding as an alternative investment tool.

### Making digital transformation work in the insurance sector

Bangladesh has one of the lowest insurance penetration rate of less than 1% in the world. Insurance penetration in majority of the developing countries is within the range of 20-25%. There are multiple systemic constraints for this low penetration, which includes lack of suitable products, lack of ecosystem for offering tailored for agriculture and livestock, lack of trust and lack of suitable technology for widespread adoption and diffusion of insurance services.

In 2016, BFP-B partnered with GDIC, the sole insurance company in Bangladesh offering agro-insurance, to promote agriculture weather-

based insurance product using aggregator or distribution partner model. They developed a weather index-based insurance targeting agricultural cultivation.



The intervention was quite successful and has reached over 10,000 farmers and settled nearly 6500 claims. Furthermore, GDIC has commercially launched the product in Dec 2018 (Adapt).

Again in 2018, BFP-B partnered with GDIC and BRAC bank to support an innovative cattle insurance project that insures the cattle financed by BRAC Bank. This model provides risk assurance for cattle farming, which is a high-risk initiative as cattle are always subject to death from disease, accidents and calving. This initiative is first of its kind as it provides bank loans for farmers without requiring any form of collateral.

Another major initiative of BFP-B in the insurance sector is the collaboration with Pragati and INAFI as for the first time in Bangladesh they developed a composite natured insurance product that covers MFI borrowers for life, assets and liability. This initiative is first of its kind between microfinance and insurance sector for the MSMEs who are more vulnerable to various risks. However, due to regulatory constraints, no other agencies other than insurance companies can offer insurance products. Therefore BFP-B together with MRA and IDRA, the MFI and



insurance regulatory authority respectively, obtained a No Objection Certificate which would allow this pilot scheme to continue. It is envisaged that other insurance companies will enter the market in view of this (Expand).

To address bottlenecks on MFIs and insurance companies working together, BFP-B further 'broadened' its collaboration with IDRA and MRA and after series of consultations and facilitations, IDRA is now poised to issue NoC on 'Investment by Insurance Companies in MFIs'. Once approved, it will incentivise insurance companies to collaborate with MFIs and expand crop insurance. While this is a direct outcome of the challenge fund initiative, the experience informed in the decision making thus demonstrating that one initiative taken to address one issue, can lead to a conversation and thus addressing further issues in that area.

### Conclusion and way forward

The multifaceted approach of BFP-B across the subsectors has addressed numerous supply-side, demand-side and regulatory issues. **It has facilitated for financial and business development services for 1.4 million MSEs, loans worth GBP 115 million, mobilised deposits worth GBP 145 million and leveraged private sector funding of GBP 204 million .**

All these interventions have contributed to the rapidly transforming financial market however, more such interventions are required to achieve systemic change. Sustaining the momentum triggered by BFP-B across the sectors and taking forward such innovative business models and policy reforms is critical. Lessons and learnings from the multi-layer initiatives needs to be taken forward by both the public and private sector partners

- **Taking the banking sector forward with digital transformation and omni channels:**
  - Adopt alternative credit scoring tools to assess small ticket loans
  - Establish single service points for financing, insurance and transaction services

- Establish interoperable systems across the multi-channels
- Redesign with digital infrastructure for a unified distribution channel approach – a seamless blend of physical and digital channels
- **Digitising the microfinance sector to improve productivity and cost efficiency:**
  - Implement end-to-end digital transformation in financial institutions-processes, infrastructure and human resources
  - Collaborate on shared platforms to reduce capital expenditure
  - Establish one-stop solutions for cross-sectoral regulatory approvals
- **Digitising the insurance sector to introduce tailored products for MSEs:**
  - Continue experimentation with insurance products to meet MSE requirements
  - Focus on development of support service market (weather-data, distribution model, actuary) for competitive pricing of insurance services
  - Establish one-stop solutions for cross-sectoral regulatory approvals
- **Creating blended finance for catalysing investments for MSEs:**
  - Inform and coordinate with regulators to activate regulatory support
  - Assist in robust business modelling and proto-typing by strengthening the network of mentors and accelerators
  - Create an investment platform for early stage startups and corporate innovative venture

While BFP-B has made meaningful progress in this journey, it will require sustained public sector commitment and development partner support in building an eco-system which will incentivise the private sector to innovate, introduce disruptive business models and channel investment to growing businesses.



# সম ট্রুডু ফারমার্স হাব

আমরা সফলকালীন দাম  
ফারমার্স হাবের সমাধান

## ফারমার্স হাব সবজি নার্সারি

প্রোগ্রামের নাম: সম ট্রুডু

ঠিকানা: ব্রাহ্মণগড়িয়া, ঝাংগাড়া, জিলাকামরূপ

যোগাযোগ: ০১৭০৩৭৪০৩৯

চাষাবার সূচনা তারিখ (Price List)

ফসল	চারা	প্রতিটি চরার মূল্য (টাকা)	Seedling	Price/Seedling (BDT)
	পেঁপে	৩৫	Papaya	25
	করলা	১০	Bitter Gourd	10
	চাষ কুমড়া	৬	Ash Gourd	6
	কিসা	৫	Ridge Gourd	5
	চিচিঙ্গা	৮	Snake Gourd	8
	বেগুন-কসম	৫	Bottle-Grafted	5
	শাট	৫	Bottle Gourd	5
	মিষ্টি কুমড়া	৫	Pumpkin	5
	শসা	২	Cucumber	2
	বেগুন	২	Bottle	2
	মুসকপি	১,৫০	Cauliflower	1.5
	টম্যাটো	১,২০	Tomato	1.20
	মরিচ	১,২০	Chilli	1.20
	সাবকপি	১	Cabbage	

শস্যের আয়ুষ্কাল নির্ধারণের ক্ষেত্রে সর্বোচ্চ আয়ুষ্কাল অনুসরণ করা হবে।

সংস্থাপক:

SFA Bangladesh

www.sfa.gov.bd

১৯৭৩ সাল

১৯৭৩ সাল

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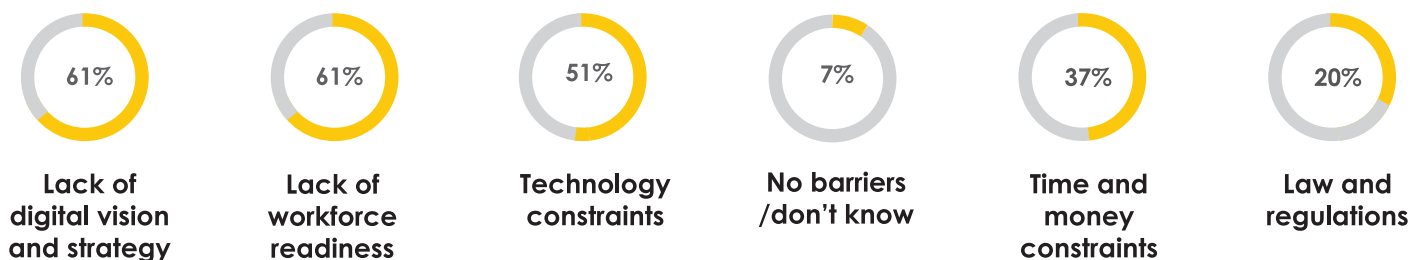
# Harnessing Digital Transformation

# Harnessing Digital Transformation

## Retail banks expect technology to boost customer loyalty



## Barriers to digital progress



## Traditional credit assessment scenario

- Time for loan approval- 45-60 days
- Time to disburse supply chain loans- 15 days
- Physical verification to understand clients' behavior

### 5 Cs of Credit

#### Character

Reflected by the applicants' credit history

#### Capacity

The applicant's debt to income ratio

#### Capital

The amount of money an applicant has

#### Conditions

The purpose of the loan, the amount involved, and prevailing interest rates

#### Collateral

An asset that can back or act as security for the loan

# Harnessing Digital Transformation

## The change makers

### SHOPUP

ShopUp's capital appraisal algorithm appraises credit worthiness of online MSMEs by collecting information about the businesses, and their owners on social media. Information present online is used to facilitate flow of funds to MSMEs through banking.

### IPDC Orjon

Integrated digital platform for supply chain management and financing using blockchain technology, enabling all players of the sector to act on a single ledger. This ecosystem facilitates MSEs with low cost and collateral free access to finance.

### CRAB

Alternative Credit Scoring using eight factors including personal information authenticity, identity characteristics, financial wellbeing, purchasing power, behavioral preference, credit history & legal behavioral preference, credit history & legal information based on digital data.

### HISHAB

Voice-based ERP solution helping small businesses and MFI field officers record transactions through voice-commands.

### BRAC Bank

Data Lab that gives a 360-degree view of customers and sales operatives. The lab will introduce customer centric products and drive cultural change in the organization.

### SWOSTI

Swosti MFI 24/7 is a digital platform used to digitize MFI field operations and provide access to real time data to stakeholders.

## Impact



**2,500**  
suppliers and distributors  
received financing  
BDT. 700 crore

**10,000**  
MSE financing  
BDT. 300 Crore  
disbursed



**17,000**  
MFI branches will have  
access to credit history of  
**30 million clients**

**2,985**  
MSEs assessed using  
social media and MNO  
data, BDT. 27 crore  
financing facilitated



Time for MSE loan  
approval reduced to  
**2-7 days**  
from **45-60 days**

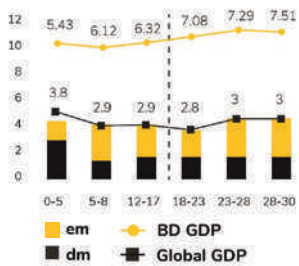
Time to disburse supply  
chain financing has been  
reduced to **2 days**  
from **15 days**



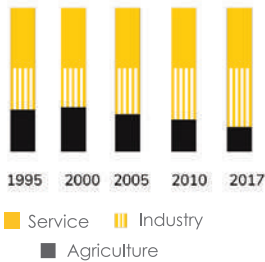


# Bangladesh: Fastest growing economy

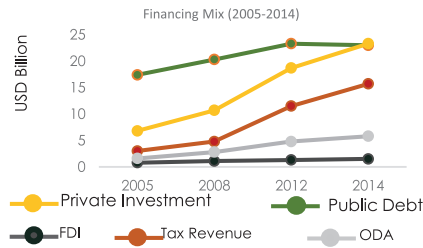
Bangladesh one of the fastest growing economies globally



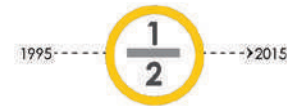
Economy becoming more modern



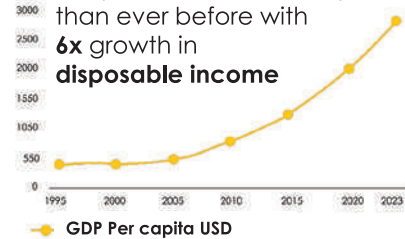
Private sector becoming the primary driver of the economy



Poverty halved within 20 years

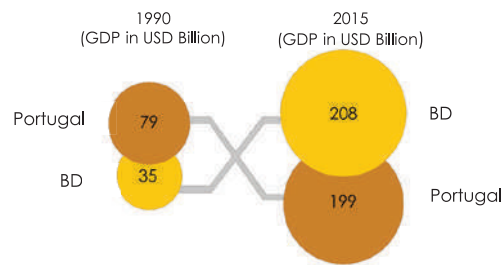


People had more money than ever before with 6x growth in disposable income



46<sup>th</sup>

Largest economy globally in 2015



33.33% growth in small businesses



## MSEs were being left behind



Limited innovation constrained MSE growth

- Bangladesh was 129 out of 141 countries in Global Innovation Index;

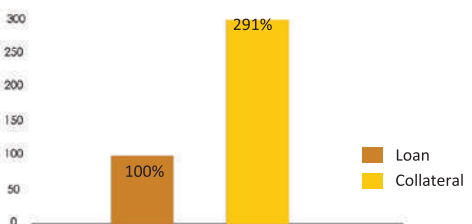


Lack of access to finance restrained MSEs

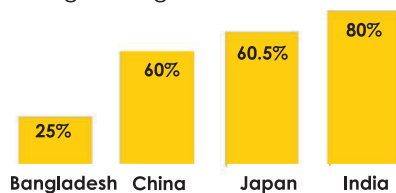


Only 1 in 4 small businesses received formal bank financing

The collateral for small businesses was almost 3 times higher than the actual loan amount

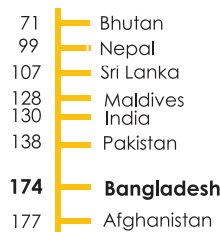


MSEs' contribution towards GDP was significantly lower than other neighboring countries

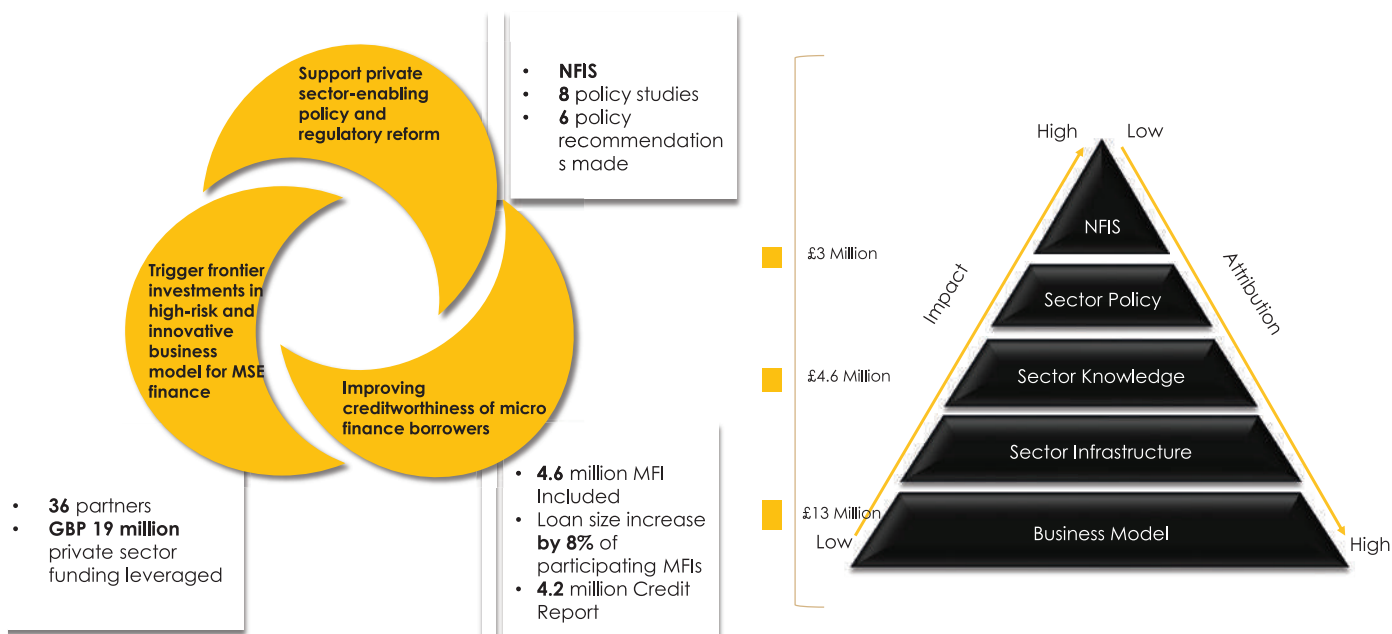


Small businesses investing in spite of high barriers

- Bangladesh ranked 174<sup>th</sup> in ease of doing business and 7<sup>th</sup> in South Asia.



## BFP-B created to trigger behavior change



## Ground interventions in real businesses



### Da Ching Ching, Women Entrepreneur

- A f-commerce retailer
- Started business her own fund
- Informal business with no credit history
- Never approached a bank or MFI for loans

### Abu Bakar, Weaver

- A weaver based out of Sirajganj
- Takes loans from MFIs to run her business
- Lack of visibility into his MFI transaction excludes him from accessing bank financing



### Asadusjaman, Entrepreneur

- Provides 30-90 credit period to clients
- Loan application process takes minimum 30 days. Needs BDT 5 crore loan but has access to 2 crore only
- Unable to provide collateral



# Manual business processes constraining access & usefulness of financial services

An analysis of the local business model deployed showed the following threads

- Use of heavy paper based and centralized processes
- No formalized techniques to assess small businesses
  - The average "time to decision" on small business loan applications is between three to five weeks.
  - Average "time to cash" is an additional three weeks



**It does not need to be this way though**

- Indian financial institutions can process and disburse a small ticket loan in 2 days
- In China loans are processed in 5 mins
- Customers apply for loans from their place of comfort and through digital means

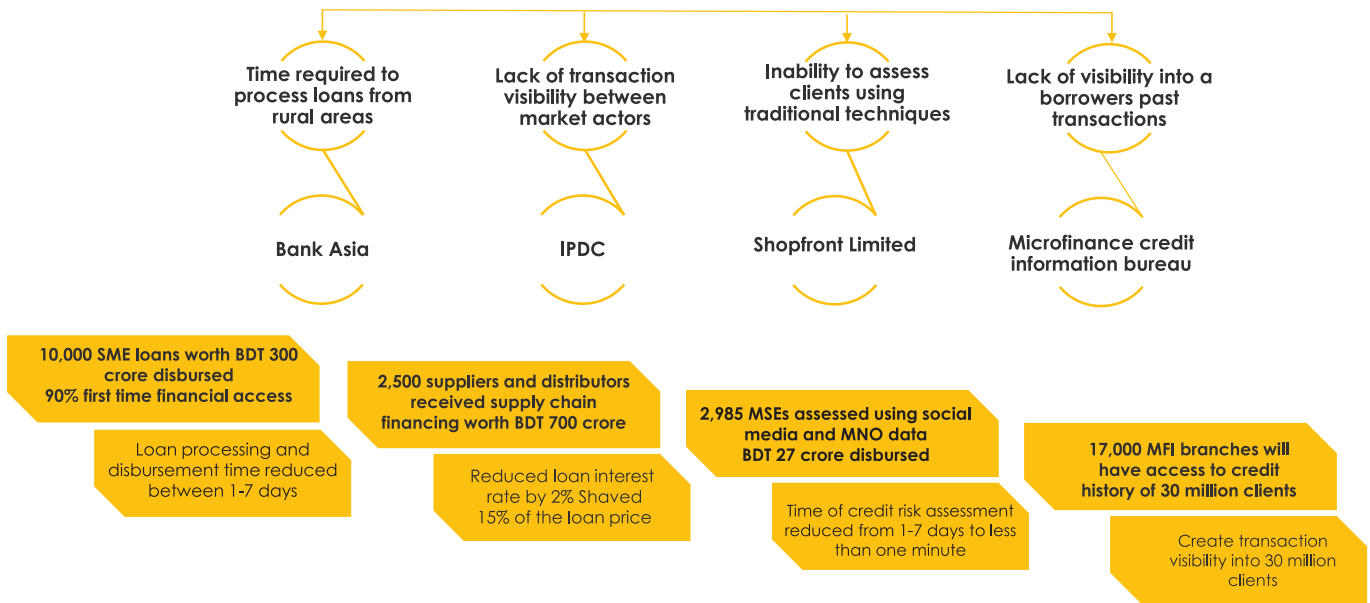
## Reducing cost of customer acquisition and underwriting

**BFP-B's market assessment indicated that triggering digital transformation is a key step**

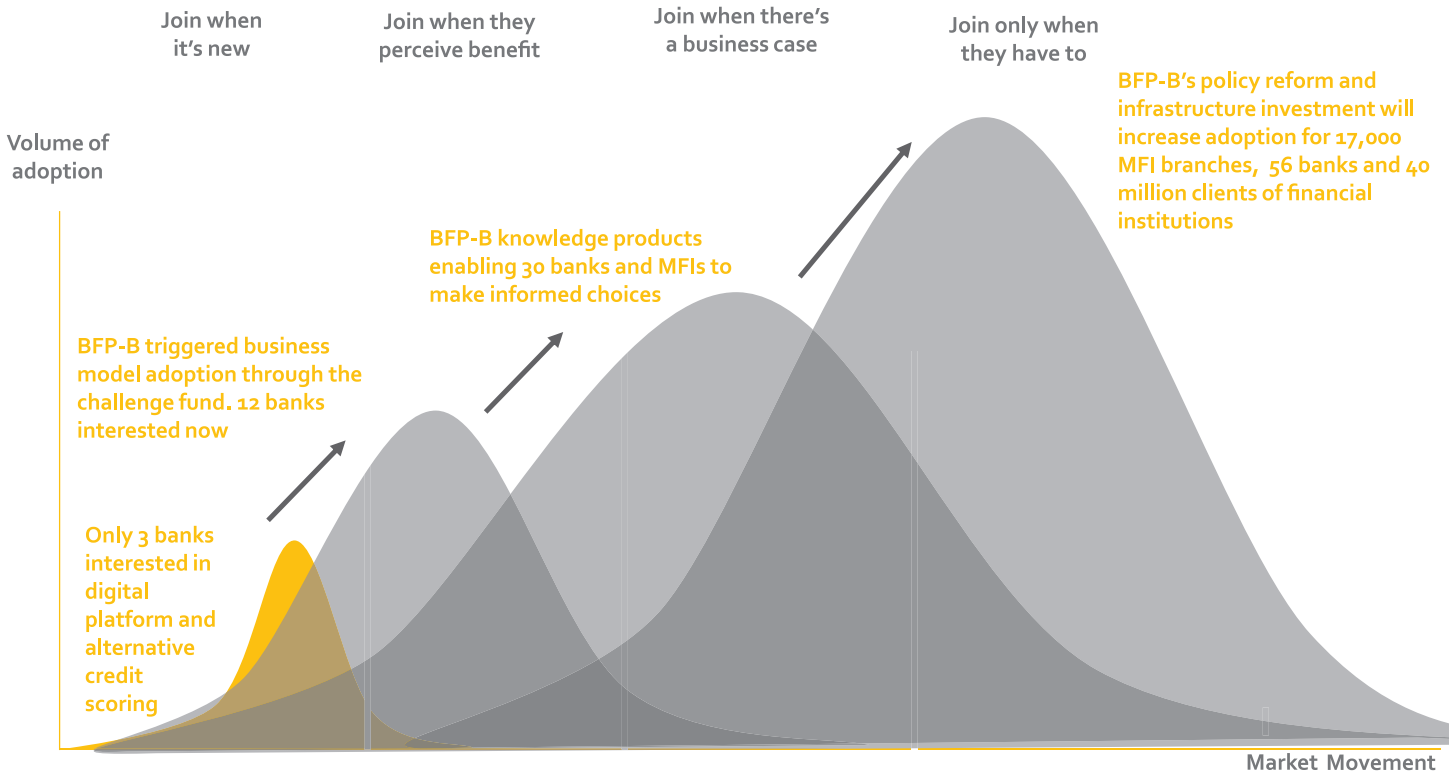
Business model development	Ecosystem development	Policy research
Supported 7 initiatives	Supporting the development of MF CIB	3 policy research papers
Committed GBP 4.5 million investment	Committed GBP 4.5 million investment	Generated 8 recommendations
Worked with banks, NBFIs, MFIs, Fintech		3 adopted which will impact 40 million clients

# Reducing cost of customer acquisition and underwriting

BFP-B's market assessment indicated that triggering digital transformation is a key step



## BFP-B to trigger behavior change



# Lessons learnt and way forward

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## Lessons

- Business models are more important than tech.
- Regulatory engagement needs to be both reactive and proactive
- Market actors are not fully securing of alternative data sets in the credit underwriting process
- Only digitizing business processes is not enough

## What needs to be done

Is shared platforms the way forward? What can market actors identify and collaborate on common tech solutions which do not give a competitive edge but is necessary for daily operations?

How can cross sectoral partners apply for regulators approvals from a single point? Will a a cross sectoral financial market regulatory body be helpful in expediting private sector proposals?

What can drive the uptake and use of ACS in financial institutions? What can regulators do to incentivize adoption? How can board member, senior management and operational team thinking be streamlined to adopt ACS? Do you retrain existing staff or hire new staff for ACS adoption? What is the critical mass required before a shift becomes viable?

How can we address existing staff, legacy systems, customer engagement processes? Which team should drive such a cultural change?



# Case Study: SHOPUP E-Loan

E-loan to leverage the growth of small businesses

ShopUp e-loan, capital appraisal platform by Shopfront and supported by BFP-B, is designed to bridge the information asymmetry between e-commerce merchants and financial institutions. ShopUp e-loan capital appraisal algorithm uses the 5Cs model and analyses social media and transaction data points to appraise the credit worthiness of online businesses for loans and connects them to relevant financial institutions.

## Challenges faced by online businesses to avail loans

E-commerce has grown exponentially in Bangladesh over the past few years. There are over 290,000 small businesses selling products on Facebook alone. But these businesses lack access to the capital required for their growth because primarily because their online transactions are not formalised and they do not have the relevant documentation required to apply for these loans. On the other hand, over 1,000 microfinance institutions are actively seeking businesses to fund, but cannot because many of those businesses lack verifiable transaction records.

## ShopUp e-loan to solve the challenges

ShopUp e-loan platform was launched to bridge the information gap between the borrowers (f-commerce businesses) and Financial Institutions. When an online business applies for loans, the platform gathers data from over 2000 data points from different business and social data sources. This data is then run through a micro-loan model which determines the loan ceiling, and the business is eligible to receive any amount below the ceiling. The loan application and appraisal is then shared with financial Institution, who then transfers the loan amount to the merchant's bank account using BEFTN (within 24 hours)

# ShopUp



**GBP 1.2 million**

Worth financing disbursed as loans to small businesses



**1000+**

e-commerce and f-commerce businesses have received loans



**40%**

of these businesses are lead by women

Case Study



## SUCCESS STORY: MAIMA DRESS COLLECTION

### Constraints faced by the business

Maima dress collection is a successful online clothing store established in 2018 by Asha Khan in Dhaka. Ms. Khan, a fashion enthusiast began designing clothes and selling them online through her Facebook page. In the starting days of her business, family members especially her brother helped her with working capital. Asha was very determined to expand her online clothing store but lacked the resources and business plans to expand the business and operate on a commercial scale. She had limited ideas about suitable product packaging system, delivery options, inadequate understanding of the right customer base and also didn't have any trade license to operate her business.

She sold her products to a limited number of customers she could reach through her Facebook profile.

### Impact of ShopUp on “Maima Dress Collection”

Ms. Khan learned about the ShopUp from a marketing campaign conducted by ShopUp, and she met the ShopUp marketing team and registered with them in 2018. Her involvement in ShopUp enhanced her knowledge on retail business record-keeping, assisted her with customer reminders, and provided her opportunities to access formal financial services. Additionally, Asha learned to leverage her business sales and inventory data by effectively planning her cash and product requirements keeping her working capital in mind.

In 2019, She received a loan (From BRAC Bank) of BDT 1, 00,000 (GBP 1,000) using the ShopUp platform, which she invested mostly as working capital and capital expenditure. With this increased working capital, she diversified her product range which resulted in increased customers. Affiliation with ShopUp increased her visibility and credibility within her customers, causing additional sales and frequent customers.

**“I encourage other women entrepreneurs to get involved with ShopUp to effectively scale their businesses.”**

**Asha Khan**

Now Ms. Khan has a yearly net income of BDT 360,000 (GBP 3,600). ShopUp not only helped Ms. Khan to get access to affordable financing but also provided trusted delivery support which is very important for small businesses. Features like safe money transaction and smooth operation of the money transfer especially for women entrepreneurs using the ShopUp platform allows her to focus more on product and business development. Asha's business “MAIMA Dress Collection” is quickly growing and she is hopes to open a physical boutique store in the future.

“Orjon”, a project led by IPDC Finance Limited (IPDC) and supported by the Business Finance for the Poor in Bangladesh (BFP-B) programme was initiated with an aim to optimise Supply Chain Financing (SCF) processes, to expand SCF customer base, and to provide suppliers and distributors access to collateral free, structured and promptly available financing through a digital platform built using blockchain technology. The project which was executed from April 2018 to January 2020 has supported 11+ corporate houses, 2,500 suppliers & distributors to access GBP 70 million worth of SCF (factoring, work order & distributor financing)

### Challenges faced by MSEs

Supply chain financing is considered an essential financial instrument employed by corporates and small businesses to manage cash flow and maintain uninterrupted business operations. In Bangladesh however the current GBP 60 million SCF market is inappropriately priced and structured due to heavy manual processes which hinders the growth aspiration of suppliers & distributors. Accessing siloed credit related documents between corporates and its suppliers and distributors gives rise to numerous anomalies and credit risk on the part of financial institutions.



### Role of Orjon to address these constraints

The project “Orjon” developed an integrated digital platform for supply chain management and financing. The project used Blockchain technology that essentially enabled all value chain stakeholders to act on a single shared ledger in real-time. A supplier or a distributor and the Original Equipment Manufacturer (OEM), solely update their parts of the transactions and ensure cross stakeholder validation which enables efficiency, an “unprecedented” level of trust and transparency on an immutable ledger record.



**GBP 70 million**

GBP 70 million SCF disbursed to 2500+ suppliers and distributors

Access to authentic, verified and secured documentation has reduced manual engagement by IPDC and assessment & disbursement of supply chain financing from 15 days to 2 days. The process and cost optimisation has also allowed IPDC to reduce loan rates by 2%



## Success Stories: "IMAGES Ltd" and "JH Transport Agency"

### Constraints faced by IMAGES Ltd.

Md. Asadusjaman is the Managing Director and the owner of 'IMAGES Ltd.' located in Tejgaon Industrial Area in Dhaka. "IMAGES" is a digital printing & packaging company, started its operation in 2009 with all equity finance. While the organisation was supplying printing and packaging services to 10-15 corporate houses, a significant portion of their working capital was getting stuck for a long credit period. For example, the credit period of IMAGES's clients ranges from 30-90 days; the credit amount at every consignment being stuck for that period was restricting them to invest into another shipment before realising the invoice payment. This hampered IMAGES ability to pursue new work just after completing a consignment and increase the number and volume of work with the capital invested. The need for external financing emerges.

While IMAGES opt for the loan financing, they found it difficult to produce fixed assets as collateral as they were operating in a rented premises.

### Constraints faced by JH Transport Agency

Md. Jahidul Islam is the owner of JH Transport Agency that started its operation in 2011 primarily providing transportation services to mobile operators. Similar to IMAGES, Jahidul was also forgoing opportunities to grow with number of customers in need of external finance. They also appeared to financial institutions that required them to produce collateral. An eventual failure restricted the agency to access formal financing.

### 'Orjon' intervention to solve market constraints

The project intervention that built a digital platform eased the process further. The platform enabled the companies to submit the invoice electronically without visiting clients' offices and apply for the SCF immediately. The platform enabled IPDC to sanction the SCF on the same day companies submit the invoice. All these processes are being done through the digital portal where all the parties involved can monitor and approve all the transactions.

"I predicted demand and potential opportunity to expand that time; however, I was not able to realise with my existing capital. The loan requirement by financial institutions was too strict for me to comply with. I was losing opportunities in need of fund."

Md. Asadusjaman,  
Owner, IMAGES Ltd.



According to the business, this digital platform eventually saved around 3-10 days in the invoice submission and SCF approval process

### Impact on MSMEs

The SCF enabled IMAGES to grow with increased number of customers; the company is serving around 121 customers currently, whereas, the number was only 17 during it started availing SCF back in 2012. The company has grown with its business volume such that it got its SCF limit revised to BDT. 50,000,000 during this story was written. Moreover, the time that is saved by the digital platform enabled IMAGES to sign for the next consignment immediately they complete the previous one. This saved time has crucial importance beyond a mere time value of money regarding ability to sign another immediate consignment.

Similar to IMAGES, JH Transport Agency also realised a sharp growth in its business volume. The agency increased its number of delivery trucks to 91 currently where they started with only one back in 2011. The increased volume of business is also reflected in their SCF limit which is revised to BDT 60,000,000 currently. They also admitted that the digitalisation saved a significant communication cost and hassle. Moreover, the process approved for more transparent and controllable transactions.





# Adoption of omni channel distribution model

# Adoption of Omni Channel distribution

8 Million

25%

- 8 Million MSE contributing to 25% of GDP

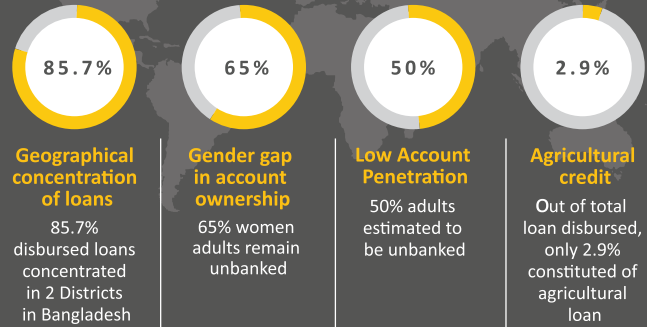
- MSME financing gap finding of in Bangladesh.

BDT  
22,370  
crore

## Key challenges that limit the customer engagement

- Banks have excelled in launching multiple channels to engage with customers but targeting has been fragmented
- Inability to deliver a seamless quality of service across all customer engagement channel (both digital and offline) forces a customer to search for alternatives.

## Gaps in Financial Inclusion



Omnichannel- an integrated approach of blending different distribution and execution channels for better user experience

## Delivery channel optimization

Combination of digital and physical channels



Improved loyalty by keeping a high retention rate

Personalized customer experience

# The change makers

## Business Access by bKash

Mobile app that record transactions of bKash agents and merchants to improve their credit worthiness. These apps Also enable more efficient transactions

## Last Mile Agent- Dutch Bangla Bank Limited

Setting up agent booths and appointing agents in rural areas where banks are not available in order to provide banking services to MSMEs who otherwise lack access to formal banking services

## Agriculture Finance Scheme by CVCFL

Financing scheme that will enable aquaculture and agriculture farmers to get loans and invest as appropriate. Disbursements and repayments are customized according to farmer's needs and capability

## Weather index based crop insurance by Green Delta Insurance Company Limited

Data driven risk mitigation product extended to farmers leveraging the established distribution network of agri-input retailers, farmer hubs and MFIs

## iSME by Bangladesh SME Corporations Limited

A third party match making platform between financial institutions (FIs) and MSEs. The platform assists partner Financial Institutions to identify the right set of potential borrowers (especially in areas where the partner bank does not have a branch network) and helps MSEs prepare for and navigate the complex loan process. MSEs can access this service through regional business centers (iSME centers)

## Impact



Number of MSEs supported (through BDS, insurance coverage, improved financial services) – 12,66,178

Played a big role in creating employment opportunities. Number of jobs created- 11,281



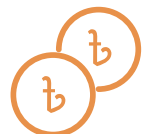
Number of MSEs supported whose owners are female- 2,71,819

Total 12,381 people have got insured



Total amount of MSE loan disbursed through BFP-B Projects- 6,95,53,03,029 (BDT)

Volume of Savings Mobilised (GBP)- 13,45,42,844.2



Number of MSEs who for the time get the access to formal financial services 2,93,711

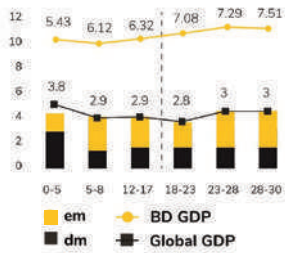
Customer convenience



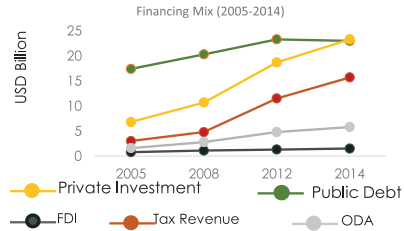


# Bangladesh: Fastest growing economy

Bangladesh one of the fastest growing economies globally



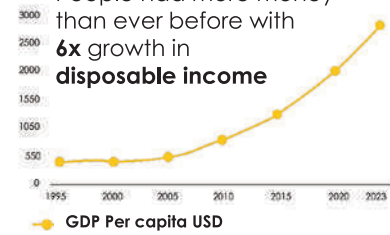
Private sector becoming the primary driver of the economy



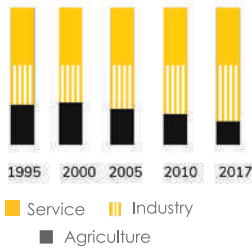
Poverty halved within 20 years



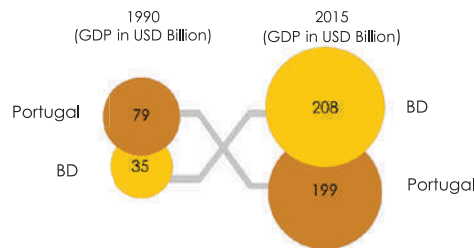
People had more money than ever before with 6x growth in disposable income



Economy becoming more modern



46th Largest economy globally in 2015



33.33% growth in small businesses

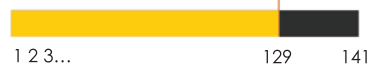


## MSEs were being left behind



Limited innovation constrained MSE growth

- Bangladesh was 129 out of 141 countries in Global Innovation Index;

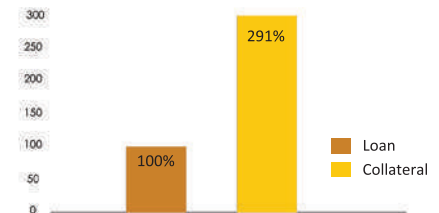


Lack of access to finance restrained MSEs

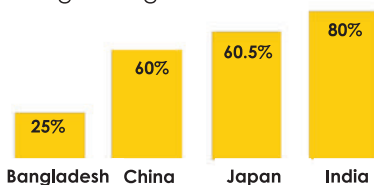


Only 1 in 4 small businesses received formal bank financing

The collateral for small businesses was almost 3 times higher than the actual loan amount

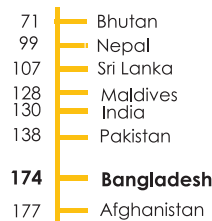


MSEs' contribution towards GDP was significantly lower than other neighboring countries

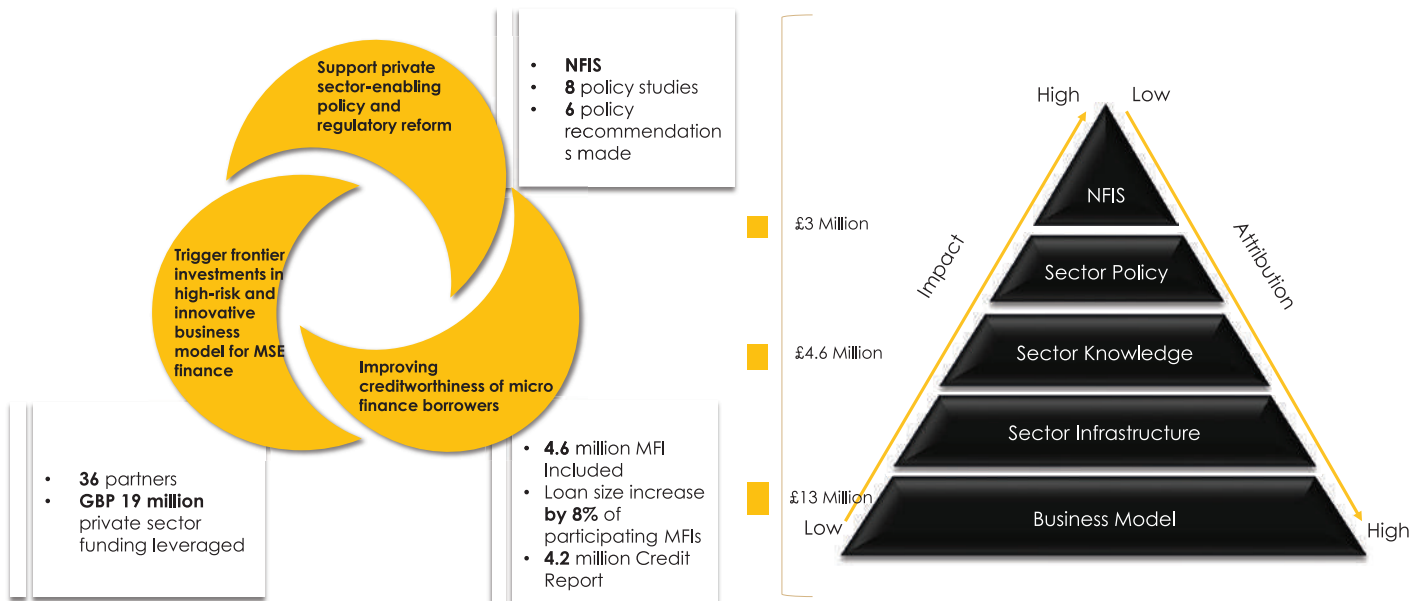


Small businesses investing in spite of high barriers

- Bangladesh ranked 174th in ease of doing business and 7th in South Asia.



## BFP-B created to trigger behavior change



## Ground interventions in real businesses

### Ishrat, Women Entrepreneur

- Fear of technology
- Formal documentations is a burden



### Abdus-Sattar, Small Farmer

- Unable to provide collateral
- Crop exposed to inclement weather condition
- Lends from informal channel (mohajon)



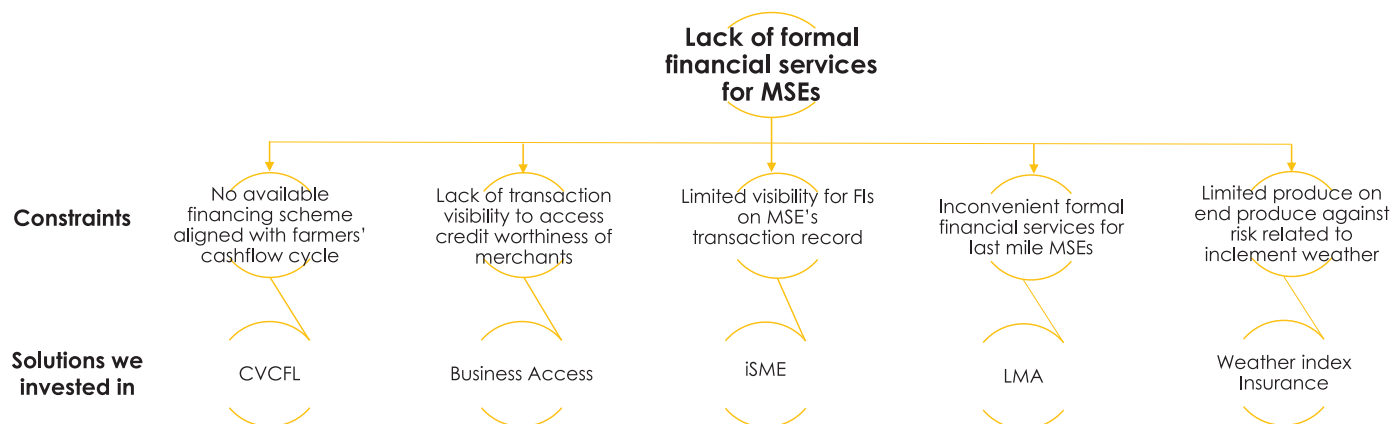
### Zaman, MFS Agent

- Bank's offer doesn't match his requirement



## Market insights indicated significance of different delivery channels

Business Model Development	Policy Research
<ul style="list-style-type: none"> <li>Supported 5 initiatives</li> <li>Committed GBP 3.8 million investment</li> <li>Worked with banks, NBFIs, MFIs, insurance and other financial service providers</li> </ul>	<ul style="list-style-type: none"> <li>3 policy research papers</li> <li>Generated 13 recommendation</li> <li>5 adopted which will promote MSE sector</li> </ul>



## Due to BFP-B intervention

More than **1.2 million MSEs** were supported through improved financial services

More than **300,000** female led MSEs accounts were opened

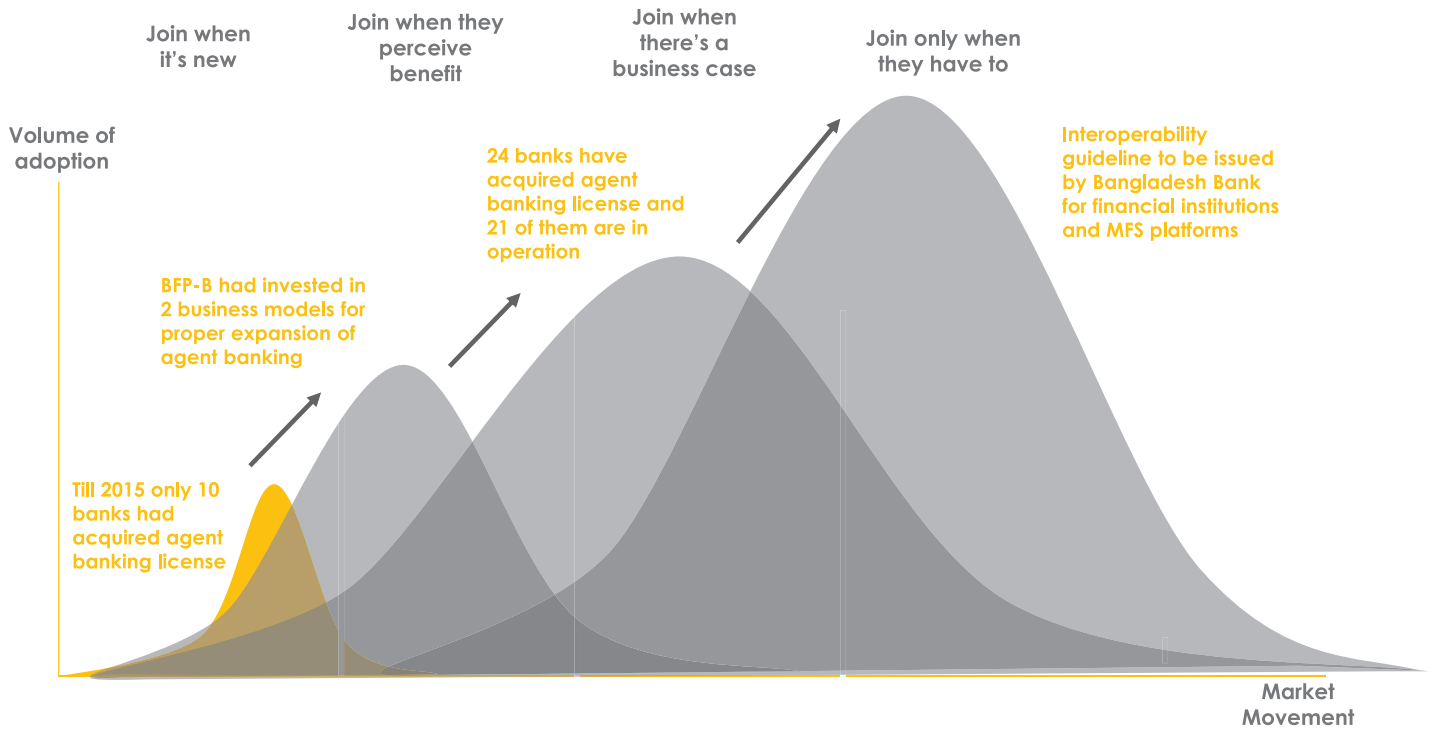
About **BDT 13,454 million savings** were mobilized

More than **30,000** micro or small business owners were **insured** from natural catastrophe

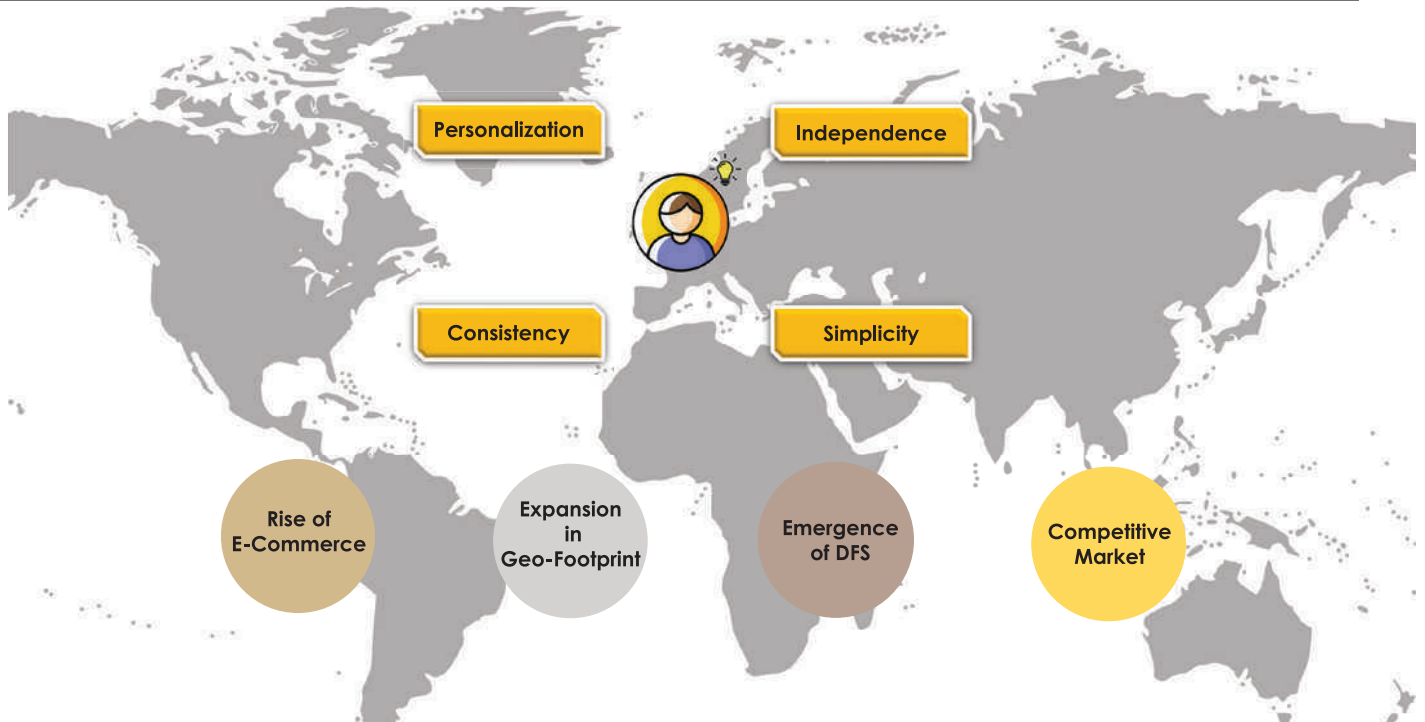
More than **1,000 farmers** were brought under financial inclusion with product match with crop cycle

More than **11,000 employment** opportunities were originated

## BFP-B to trigger behavior change

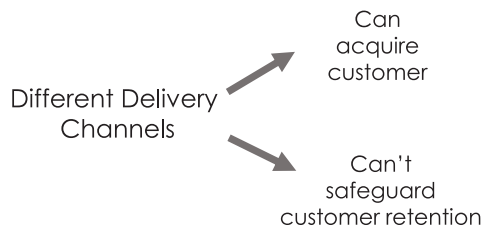


## Global market is getting revolutionized





## More integrated market approach



$$1 \text{ new customer Acquisition Cost (10x)} = 10 \text{ existing customers Retention Cost (x)}$$

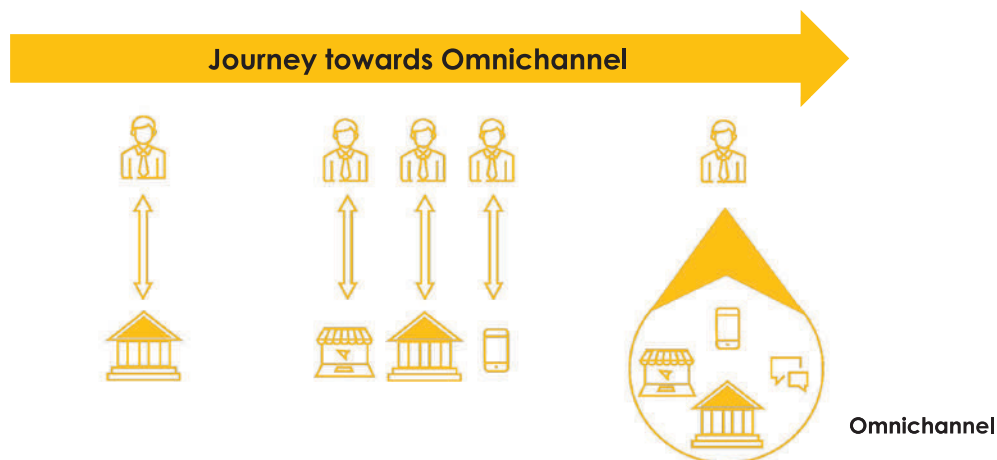
### Omnichannel Distribution Model



- Better user experience
- Better outreach
- High retention rate
- Business integration
- Cost-effective

## Lessons learnt and way forward

- A complete technological redesign required for a unified distribution channel approach – a seamless blend of physical and digital channels
- Reluctance to invest in any new venture due to lack of a long-term viewpoint of the investors
- Lack of interoperability between different financial service providers
- Single service points required for Financing, Insurance and Transaction services





# Case Study: Dutch-Bangla Bank Limited Agent Banking

## CREATION OF SMALL BUSINESSES FOR AGENT BANKING

Affordable financial services that meet small businesses' requirements often do not reach millions of small businesses due to geographical dispersion, high transaction cost, and limited offering of products and services. Currently there are roughly 6 bank branches for every 100,000 rural adult citizens in Bangladesh.

Small businesses struggle to access financial services due to a lack of nearby bank branches, poor infrastructure, high costs of finance, and lack of documentation such as proof of identity. This increases the cost of doing business, limits their attempts to grow, and hinders economic development.

## DBBL AGENT BANKING

To address these challenges, DBBL adapted the distribution channels of multinational organisations, FMCGs, and telecommunication organisations for the banking sector. DBBL has partnered with master agents who work as their distributor. These master agents helped to source agent banking outlets in popular bazar areas.

## AGENT POINT SERVICES

### Range of financial services:

- Biometric-based banking services to rural and semi-rural areas so that unbanked citizens can join formal financial sector from their doorsteps
- Deposits and payment services
- Regular courtyard meetings to address rural customer relationship gaps
- In future, will also facilitate loan application and disbursement

### Small business-focused services:

Small businesses without previous bank access receive instruction about benefits of bank accounts. They also receive guidance on obtaining credit and utilising funds to grow their business.



## Women-focused services:

The initiative encourages women to open accounts, instructs them on benefits of opening accounts, and highlights value of savings habits.

## BUSINESS DYNAMICS OF DBBL AGENT BANKING

The set-up cost of agent outlets is approximately £4,000. Agents share 80% of the cost, and DBBL shares 20%. On average, an agent can start profiting within 2 years of business. Overall, these agent outlets are now becoming a major source of the bank's deposits.

## KEY BENEFITS TO SMALL BUSINESSES

- Greater convenience, and cheaper transaction costs
- Travel shorter distances to use banking services
- Services available after regular business hours, as agent banks are open 9am to 7pm

**In Bangladesh, there are  
roughly 6 bank branches  
per 100,000 rural  
citizens**



## SHUCHORITA CHAKMA DBBL BANKING AGENT

### SUCCESSSES FOR SUCHORITA

This agent banking model has enabled Shuchorita to enhance the range and quality of service to DBBL customers. According to Shuchorita, it has also proved to be convenient for minimally educated populations to pick up. The agent point enables customers to open an agent banking account, deposit and withdraw cash, transfer funds, and make payments.

In 2017, Shuchorita was one of DBBL's leading agent outlets, with customer savings of BDT 3 million (GBP 30,000). As a result of expansion of her business, she also created employment for one new person, who now manages the booth with her.

### TRANSPARENCY AND ACCESSIBILITY

Strict compliance of the policy and consumer complaint hotline for DBBL (16216) as well as Bangladesh Bank (16236) is widely visible at agent outlets. Like formal banking services, all of the payments made by agent banking are traceable and accessible to clients through transaction records and monthly bank statements.

### IMPACT OF DBBL AGENT BANKING SERVICES

This co-investment by BFP-B and DBBL has provided banking services to more than 800,000 customers, including 206,000 small business, and has created roughly 3,000 jobs.

Previously, a customer had to travel 7 kilometres to avail banking services. Now, customers can find DBBL agent banking outlets within 2 kilometres of home. Cost per transaction was previously BDT 51, and it is now BDT 17 (mainly transportation).

As of March 2018, the total deposit amount in agent banking clients' accounts is approximately £40 million. Cumulative daily credit transaction of these agents is around £4 million.

Shuchorita Chakma has been a DBBL banking agent in Sadar, Rangamati, for more than two years. In mid-2016, she learned from DBBL officials how agent banking provides formal banking services to the unbanked, including small businesses like hers that have traditionally been excluded from formal financial services.

Nandana Enterprise, the DBBL agent outlet managed by Shuchorita, is much smaller than a regular bank branch, though well-equipped with biometric point of sales (POS) devices, mobile phones, fingerprint scanner machine and computer devices.

# Case Study- Weather Index based crop insurance: A relief for smallholder farmers

Green Delta Insurance Company Ltd. (GDIC) introduced an Index-based weather insurance product for the small and marginal farmer. With the support from Business Finance for Poor-Bangladesh (BFP-B) and UKAID, GDIC has been implementing an Agriculture Insurance Project in Chitolmari, Bagerhat and Muktagachha, Mymensingh areas. The aim of the project is to help farmers cover the risk for crops through an index-based insurance product.

## Challenges faced by small and marginal farmers

Small and marginal farmers throughout Bangladesh have not adopted crop insurance products to protect their farming operations. During the past decade numerous weather induced shocks have impacted on Bangladeshi farmers and particularly poor farmers significantly. This has resulted in catastrophic impacts for these farmers who do not have the resources to access to quickly recover from these setbacks. Whilst insurance is available it often too expensive and poorly understood by these farmers.

## Weather Index-Based Crop Insurance to solve the challenges

GDIC introduces Index-based insurance targeting agricultural and in particular horticultural cultivation. GDIC acquires and uses environmental data for designing and resolving claims against the insurance product for at least 9 different agricultural crops. GDIC works with farmers via input retailers and contract farming aggregators rather than directly working with the farmers to ensure the cost of the product is embedded in the total package that these retailers provide to farmers. Premium pay-outs and claims are disbursed to the farmers through these distribution channels. Currently Green Delta is working with two such distribution networks, which have a customer base of 100,000 farmers.



Aim to provide BDT.  
100,000,000 as risk  
coverage



9800+ farmers to  
receive crop  
insurance



100,000 customers  
from 2 distribution  
networks



## SUCCESS STORY: NRIPEN GAIN

### Constraints faced by the business

Mr. Nripen Gain is a smallholder farmer from Chitalmari, Bagerhat, Bangladesh. He owns a 30 decimal (13,000 sq ft.) parcel of agricultural land, in which he cultivates seasonal vegetables such as bitter melon, cucumbers and tomatoes. In the last two years, Mr. Gain incurred loss of crops and subsequently income due to extreme weather conditions such as heavy rainfall. The excessive rain led to water logging on his farming land and destroyed his vegetables.

### Impact of Weather Index-Based Crop Insurance on Nripen Gain

To protect himself from further losses due to uncontrollable weather risks, this year he opted for weather index based crop insurance from Green Delta Insurance. Nripen attended an awareness building workshop in his area (a part of the Agriculture Insurance Project), which motivated him to take protective measures against the unpredictable weather. At the beginning of this year, he decided to buy insurance coverage for a premium of BDT 480 for the cultivating season, which included coverage against excess rainfall, dry spell, wet spell and other adverse weather conditions for bitter melon and cucumber.

The monsoon season this year again brought a week-long heavy rainfall, destroying vegetable plants as a result. Mr. Gain became a victim of devastating weather condition like other farmers in his area. However, this year he had crop insurance, which helped him partially recover his losses. He claimed BDT 300 (partial coverage) against the loss of his ruined cucumber plants due to the heavy rainfall.

**“I never thought there will be someone who will support me with cash for my ruined plants. I was relieved to get some money back against my losses. It (crop insurance) helps people like us (smallholder farmers) to be more confident and worry less about something we don't have any control over”**

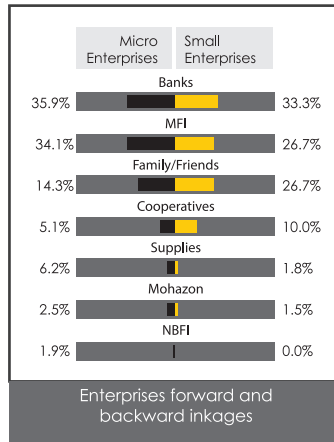
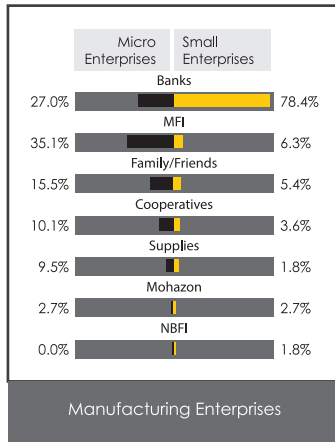
**Nripen Gain**



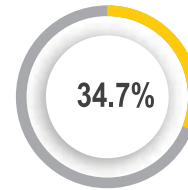
# Creating a blended finance architecture for catalyzing impact investment in Bangladesh

# Creating a blended finance architecture for catalysing impact investment in Bangladesh

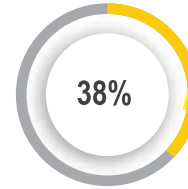
## Source of finance vary between micro and small enterprises.



## Large number of MSMEs are not availing external financing

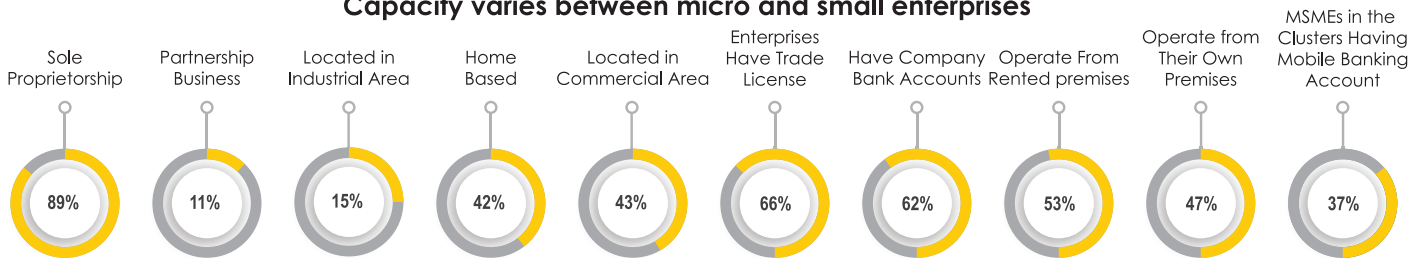


small business does not have access to finance due to lack of bank transaction history, lack of collateral and high interest rate.

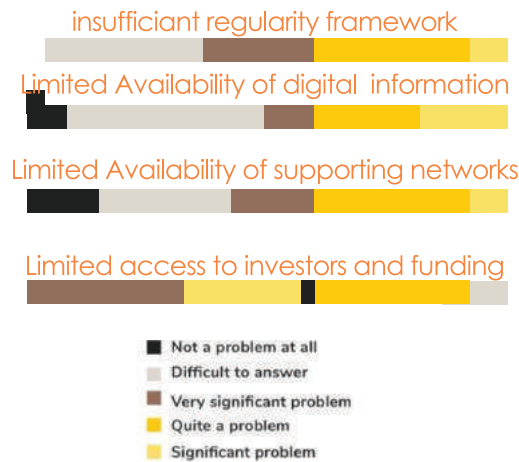


MEs do not have bank accounts. Of those who do not have bank account, 68% reported that they prefer cash transaction.

## Capacity varies between micro and small enterprises



## investment Eco-system needs to develop to crowd investors



Bangladesh's large population and shifting demographics make the country appealing to investors;

- Investor optimism has led to sharp increases in FDI inflows since 2009;
- DFIs are responsible for the largest portion of impact capital through investments directly in enterprises;
- Institutional investors largely operate on a commercial basis as lenders;
- 70% of the total impact capital currently deployed has been through debt;
- Sectors receiving most of the impact investing capital are high-growth sectors such as ICT, manufacturing, and energy



# The change makers

## Impact MSE:

ACACIA SRIM Limited, Bangladesh SME Corporation Limited, and Datasoft System Bangladesh Limited together developed the first impact-focused investment management platform. The Impact MSE platform has an extensive array of features which include screening, investing, monitoring, reporting, and assisting better management of MSME portfolio. Simultaneously, ACACIA has set up a fund to invest in MSEs. The Impact Investment Fund is targeting a return of 15%-20% annually generated from a unique blend of microfinance yields, private equity and hybrid instruments with a focus to ensure maximum return to investors and the society. This platform also enables the measurement of impact generated through investments made by the fund.

## Smart Capital:

Venture Investment Partners Bangladesh Limited (VIPB) LightCastle partners and Syngenta Foundation collaborated to launch the SMART Capital Project. Focused on agri businesses in Bangladesh, this project aims to enhance the livelihoods of agri-entrepreneurs through a multidimensional approach. Entrepreneurs are groomed through a bootcamp and those having the best potential are selected for seed investment to establish a farmer's hub, for selling agricultural input and output. VIPB will be providing the necessary capital in the form of quasi equity and equity Instruments.

## Agri Business Booster:

Agri-Business Booster, by Truvalu Enterprises Ltd. launched Agri-business booster initiative which is providing complete equity financing to agro businesses with an objective to support high growth- and high impact potential micro & small enterprises. Through a tailor-made set of investments and business development services, Truvalu Enterprises Ltd. is supporting early-stage, inclusive agri-food businesses to grow into profitable companies with improved local and international market access.

# Impact



Number of MSEs got extensive business development support  
200+

Volume of Investments- GBP 1.7 million



Number of small holder farmers got access to forward market linkage  
60,000+

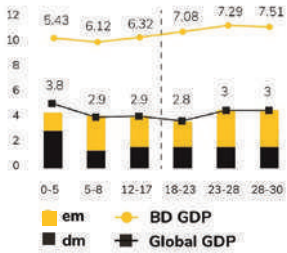
Number of sole proprietorship business graduated to private limited company  
17



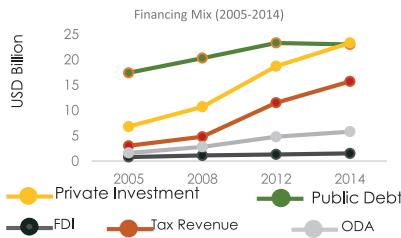


# Bangladesh: Fastest growing economy

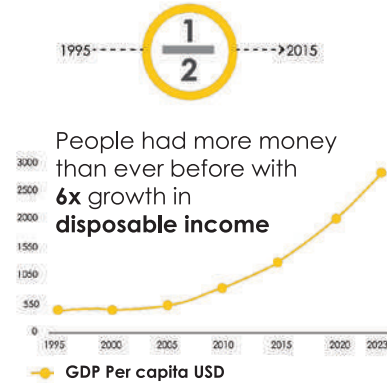
Bangladesh one of the fastest growing economies globally



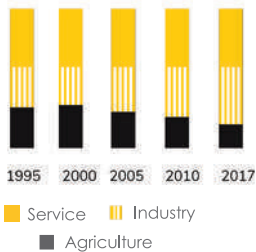
Private sector becoming the primary driver of the economy



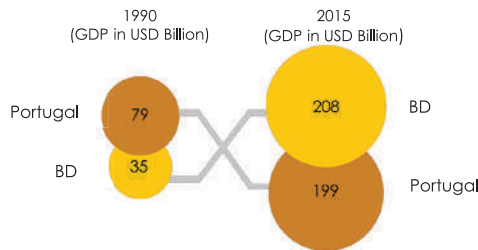
Poverty halved within 20 years



Economy becoming more modern



**46<sup>th</sup>** Largest economy globally in 2015



**33.33%** growth in small businesses



## MSEs were being left behind



Limited innovation constrained MSE growth

- Bangladesh was 129 out of 141 countries in Global Innovation Index;



Lack of access to finance restrained MSEs

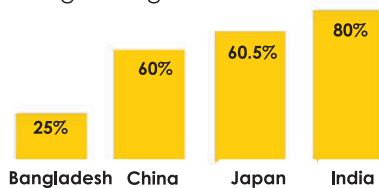


Small businesses investing in spite of high barriers

- Bangladesh ranked 174<sup>th</sup> in ease of doing business and 7<sup>th</sup> in South Asia.

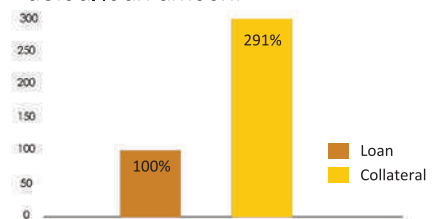


MSEs' contribution towards GDP was significantly lower than other neighboring countries

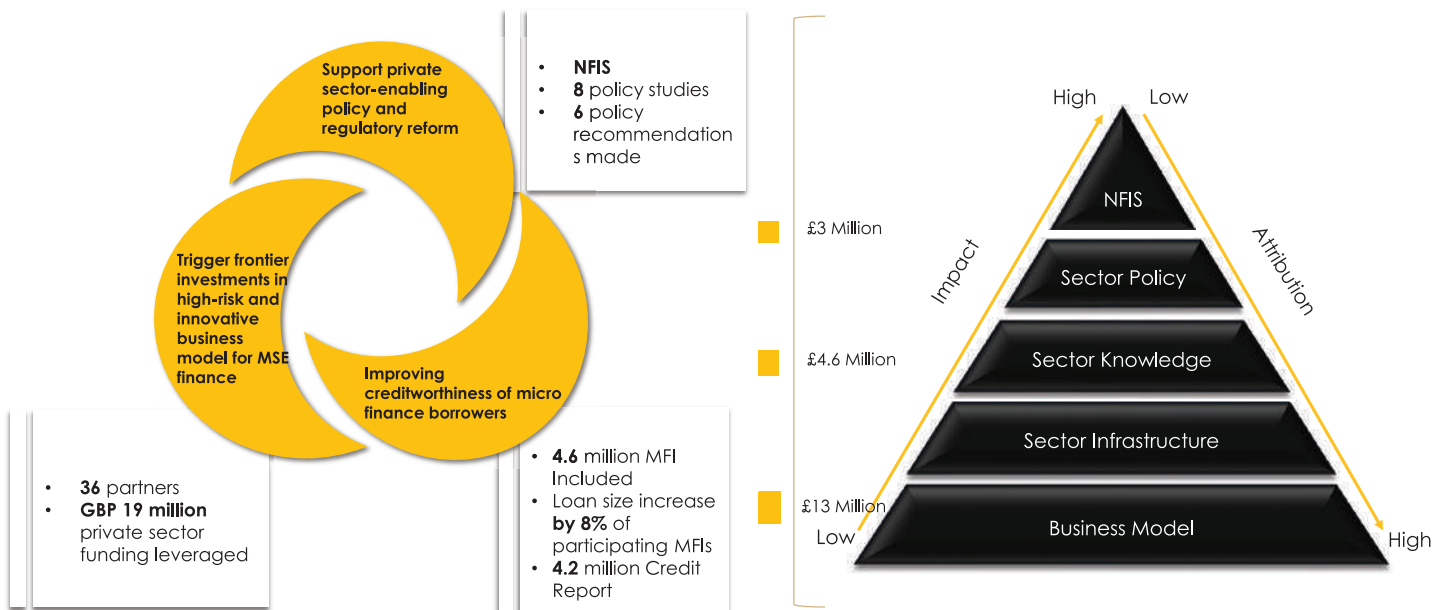


Only **1 in 4** small businesses received formal bank financing

The collateral for small businesses was almost 3 times higher than the actual loan amount



# BFP-B created to trigger behavior change



## The missing middle

**Mujahid Ahmed, Entrepreneur & co-founder of Natural Fiber Coir**



- Require financing for R&D for product diversification



**Shamima Akter, Agro Entrepreneur**

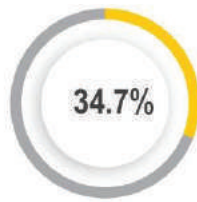
- Require facilitation for forward market linkage

**Farzeen, Ferdous Alam, Founder, Oggro Dairy**



- Require financing for marketing communication and Machinery purchasing for improved packaging

# Large number of MSMEs are not availing external formal financing

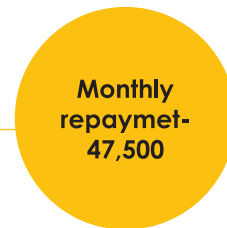
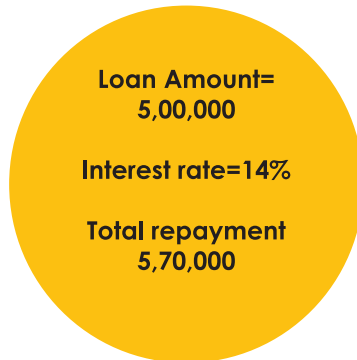
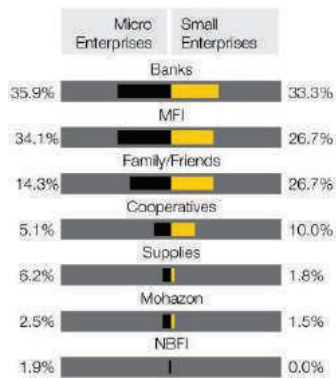


small business does not have access to finance due to lack of bank transaction history, lack of collateral and high interest rate.



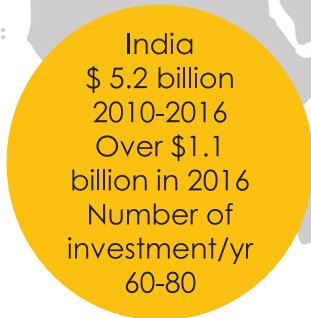
MEs do not have bank accounts. Of those who do not have bank account, 68% reported that they prefer cash transaction.

## Sources of MSE financing vary between micro and small businesses

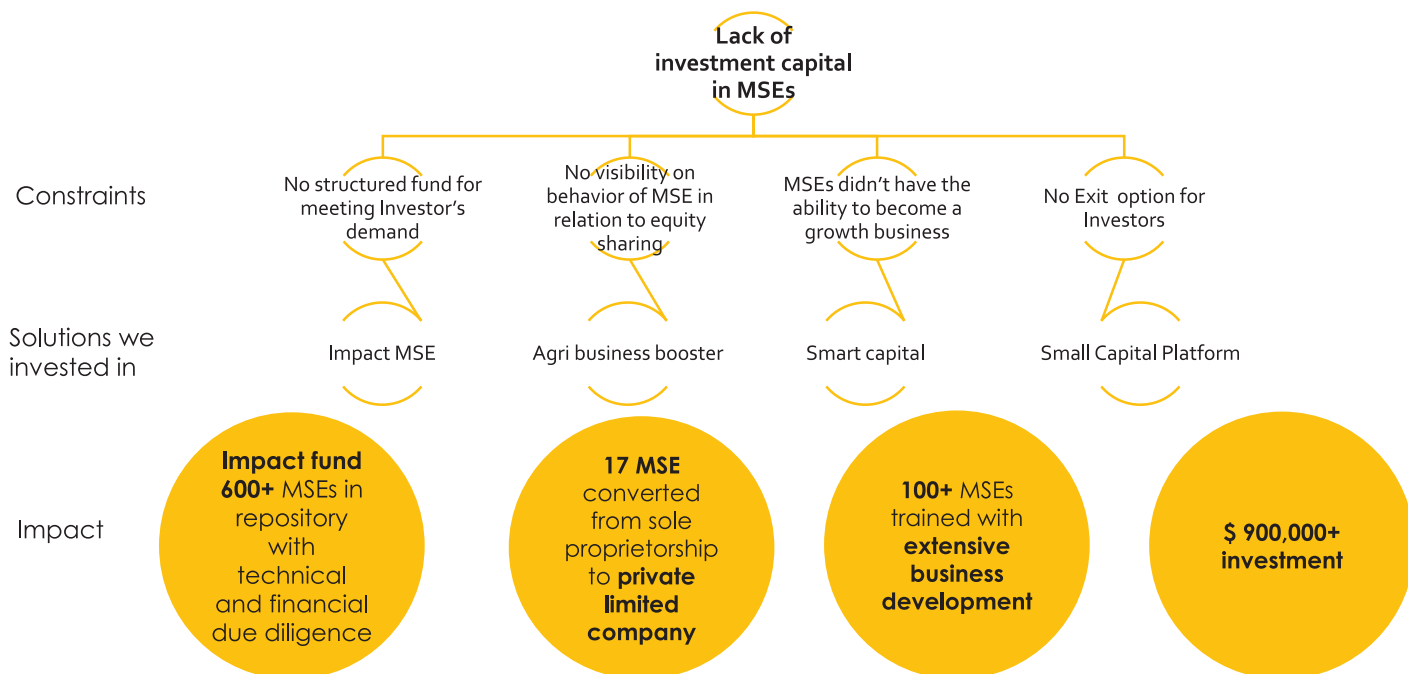


## Global Scenario

Equity financing is gaining popularity among companies that have a high risk-return profile, such as new, innovative and high growth firms.



## BFP-B's solution and value proposition



## BFP-B to trigger behavior change



# Lessons learned and way forward

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## Lessons

- Non-risk based regulation is a major cause of failure of potentially disruptive start-ups and corporate ventures.
- Regulatory engagement needs to be both reactive and proactive.
- Novel ideas without robust business-modelling and execution capability leads to higher levels of failure.
- Corporate boards retain short term perspective on return on investment and require commitment from management.
- Dominant use of debt as an instrument to finance start-up and ventures misaligned with market demand.
- Proving business-case is necessary but not sufficient to secure commercial investments.

## What needs to be done

Invest in **building and strengthening the ecosystem** for potential disruptive start-ups and corporate ventures

- Create public-policy cases for start-up business models and ventures for regulators and investors.
- Inform and coordinate with regulators to activate regulatory support.
- Strengthen network of mentors and accelerators.
- Assist in robust business modelling and proto-typing.
- Create business-cases and proof-points, and coordinates with investors and Boards to activate interest and investment.

Create **an investment platform** for early stage startups and corporate innovative venture to support growth

- Invest in early start-ups and ventures combining public and private capital to generate a pipeline of commercially viable business models.
- Create structured arrangements with commercial fund managers to provide greater assurance of follow-on investment for successful ventures.





# Case Study: Catalysing agri-business upscaling

Bangladesh's agricultural sector accounts for over 14% of Bangladesh's GDP, and agri-businesses there has been a growth in the number of agri-businesses in the country. Agri-MSEs contribute significantly to the economy and are pushing the growth of the nation. Unfortunately, medium and small agri-business owners do not have the business acumen, assistance, expertise and in many cases the investment required to upscale their businesses.

## Challenges faced by agri-businesses

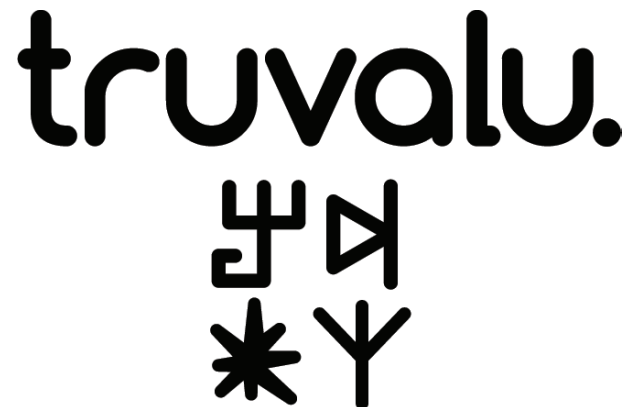
Agri-businesses are considered unsuitable for receiving investments from banks and NBFIs due to size, lack of collaterals, higher cost of funds from banks and NBFIs, and mismatch between repayment and cash inflow. Thereby limiting their potential for growth. Agribusiness Booster works as a strategic partner with agri-MSEs and facilitates capital inflow for entrepreneurs through attractive funding alternatives and exit solutions. Where banks and NBFIs are unwilling to finance an entrepreneur, AbB steps up to provide extended financial and business management support to them.

## Agribusiness Booster (AbB) to solve the challenges

AgriBusiness Booster (AbB) venture by Truvalu enterprises Limited, supported by Business Finance for the Poor in Bangladesh (BFP-B) is directed towards catalysing the development of agri-businesses.

It was launched to support the growth of agri-MSEs by providing complete equity finance to agro businesses with the objective to support high growth and high impact potential MSMEs. Through through customised impact finance and business development services, Truvalu is supporting early stage, inclusive agri-businesses to grow into profitable companies with improved local and international access. Truvalu also focuses on gender equality and promotes the development of women entrepreneurs in rural areas.

The project which was executed from 2017 to 2020 has supported over 190 small businesses to grow by providing Business Development Support and equity investments



17

sole proprietorship businesses converted to private limited companies



GBP 650,000

equity investment given to agro-processing businesses



## SUCCESS STORY: BANARA POULTRY FARM

### Constraints faced by Banara Poultry Farm

Banara Begum is a small poultry farmer from Durgapur, Rajshahi, Bangladesh. She owns a small land of 22 decimal in her husband's ancestral home where she rears fowls and sells them along with their by-product. She has been running her business for three years.

Despite good business, Banara was dissatisfied with the profit she was making from the small investment and looked for ways to expand her business.

Though she had an initial investment of BDT 2,00,000, she later had a hard time securing funds to expand her business, and was disheartened when she began facing financial constraints.

At that time, her only option was to borrow informally from someone she knows around her village but it was against her moral values. From her previous experience of availing and then paying back loans from banks where the interest rates were high (over 10%), she refrained herself from accessing more loans, and consequently did not expand her business.

### How did Impact MSE solve the constraints?

Banara Begum was introduced to "Project Impact MSE" through her acquaintances from whom she learned about the benefits of being associated with Impact MSE. These benefits included access to initial collateral free funds for her businesses and later finance for further expanding her poultry farm. In addition the repayment method is also very flexible.

### Impact on the MSE

After applying for the impact fund, she received a fund of BDT 60,000 in 2018 for investing as working capital. With the BDT 60,000 loan Banara received, she bought more fowls, maintenance supplies and her sales increased visibly. Her profits have almost doubled to approximately BDT.20,000 per month, and she hopes to further expand her business.

**"Previously, when I took a bank loan, the interest rates were so high that I could only use the loan to cover my household expenses. Borrowing money from people I know can cause conflict and I try to avoid it as it is a matter of self-respect. But the fund I received from this project has helped my business grow. My future plan is to expand my business further and make more cages where I want to put bigger chickens. I am looking forward to apply for more funds when the time is right."**

**Banara Begum**



# Case Study: Impact MSE Platform

Impact Investment Funds for MSEs  
Catalysing growth of MSMEs through impact investment

Impact MSE platform was jointly launched by ACACIA SRIM, Bangladesh SME Corporation Ltd, and DataSoft Systems Bangladesh Ltd, and supported by Business Finance for the Poor in Bangladesh (BFP-B). This platform has extensive features which include screening, investing, monitoring, reporting, and assisting better management of MSME portfolio. Along with these features, ACACIA has also set up a fund to invest in MSEs. The impact investment fund targeted a return of 15%-20% annually, generated from a unique blend of microfinance yields, private equity and hybrid instruments with a focus on maximum return to investors and the society.

## Challenges faced by MSEs

MSEs do not receive investments on equity due to high monitoring and operational costs on behalf of financial institutions. The formal financial sector is often unwilling to extend loans to these businesses due to lack of collateral. Additionally, there are other costs associated with making MSEs investment-ready. On the other hand, MSEs find it costly to finance their business with high cost loans from MFI or local money lenders (generally MFI charge 20%-25% interest rate and local money lenders charge 150%-200%). Eventually, this leads the MSE to forgo the scope of growth and business opportunities.

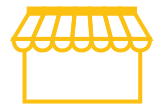
## Impact MSE to solve the challenges

The project ACACIA provided socially responsible MSEs with investment into equity. Initial target to select the MSEs rely on criteria such as working on decreasing carbon emissions, nutrition development, income enhancement and gender growth and equality etc. The access to impact fund is intended to enable MSEs to extend provision of improved agricultural inputs, extended inventory, information and access to output market. These services are intended to enable the MSEs to invest in better infrastructure and business methods that will increase their production and profitability. The equity finance is intended to MSE's growth aspiration that is not achieved by the traditional short term loan financing. Apart from investment into equity, ACACIA also worked on improving the financial management and governance of the MSEs that increased MSE's readability for the equity finance.



**GBP 1.2 million**

Worth of financing  
disbursed to small  
businesses



**600+**

MSMEs impacted  
by the project



## SUCCESS STORY: BANARA POULTRY FARM

### Constraints faced by Banara Poultry Farm

Banara Begum is a small poultry farmer from Durgapur, Rajshahi, Bangladesh. She owns a small land of 22 decimal in her husband's ancestral home where she rears fowls and sells them along with their by-product. She has been running her business for three years.

Despite good business, Banara was dissatisfied with the profit she was making from the small investment and looked for ways to expand her business.

Though she had an initial investment of BDT 2,00,000, she later had a hard time securing funds to expand her business, and was disheartened when she began facing financial constraints.

At that time, her only option was to borrow informally from someone she knows around her village but it was against her moral values. From her previous experience of availing and then paying back loans from banks where the interest rates were high (over 10%), she refrained herself from accessing more loans, and consequently did not expand her business.

### How did Impact MSE solve the constraints?

Banara Begum was introduced to "Project Impact MSE" through her acquaintances from whom she learned about the benefits of being associated with Impact MSE. These benefits included access to initial collateral free funds for her businesses and later finance for further expanding her poultry farm. In addition the repayment method is also very flexible.

### Impact on the MSE

After applying for the impact fund, she received a fund of BDT 60,000 in 2018 for investing as working capital. With the BDT 60,000 loan Banara received, she bought more fowls, maintenance supplies and her sales increased visibly. Her profits have almost doubled to approximately BDT.20,000 per month, and she hopes to further expand her business.

**"Previously, when I took a bank loan, the interest rates were so high that I could only use the loan to cover my household expenses. Borrowing money from people I know can cause conflict and I try to avoid it as it is a matter of self-respect. But the fund I received from this project has helped my business grow. My future plan is to expand my business further and make more cages where I want to put bigger chickens. I am looking forward to apply for more funds when the time is right."**

**Banara Begum**



## Session 1- Harnessing digital transformation



### Mr. Mominul Islam

Managing Director & CEO, IPDC Finance Limited

Mr. Islam joined IPDC in the year 2006 as head of operations. During his tenure at IPDC, he has played a pivotal role in reshaping the organization through strategic planning, rebranding, organizational restructuring, automation, process reengineering and control and compliance. Prior to joining IPDC he worked at American Express Bank (AEB) and Standard Chartered Bank (SCB) for more than 7 years covering general banking, risk management and business contingency planning etc. During his tenure at aeb he went through the six sigma black belt training at brighton, uk and managed several six sigma projects for AEB Bangladesh, Singapore, UK, Hong Kong, India and USA.



### Mr. Md Arfan Ali

President & Managing Director, Bank Asia Limited

Mr. Ali is a career banker, having more than 26 years of diverse experience in banking profession to his credit. He started his career with Arab Bangladesh Bank Limited as a Probationary Officer in 1991. He joined Bank Asia in 1999 as Assistant Vice President before it started its operation and played a vital role to launch Bank Asia's formal operations. Mr. Ali pioneered Agent Banking operations in Bangladesh. He is also a member of "Academic Advisory Board, School of Business", Independent University (IUB), Bangladesh and current Advisor of Bangladesh Money Market Dealers Association (BAMDA). Recently, he has been elected as the Secretary General of Association of Bankers, Bangladesh (ABB).



### Ms. Luna Shamsuddoha

Chairman, Dohatec New Media

Ms. Shamsuddoha is the founder and chairman of Dohatec New Media. Starting the company in 1992 along with a core team of engineering academics and professionals, she aggressively led the firm to become one of the leading IT companies producing quality software operating out of Bangladesh. Earlier she became the first woman to head any state-owned company in Bangladesh. She served as the chairman for Janata Bank from 2018-2019. Ms Shamsuddoha is also the President of Bangladesh Women in Technology (BWIT), Director of SME Foundation, Member of Council Global Thought Leaders on Inclusive Growth and a Board Member of Independent University, Bangladesh (IUB) and Underprivileged Children's Educational Programs (UCEP) Bangladesh.



### Vincent Parr

General Manager, Asia Pasific, Tiixa

Mr. Vince has been living in Asia for thirty-two years. He has managed businesses in the Philippines, Hong Kong and China and joined Tiixa in 2012 as General Manager for Asia Pacific. Reporting to the CEO & Founder. Vince is responsible for all aspects of Tiixa business in the region, which includes airtime credit services for mobile operators in the Philippines, Bangladesh, Nepal, Vietnam, Cambodia and Malaysia. Recently Tiixa has begun offering Data Analytics consulting services leveraging the knowledge gained through a decade of credit scoring prepaid mobile subscribers. Prior to joining Tiixa, Vince worked in Telecommunications for six years in senior management positions and twelve years in the music industry. He has a strong sales and marketing background and is able to work in extremely challenging environments.

## Session 2- Adoption of omni channel distribution model



### Kamal S. Quadir

CEO, bKash limited

Mr. Quadir is a Bangladeshi American entrepreneur, currently heading bKash, one of the fastest growing and largest mobile financial services company in the world. He was also the founder of CellBazaar, an electronic marketplace with 4 million users. Cellbazaar was acquired by Norwegian telecommunications operator Telenor in 2010. Mr. Quadir is a founding member of Open World Initiatives, a Lausanne, Switzerland-based organization of young thinkers. He is involved with Anwarul Quadir Foundation which recognises innovations in developing countries. He is a First Mover Fellow of The Aspen Institute. In 2009, TED selected Quadir a TED Fellow and the World Economic Forum recognised him as a Young Global Leader.



### Farzanah Chowdhury

Managing Director & Chief Executive Officer, Green Delta Insurance Company Limited

Ms. Chowdhury is ACII (UK), Chartered Insurer, and the first female Managing Director and CEO in the financial sector of Bangladesh. She has recently been recognized as a Local SDG Pioneer 2016 by The UN Global Compact in the Global Leaders' Summit announced by H.E. Ban Ki-moon. She is one of only 10 outstanding individuals from across the world to have received the accolade for her work in achieving SDG 5 for Gender Equality and Women Empowerment. She was instrumental in launching 'Nibedita' - the first comprehensive insurance scheme for women in South Asia. She is also a member of various apex business bodies like Metropolitan Chamber of Commerce & Industry, Bangladesh Women Chamber of Commerce & Industry, CACCI and many more. Ms. Chowdhury is a member of the Board Member of Talent Nomics India.



### Dr. Hasan Imam

Chairman, Bangladesh SME Corporation Limited

Mr. Imam, is the founder and chairman of Bangladesh SME Corporation Limited (BSCL), an FinTech company bringing innovative alternative financing and technology solutions to promote the socio-economic development of Bangladesh. Dr. Imam has served on Government of Bangladesh's Advisory Board for the Bangladesh Infrastructure Financing Fund, on Bangladesh Bank's Monetary Policy Committee and on SEC's Capital Market Advisory Board. He is the current President of the Association of Asset Management Companies and Mutual Funds. Before Bangladesh, Dr. Imam spent over a decade on Wall Street as Vice President and Managing Director at some of the world's leading investment banks, including Credit Suisse and Donaldson Lufkin & Jenrette.



### Mashrur Arefin

Managing Director, City Bank

Mr. Arefin was appointed as MD & CEO of the Bank in January 2019. His diverse experience at City Bank is showcased in the fact that he worked as Chief Operating Officer (COO) of the Bank and also served as its Business Head of SME, Retail Banking, Cards, Agent Banking and Digital Financial Services (DFS). From 2007 to 2018, he was also the Chief Communications Officer (CCO) of the Bank. started his career in 1995 with ANZ Grindlays Bank, Bangladesh, as a Management Trainee. The last position he held at ANZ was as Head of Consumer Finance, Bangladesh. He also worked in Standard Chartered Bank, Qatar and ANZ Banking Group in Melbourne, Australia. Later, he held the position of Director for American Express Bank, Bangladesh and also worked in Citibank N.A. for a brief period as its Resident VP, Bangladesh.

## Session 3- Creating a blended finance architecture for catalysing impact investment in Bangladesh



### Arif Khan

CEO and Managing Director, IDLC Finance Limited

Mr. Khan brings more than 25 years of management experience to IDLC having served in various prestigious local, multinational and government organizations in the financial service sector. Mr. Khan most recently served as a Commissioner of Bangladesh Securities and Exchange Commission (BSEC) in a 5 year stint and has been widely acclaimed for his role in the development of the capital market of Bangladesh. Prior to this, he served IDLC Finance for 15 years before leaving as the Deputy Managing Director. Mr. Khan is a Fellow Member (FCMA) of the Institute of Cost and Management Accountants of Bangladesh (ICMAB), where he occupied the role of the president until recently. He also holds the Chartered Financial Analyst (CFA) Charter and is a member of the CFA Institute, USA. He was the Founding President of Bangladesh CFA Society and Bangladesh Merchant Bankers' Association (BMBA).



### Azad Chowdhury

CEO & Managing Partner, AIM STEPs

Mr. Azad Chowdhury is the CEO & Managing Partner of AIM STEPs, a licensed alternative investment management firm. He oversees all aspects of company management including investor outreach and regulatory affairs. A seasoned financial services professional with broad international experience gained across North America and Asia spanning 20+ years, he has worked at top tier firms on Wall Street including Salomon Smith Barney, Deutsche Bank and Royal Bank of Scotland. Mr. Chowdhury has lived internationally for 30 years and has a global network of investment professionals.



### Sharawat Islam

Managing Director, Truvalu, Bangladesh

Ms. Islam is a finance and investment professional with over 17 years of experience. She has been engaged with Truvalu's SME development efforts in Bangladesh for the last 2 years. She also represents Truvalu in the Boards of investee companies. Before joining Truvalu, she worked as an investment banker for 10 years. Her expertise involves origination, structuring and execution of equity, fixed income, M&A and advisory transactions. She worked on equity placements, corporate bond issues, cross-border syndications, initial public offerings (ipos), preference share issues, tier – ii capital raising for banks, rights issues, M&A, commercial paper issues, underwriting, and corporate advisory. At the beginning of her career, she worked in different local and multinational banks in the areas of financial reporting, trade payments, asset - liability management, and market risk.



### Shameem Ahsan

Chairman of Venture Capital & Private Equity Association of Bangladesh (VCPEAB)

Mr. Ahsan is an ICT entrepreneur, venture capital investor & policy maker widely recognized for his work to improve the reputation of the Bangladeshi ICT industry in the global space. He is also a General Partner of Fenox Venture Capital, a US\$ 1.5 billion fund head quartered in Silicon Valley and the co-founder & Chairman of BAGDOOM.com. He is the Chairman of Venture Capital & Private Equity Association of Bangladesh (VCPEAB). He has received the "Best Young Entrepreneur of Bangladesh" award from the Prime Minister of Bangladesh at Dhaka Chamber of Commerce Business Award. He is a member of the Prime Ministers Digital Bangladesh Task Force from the private sector, which is the highest policy making body to monitor and implement the vision of building Digital Bangladesh.

## Session 4- Role of market facilitators



### Mr. Arijit Chowdhury

Additional Secretary, Financial Institutions Division, Ministry of Finance, Bangladesh Secretariat. Mr. Chowdhury has been serving Financial Institutions Division of Ministry of Finance for 12 consecutive years as Deputy Secretary, Joint Secretary and Additional Secretary respectively. During his long administrative career, Mr. Chowdhury has served in different capacities in state owned and supported institutions and in Bangladesh Secretariat. He currently serves as a Director of the Social Development Foundation and Bangladesh Municipal Development Fund. He is also a member of the General Body, SME foundation, Bangladesh Administrative Service Association, British Alumni and Financial Inclusion Strategies peer Learning Group (FISPLG) and Alliance for financial Inclusion (AFI). He holds an M.A, History, Dhaka university and MSc, Development Finance, Birmingham University.



### Anir Chowdhury

Policy Advisor, a2i.

As the a2i policy advisor, Mr. Chowdhury ensures the implementation of the Government of Bangladesh's digital Bangladesh agenda. Under his leadership, a2i has been transformed from a project to the 'World's first Innovation Lab+' nurturing a nationwide ecosystem and proved its capacity as the key driver of the government agenda of public service innovation. His current focus is on the whole-of-government approach, innovation lab+, digital financial inclusion, civil registry and vital statistics- keeping everyone in the 'Big Picture', e-service delivery from crucial ministries and South-South cooperation. He is also facilitating the transformation of a2i to a state-owned authority under the Prime Minister's Office. Mr. Chowdhury has been working in a2i since 2007.



### Afsana Islam

Deputy Team Leader,  
Growth and Private Sector Development at UK Department for International Development (DFID)

Afsana Islam leads on DFID Bangladesh's financial sector development work and interventions in workplace safety and labour rights conditions in the RMG sector. She is responsible for policy influencing at the high level of the Government on issues related to financial sector policies, capital market development, impact investments, labour rights conditions and trade diplomacy. Afsana represents DFID at the Board of British Business Group. She comes with an experience of working in the private sector of Bangladesh, in leading multinationals like Standard Chartered and HSBC.



### Manfred Fernholz

First Secretary and Head of the Food & Nutrition Security and Sustainable Development Section Delegation of the European Union to Bangladesh

Mr. Fernholz started his career in the European Commission in 2005 as an expert on food and nutrition security and has been working in different assignments dealing with Development Cooperation strategies/policies and implementation. Prior to his role in Bangladesh in 2013, he worked for the European Commission in Yemen and Bolivia. Before joining the European Commission he worked as Chief of Cabinet of the Ministry of Agriculture for three different governments in Bolivia and as an international consultant in several countries in Latin America. He is an Agronomist and has a master's degree in Business Administration from the Harvard Institute for International Development.







# **Business Finance for the Poor in Bangladesh**