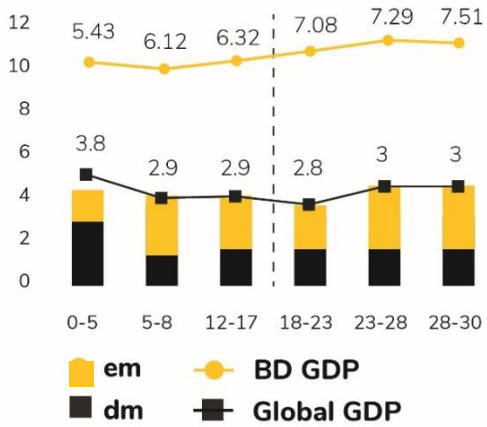


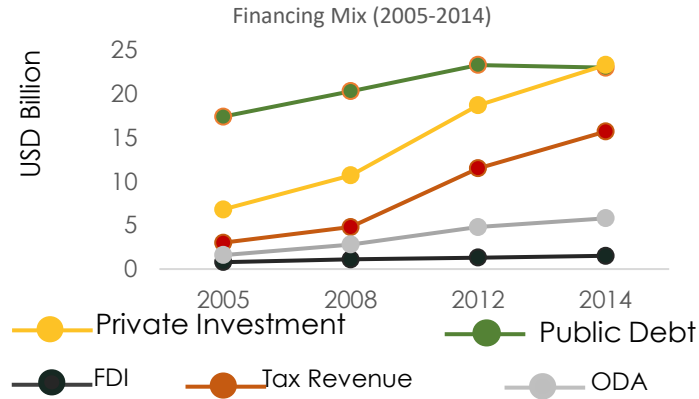
# Moving the Needle on Financial Inclusion

# Bangladesh: Fastest growing economy

Bangladesh one of the **fastest growing** economies globally



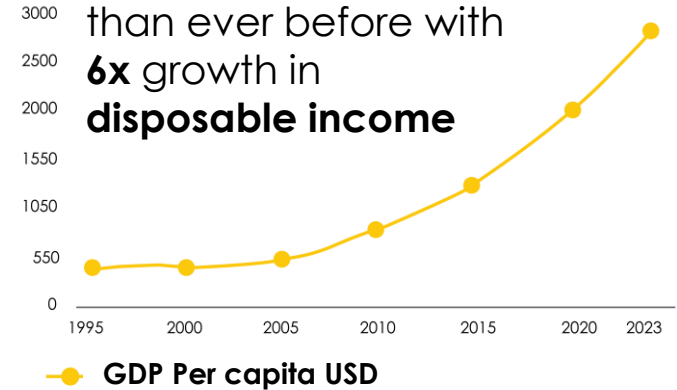
**Private sector** becoming the primary driver of the economy



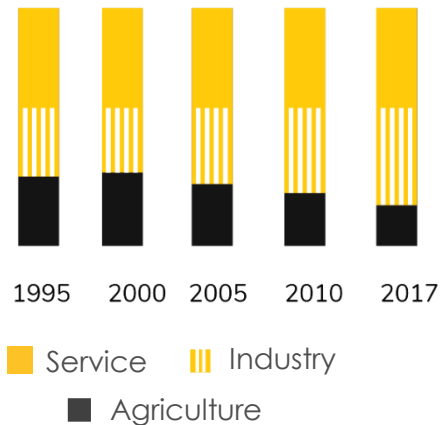
**Poverty** halved within 20 years



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

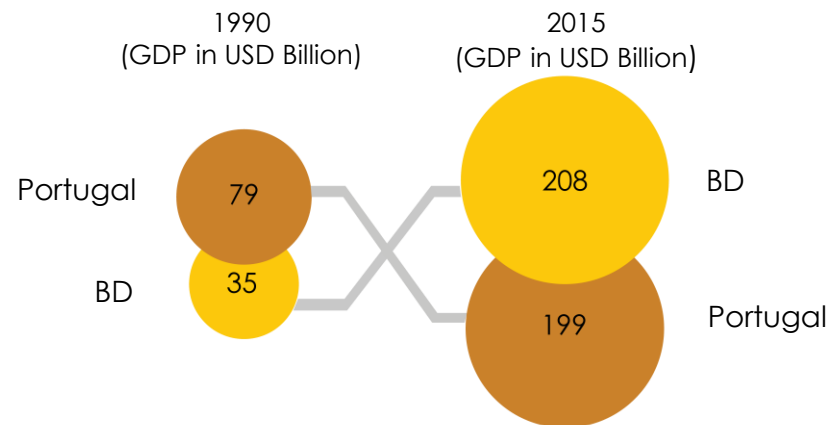


Economy becoming more modern



**46<sup>th</sup>**

**Largest** economy globally in 2015



**33.33%**

growth in **small businesses**



# MSEs were being left behind



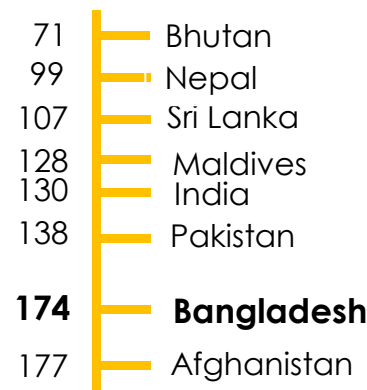
## Limited innovation constrained MSE growth

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

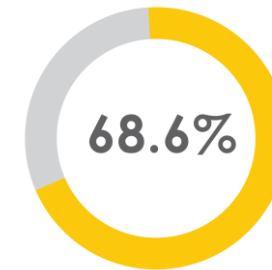


## Small businesses investing in spite of high barriers

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



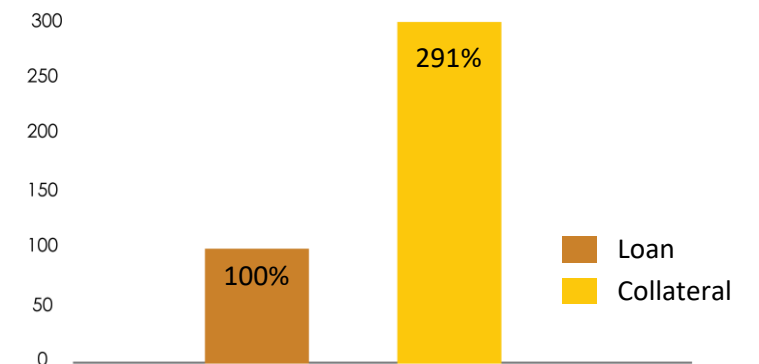
## Lack of access to finance restrained MSEs



7 out of 10 small businesses recognized financing as one of the major constraints

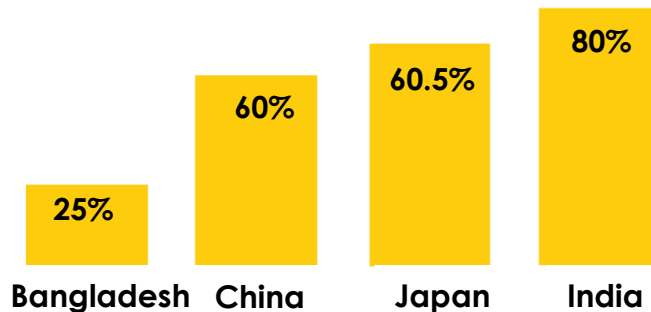
Only **1 in 4** small businesses received formal bank financing

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

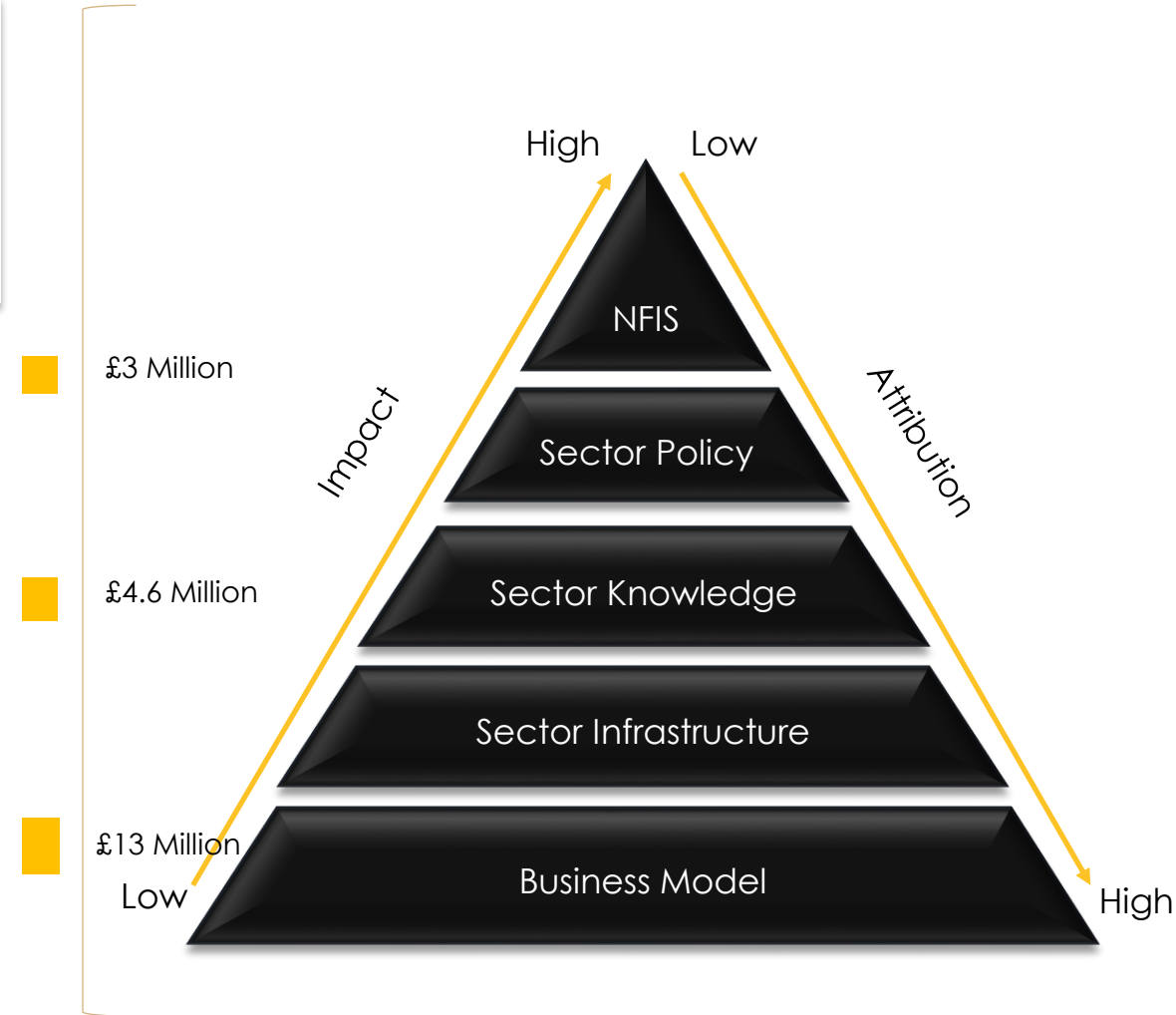
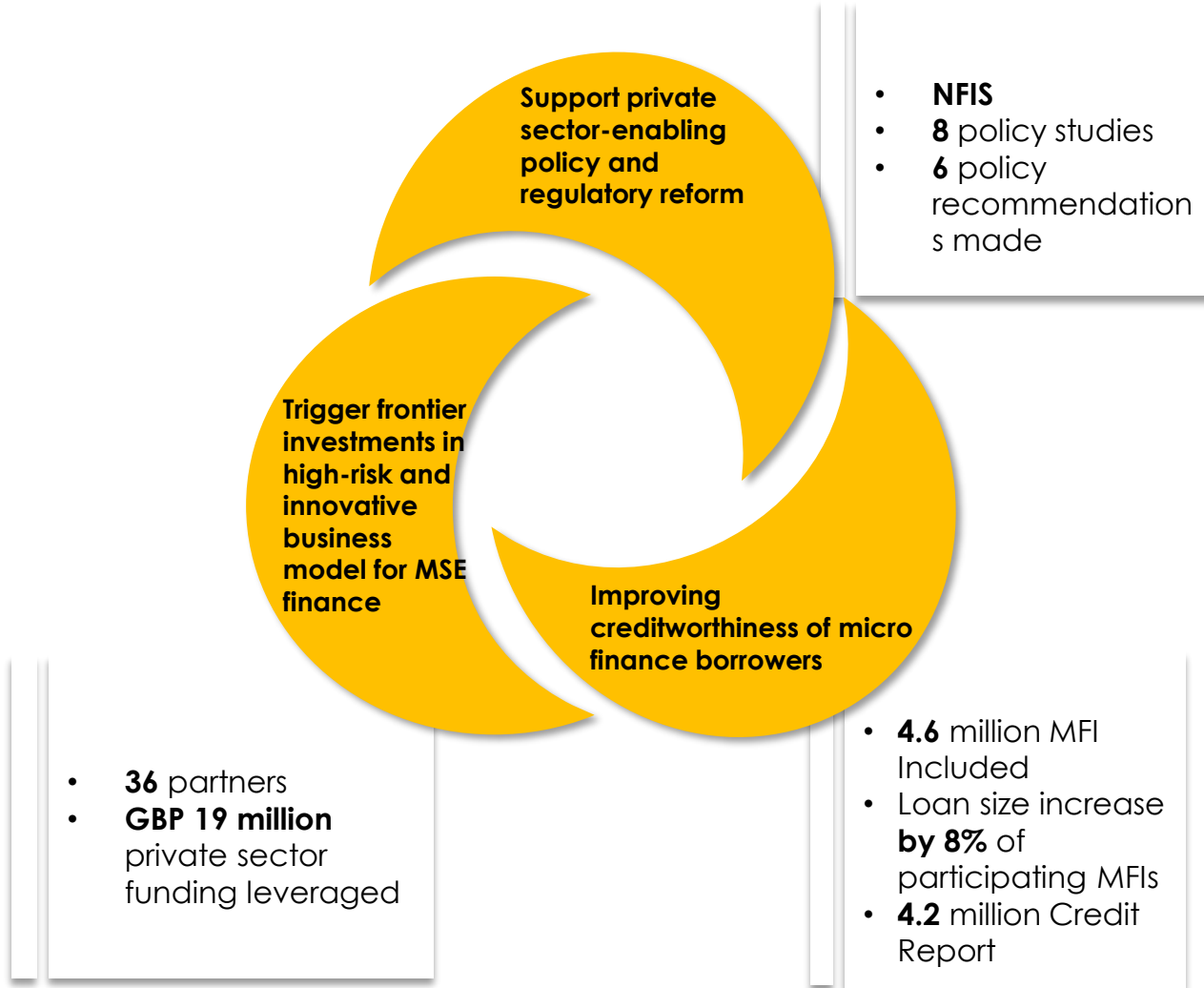


## MSEs' contribution towards GDP

was significantly lower than other neighboring countries

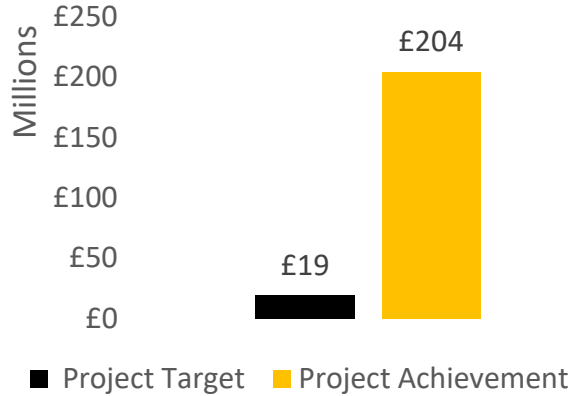


# BFP-B created to trigger behavior change

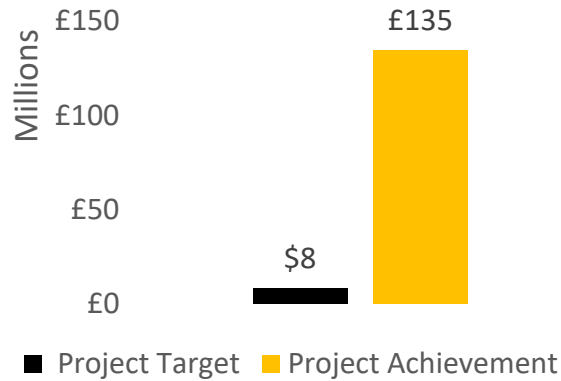


# BFP-B Achievements

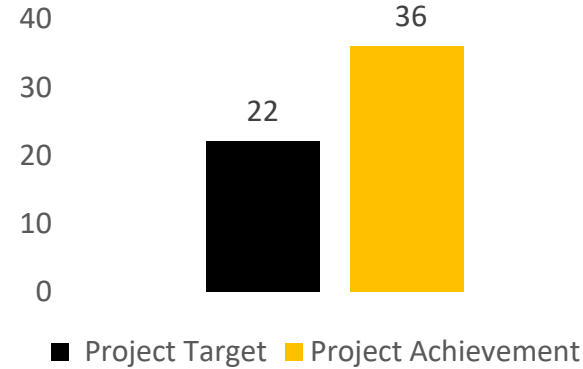
## Private sector funding leveraged



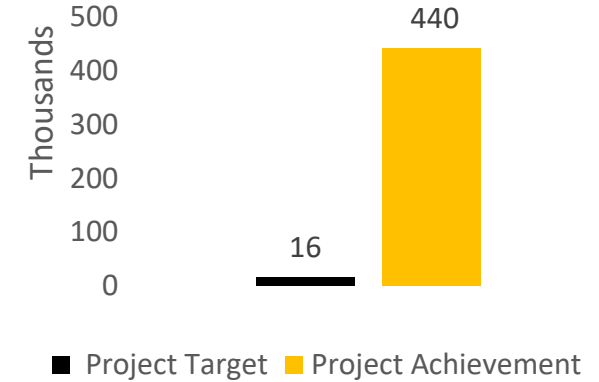
## Volume of savings mobilised



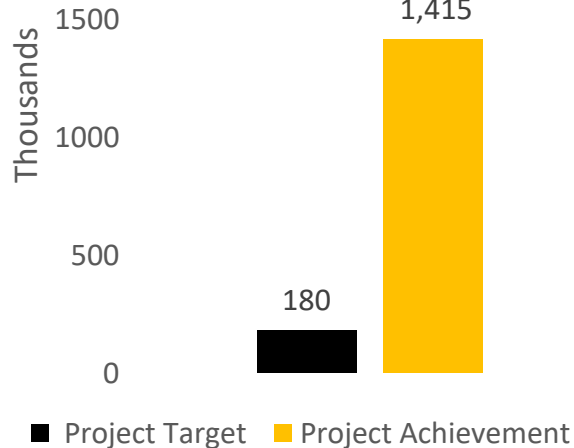
## Number of grantees partnered with CF



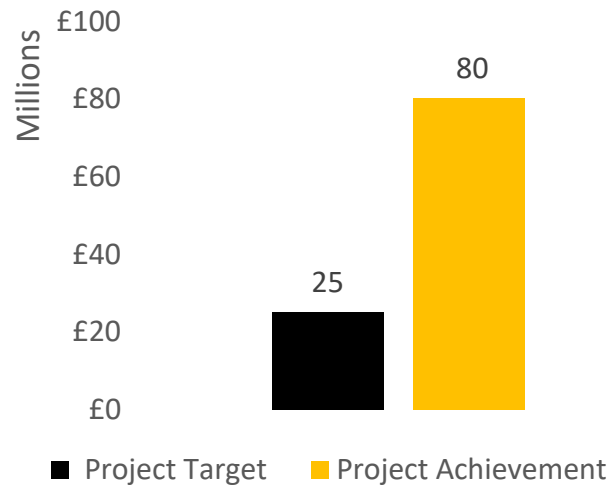
## First time user of formal financial services



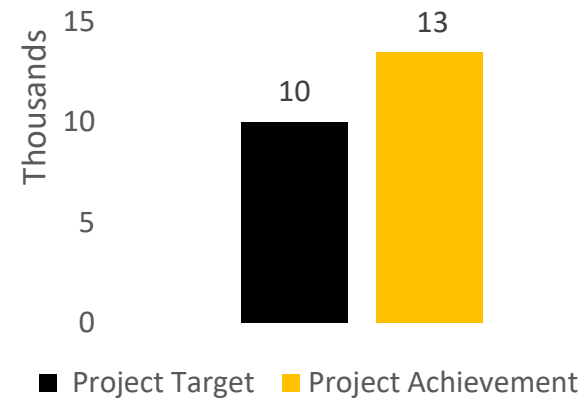
## Number of MSEs reached



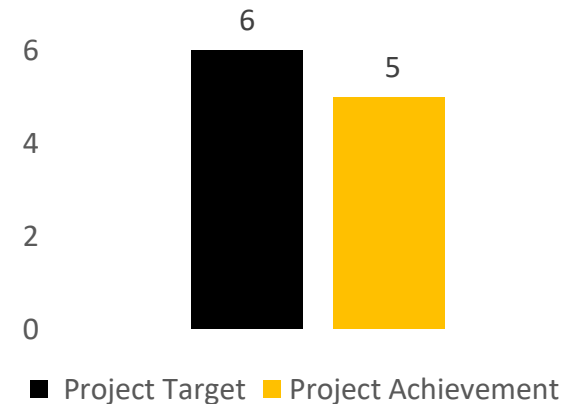
## Volume of Finance facilitated



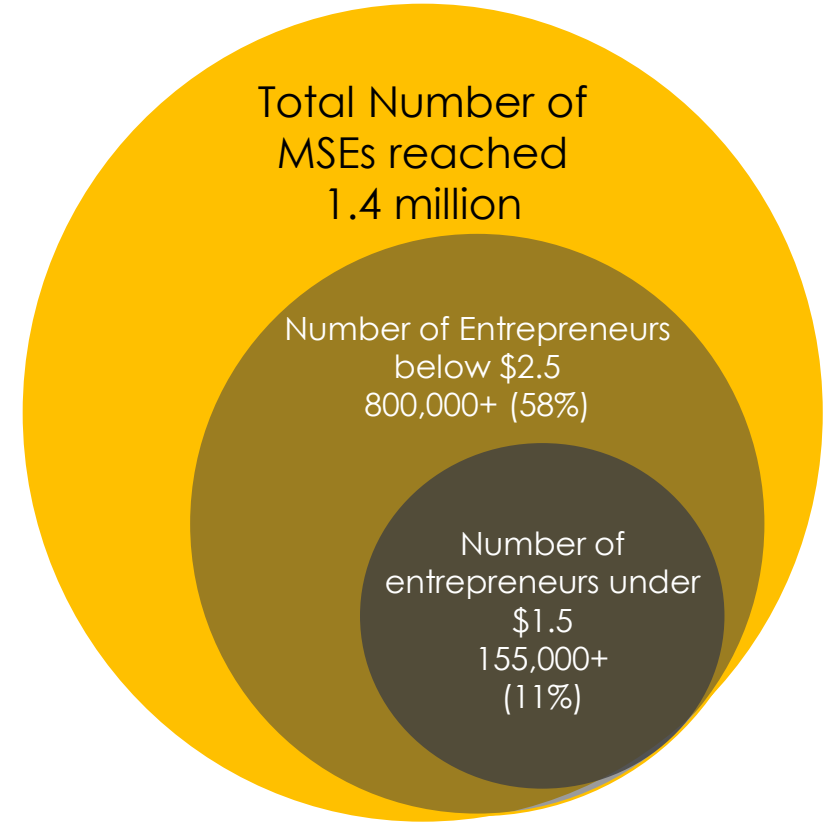
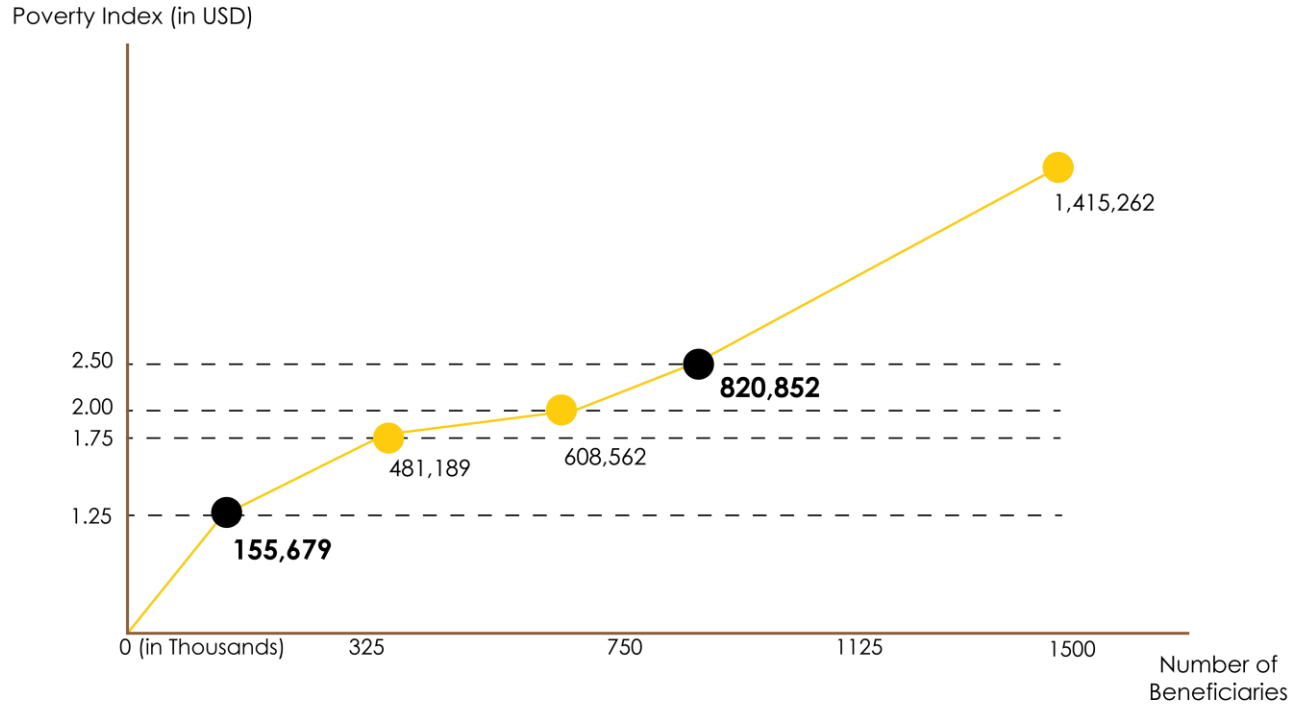
## Number of insurance holders



## Policy recommendations adopted



# Leaving no one behind- pro-poor relevance



£1.75 was spent to deliver financial service to 1 MSE

£3 was spent to deliver financial service to 1 poor MSE

£16 was spent to deliver financial service to 1 extreme poor MSE

£1 of public money spent generated £10.4 from private sector

# BFP-Bs market system approach across the financial sector



Microfinance sector



Banking sector



Blended finance  
sector



Insurance sector

Harnessing  
digital  
transformation

**7 innovative business models and 3 policy recommendations  
with targeted and sequential digital transformation initiatives  
to dramatically reduce cost of acquisition and risk  
underwriting for financial institutions**

Adoption of  
Omni channels  
distribution

**5 innovative business models and 5 adopted policy  
recommendations showcasing how financial institutions can gain a  
competitive edge through deeper understanding of customer  
behaviour from a combination of physical and digital channels.**

Blended  
finance  
architecture for  
impact  
investment

**4 innovative business models and 3 policy recommendations  
supporting to hasten the transition of innovative enterprises from  
startup to growth to secure additional financing**

# Making digital transformation & omni channels work for banking sector

## Systemic constraints:

1. Limited reach of banking services for MSEs in rural areas- distance to banking network was over 7km
2. Manual paper base processes for loan origination system resulting in MSEs not being able to access credit on time.

Multifaceted interventions in:

## Expanding the reach of banking services in a commercially viable manner:

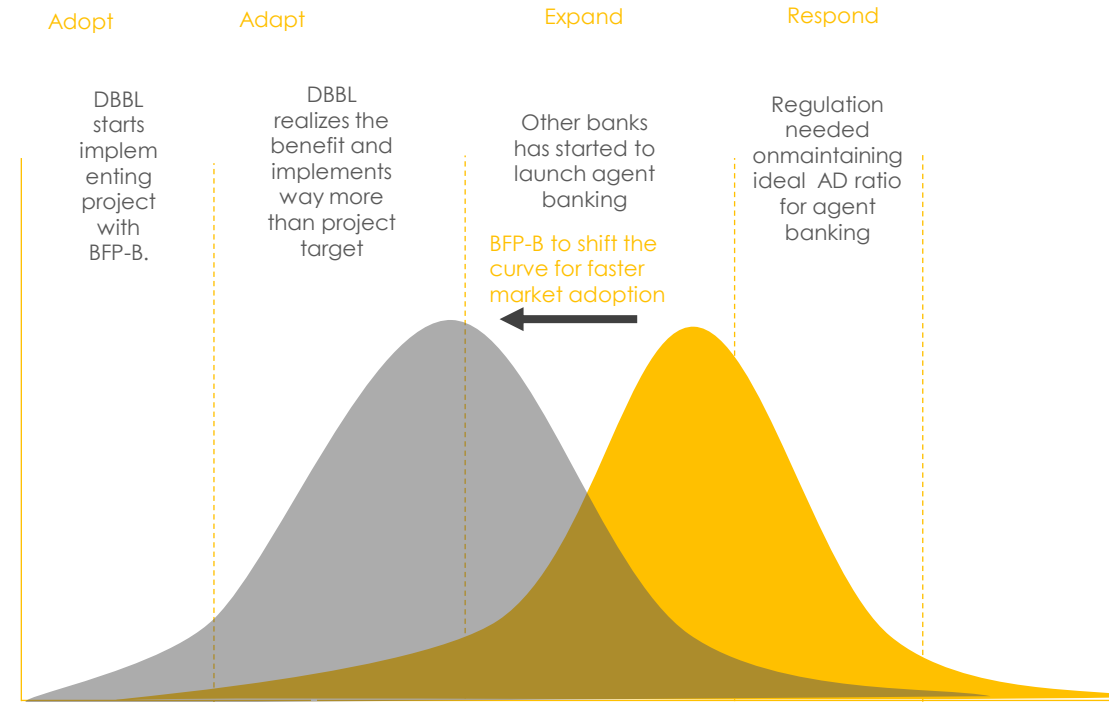
- Initiative with DBBL
  - Expand agent outlets across the country- now at over 9000
  - Distance to branch less than 2km from 7km

## Automation of loan origination system:

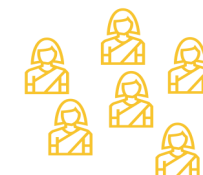
- Initiative with Bank Asia
  - Loan processing from 45 days to 3 days

## Support regulation for ensuring access to banking sector for MSEs

Through policy research and advocacy, BFP-B has prepared recommendations on SME definition, Cluster and value chain financing and standardizing the Advance-Deposit ratio for agent banking.



**GBP 57 million loan disbursed**



**976,000 MSEs received access to financial services**



# Making digital transformation work in the microfinance sector

## Systemic constraints:

1. HR intensive and inefficient business mode resulting in high cost of rendering services for microfinance sector.
2. Structure-less mechanism for assessing e-commerce, f-commerce and internet-based businesses for offering credits
3. Lack of credit history for graduation for MFI borrowers

Multifaceted interventions in:

## Digitization of MFI operations for gaining efficiency and increased productivity.

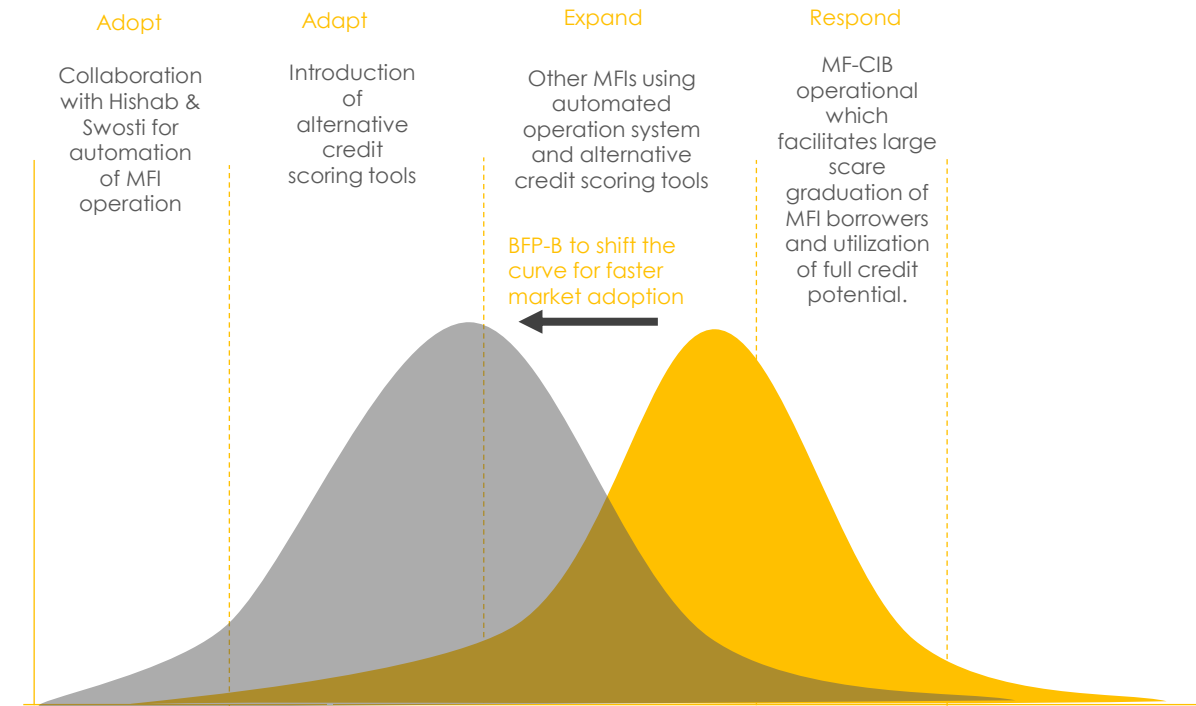
- Initiatives with Hishab and Swosti
  - Process efficiency in MFI field offices using voice-based and app-based automation
  - Cost efficient and more productive MFI field staff serving capacity doubled.

## Development of alternative credit appraisal model for e-commerce, f-commerce and internet based MSEs.

- Initiatives with ShopUp and CRAB
  - Supported credit scoring mechanisms using organizational financial and mobile phone data
  - The potential to bring every mobile phone users –currently 165m to access to finance.

## Support in developing infrastructure for graduation for MFI borrowers

In addition to supporting business models BFP-B has facilitated establishment of first of its kind in Bangladesh a microfinance credit information bureau. This will help MSMEs to utilize their full credit potential and provide access to various financing options.



**GBP 36 million loans facilitated**



**180,000 MSEs received access to financial services**

# Making digital transformation work for insurance sector

## Systemic constraint:

1. Limited reach of insurance product targeting rural MSEs at less than 1% being one of the lowest in the world.
2. Lack of tailored risk mitigation products targeted to MSEs
3. High cost of product development and service delivery for agriculture/farming community

Multifaceted interventions in:

## Invest in tailored insurance products for rural MSEs

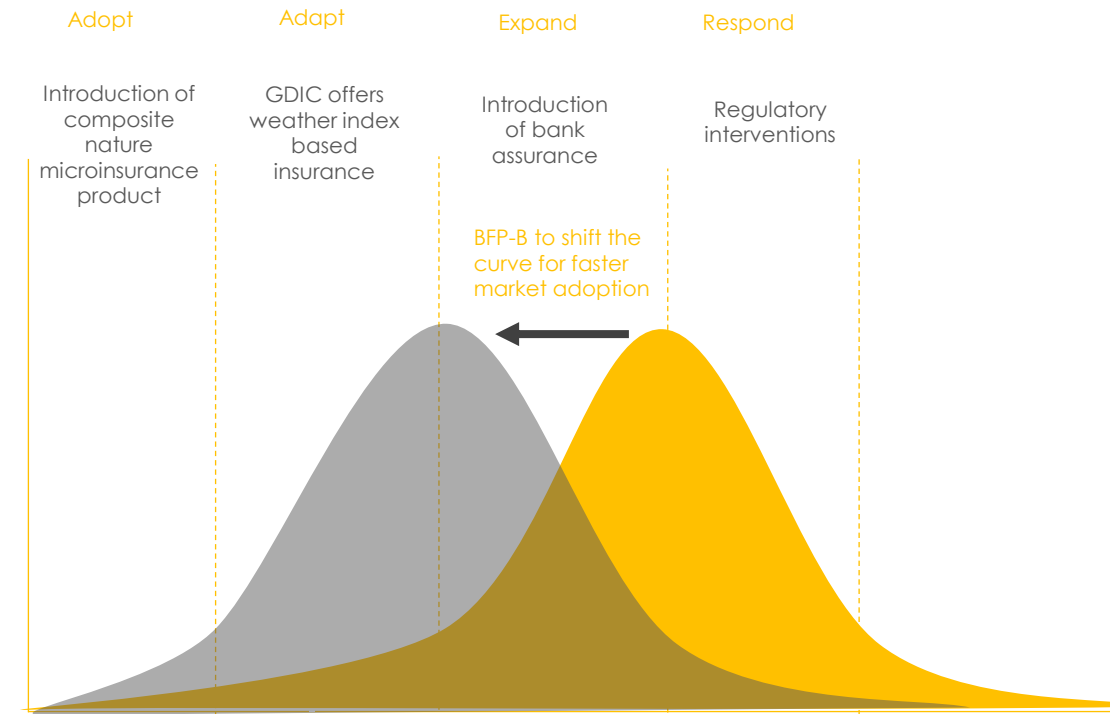
- Initiative with Pragati-INAFI
  - Composite natured insurance for life, assets and liability coverage for MFI borrowers
  - Covered over 3000 MFI borrowers.
- Initiative with GDIC
  - Weather-index based agriculture insurance
  - Product scaled up to over 35000 policies sold

## Introduce bank assurance

- Initiative with BRAC Bank-GDIC
  - Cattle insurance for cattle farmers availing finance from BRAC Bank
  - So far 117 policies sold and commercially launching in 2020

## Support for regulatory reforms

Through policy research and advocacy, BFP-B has developed recommendations for regulatory sandbox approach to experiment with composite insurance products and scope for insurance companies to re-invest the premium amount in MFIs.



**GBP 6 million coverage for life, credit and assets**



**35,000 MSEs received insurance services**

# Making blended finance work for MSEs

## Systemic constraints

1. Lack of visibility on behavior of MSE in relation to equity sharing
2. Lack of structured fund for meeting investors demand
3. Limited exit options for investors

Multifaceted interventions in:

## Making MSEs visible to alternative investment providers

- Initiatives with VIPB and Truvalu
  - Facilitated roadshows, bootcamp and direct BDS to sensitize agro-based MSEs on alternative investment instruments

## Reduced cost of customer acquisition

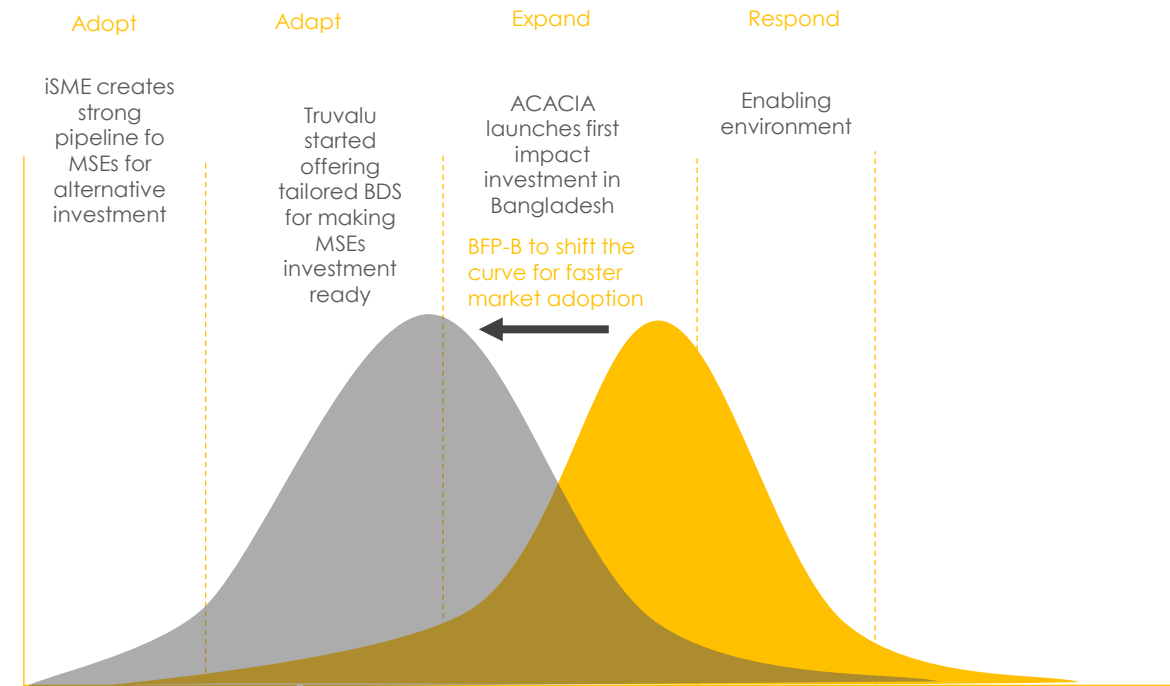
- Initiatives with i-SME and ACACIA
  - Developed mechanisms including regional centres for capacity enhancement of MSE owners to drive investment readiness

## Creation of alternative exit route for investors

- Initiative with DSE
  - Developed an alternative trading board for that small-scale investors options for liquidation in capital market.

## Facilitating an enabling alternative investment environment

Through policy advocacy for crowd-funding, eased repatriation of profit for international investors, BFP-B in collaboration with market actors has made attempts to create a conducive regulatory environment for alternative investment tools.



**GBP 1.6 million  
investments  
made**



**15,200 MSEs  
received  
financing**

# The results



**1.4 million**  
**small and micro entrepreneurs benefitted**  
**by accessing business development & financial services**



**Private sector**  
**funding**  
**leveraged**  
**£204m**



**Volume of**  
**finance**  
**facilitated**  
**£80m**



**Savings**  
**mobilized**  
**£135m**



**Under poverty**  
**line \$2.50**  
**0.8m MSEs**  
**benefitted**



**Policy**  
**recommendations**  
**adopted- 5**  
**Potential outreach**  
**7.05 m MSEs**

# Way forward in pursuit of financial inclusion



## Microfinance sector

- 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



## Banking sector

- 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



## Blended finance sector

- Coordinate with regulators to activate regulatory support
- Assist in robust business modelling and pre-to-typing by strengthening the network of mentors and accelerators
- Create an investment platform for early stage startups and corporate innovative venture



## Insurance sector

- 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