

WOMEN'S FINANCIAL INCLUSION, DIGITAL FINANCIAL SERVICES, AND COVID-19 POLICY RESPONSE: CASE OF BANGLADESH



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BANGLADESH AT A GLANCE

From being one of the poorest nations at the time of its independence, Bangladesh has advanced its human and economic development. Being one of the most populous countries, this success and its ability to contain the pandemic's disruptions matter particularly. Increasing women's financial inclusion can be the key to unlocking better performance.

Gaining its independence from Pakistan in 1971, Bangladesh was classified among the world's least developing countries. However, since 1980, it has experienced consistent yearly economic growth, and since 1989 consistently it has remained above the global average in terms of gross domestic product (GDP) per capita growth - despite a rapidly expanding population.

Bangladesh is the world's eighth most populous country with 166.3 million people despite a recent population growth decline to just above the global average. This could allow for a "demographic dividend", as total fertility is now just slightly below the replacement rate (2.0 births per woman). At 49.5 percent, the share of women as a percentage of the total population has nearly reached the global average, after moving away from the much less balanced levels observed e.g., in India or China during the past decades.¹

Before the COVID-19 pandemic, Bangladesh's economy was annually growing by around eight percent, the fastest rate in Asia. Moreover, working closely with charities and non-governmental organizations (NGOs) over the past few decades, fostered important progress in human development. It has a higher life expectancy (72.8 years), longer schooling (11.6 years on average), lower income inequality (GINI coefficient of 32.4), and other indicators of progress as similar countries. Adult literacy presents a much smaller gender gap than in India or Pakistan (72 percent for women). Poverty had declined to 13.5 percent of the population living with less than USD 2.15 per day (in 2017 purchasing power parity).² This was achieved as the country remains overwhelmingly rural (61 percent vs 43 percent on global average) in a densely populated area of low-lying flood plains and river deltas at risk from climate change-induced natural disasters.

The country has advanced to lower-middle-income status with USD 2,503 GDP per capita and USD 6,960 gross national income (GNI) per capita in purchasing power terms. Important drivers in this are an export-oriented ready-made garment (RMG) industry (all textiles account for more than 90 percent of exports),³ agriculture (which achieved the second-highest productivity growth in the world since 1995), and remittances. With a large diaspora, these accounted for 5.8 percent of GDP in 2020.⁴

The unemployment rate which currently stands at 5.3 percent is similar to those in other lower-middle-income countries. Government expenditure muted at 15.3 percent of GDP while the debt-to-GDP ratio is estimated to be around 30 percent providing some financial headroom to the government for responding with fiscal policy to threats to the recovery as the rise in commodity prices.⁵

FIGURE 1. MAP OF BANGLADESH



Image by Rainer Lesniewski/iStock

1 World Bank database. Bangladesh. Available at: <https://data.worldbank.org/country/bangladesh>
2 World Bank. Policy & Equity Brief. South Asia, Bangladesh (October 2022). Available at: https://databankfiles.worldbank.org/data/download/poverty/987B9C90-CB9F-4D93-AE8C-750588BF00QA/current/global_POVEQ_BGD.pdf

3 Observatory of Economic Complexity. 2020. Bangladesh, Exports. Available at: <https://oec.world/en/profile/country/bgd>
4 World Bank database
5 IMF. World Economic Outlook Database, April 2022. Available at: <https://www.imf.org/en/Publications/WEO/weo-database/2022/April>

BANGLADESH'S FINANCIAL SYSTEM

The Bangladeshi financial system is regulated by the Bangladesh Bank (BB), the Central Bank and apex regulatory body, while several other government bodies oversee microfinance, cooperative, and insurance services (Microcredit Regulatory Authority or MRA, and the Department of Cooperatives, Insurance Development & Regulatory Authority or IDRA). Within BB, a Credit Information Bureau (CIB) was first set up in 1992, and since 2015 is fully accessible online. Under MRA, a separate Microfinance Credit Information Bureau (MF-CIB) was set up.⁶



In 2021, 59 commercial banks, 195,226 credit unions and credit cooperatives, 759 deposit-taking microfinance institutions, and 33 other deposit-takers were established in Bangladesh.⁷

With the level of domestic credit provided to the private sector at 39.2 percent, Bangladesh's financial sector is well ahead of peers at similar GNI per capita levels⁸ but still below the average for lower-middle-income countries (45.9 percent). With a loan-to-deposit ratio of 106 percent for loans to the non-banking sector, Bangladesh's financial institutions have a comparatively balanced funding structure.⁹ At 7.7 percent, the ratio of non-performing loans to gross loans in the banking sector in 2020 had improved over 2019 (when it was 8.9 percent) and is nearly the same as in its South Asian peers India and Pakistan.¹⁰

The conventional space of formal financial services in Bangladesh has three main pillars. In 2021 there were over 10.0 million borrowers from commercial banks (some 703,000 small businesses and 7.94 million retail clients), 26 million customers at deposit-taking microfinance institutions (MFIs), and over 11.6 million borrowers (and the same number as depositors) from credit unions and credit cooperatives. On the deposit side, over 95.8 million retail depositors were reported by commercial banks (of which one-third were women), and 33.3 million at deposit-taking microfinance institutions. This last group is particularly interesting as around 90 percent of these depositors are reportedly

women - in fitting with the explicit strategy or implicit outcome of many such institutions that use practices like group lending which tend to disproportionately mobilize women.¹¹ This situation at MFIs is the inverse of the gender structure of bank borrowers (where 89 percent of retail borrowers are men).

As MFIs and cooperatives capture substantially smaller clients, the distribution of households' financial service providers is more skewed towards banks: nearly 88 percent of outstanding deposits are at banks as are 66 percent of loans.¹²

As the founding place of the most famous microcredit organization, Grameen Bank, as well as BRAC,¹³ Bangladesh has a long history of financial institutions that are focused on low-income clients. This is also reflected in the share of microfinance loans to GDP which - though decreasing in recent years - still is among the top 20 worldwide at 2.7 percent in 2021.¹⁴

With nine bank branches and 11 automated teller machines (ATMs) per 100,000 adults, conventional channels are similarly dense as in Pakistan but around twice as dense for branches as in Nigeria or Côte d'Ivoire. In terms of geographic spread, this density in Bangladesh is the same as in Switzerland in the early 2010s before branch networks were being thinned. Over and above this presence of banks, there is are bit more than twice as many branches of deposit-taking MFIs, and even 18 times as many outlets of credit unions and cooperatives.¹⁵

Bangladesh is one of the countries, outside of Africa, that has seen the strongest spread of alternative distribution channels of financial services - both with mobile finance but also the deployment of banking agents.

In 2019, non-branch retail agent outlets of commercial banks overtook the number of ATMs they deployed (there were 15,978 in 2020). But these are dwarfed by the number of registered mobile money agents in a ratio of 1:66. Out of more than one million mobile money agents, 38 percent were active, implying a density of 354 agents per 100,000 adults, or one agent for every 2,821 adults Bangladeshis. Launched in 2011,

6 Business Finance for the Poor in Bangladesh. Enhancing Credit Worthiness of small businesses. Available at: <https://www.bfp-b.org/mf-cib>

7 IMF. 2022. IMF Data: Access to Macroeconomic and Financial Data, Bangladesh. Available at: <https://data.imf.org/?sk=E5DCAB7E-A5CA-4892-A6EA-598B5463A34C&slid=1460043522778>

8 For instance, Pakistan, Nigeria, Côte d'Ivoire, Ghana, or Kyrgyzstan.

9 World Bank. 2022. Global Financial Development Database, indicator GFDD.OI.11. Available at: <https://www.worldbank.org/en/publication/gfdr/data/global-financial-development-database>

10 World Bank dataset

11 IMF. Financial Access Survey. Available at: <https://data.imf.org/fas>

12 Ibid.

13 The Economist. 2019. How BRAC, the world's biggest charity, made Bangladesh richer. 5 September. Available at: <https://www.economist.com/international/2019/09/05/how-brac-the-worlds-biggest-charity-made-bangladesh-richer>

14 IMF. Financial Access Survey. Available at: <https://data.imf.org/fas>

15 Ibid.

this infrastructure had grown by 82 percent in the five years before the pandemic.¹⁶ Ensuring sufficient presence by cash-in and cash-out points in an economy that is still very much cash-based was seen as an important driver for financial inclusion by Bangladesh Bank.¹⁷

According to Bangladesh Bank, by 2020 15 banks were providing mobile financial services (MFS) for which they needed to set up dedicated subsidiaries, and 23 banks providing agent banking services, leveraging these regulatory opportunities to expand their reach among un- and under-served communities. For the e-wallets-based MFS, Bangladesh Bank has instituted a bank-led model where fully supervised commercial banks (since 2022 expanded to include microfinance institutions and government entities) hold a controlling majority in shares and governance in any MFS provider. As a consequence of this narrower set of players, GSMA scores Bangladesh only 62 on mobile money regulation, compared with India at 89 and Pakistan at 82 or Indonesia at 78.¹⁸

Mobile network operators (which in many markets have led the rapid roll-out of mobile money) are forbidden to partner with and co-own mobile financial service operators in Bangladesh. Started in 2011, Bangladesh's MFS had 79.8 million registered mobile money accounts at the end of 2019, out of which 34.9 million (i.e., 43.7 percent) were reported as active.¹⁹ This puts Bangladesh ahead of the global average at the end of 2019 (35 percent) and even further ahead of the remaining mobile money activities in South Asia, with only a 26.4 percent rate of 90 days active accounts.²⁰

Agent banking can be operated directly by the bank, offering accounts on the bank's main ledger rather than via a pooled account of an MFS subsidiary held in trust at a fully regulated bank.

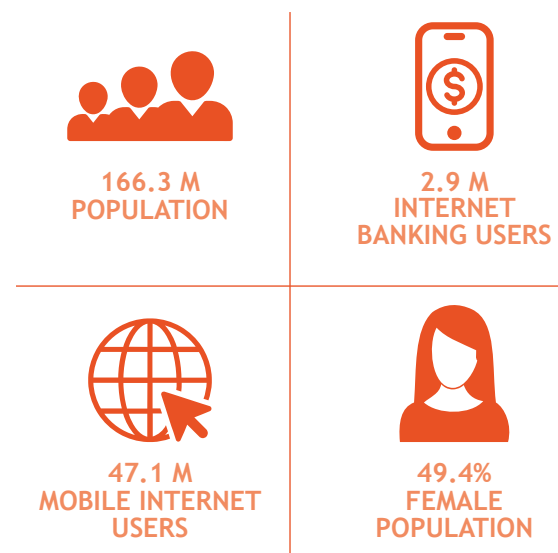
DIGITAL ECOSYSTEM

The comparative success of mobile money in Bangladesh has not yet fully translated into a head start for the country on the wider set of opportunities from the digital economy and digital inclusion.

Within the narrower realm of digitalization of finance, Citibank's 2022 Digital Money Index ranks

Bangladesh merely at 84 out of 113 countries. Whereas "Government and Market Support" is nearly among the top 20, globally, for other key criteria (ICT and financial infrastructure, availability of solutions), Bangladesh is ranked among the bottom quarter or countries. However, the experts question the readiness of broad segments of Bangladesh's society to adopt digital money solutions that go beyond mobile payments.²¹

Indeed, while mobile phone penetration is comparatively high at 90 million unique subscribers at the end of 2020 (nearly 80 percent of the working-age population), only about half of them (47.1 million) had mobile internet.²² The indicators on individuals using the internet for Bangladesh are equal to those for Pakistan (25 percent) but lag peers like Nigeria, Kyrgyz Republic, Ghana (35, 51, and 58 percent, respectively).²³



Mobile data affordability is no longer prohibitive and roughly similar to that in neighboring India or its development peers.²⁴ However, smartphone ownership does not automatically translate into internet usage. In Bangladesh, 26 percent of women who own a smartphone do not use mobile internet - but only 20 percent of men. GSMA's consumer survey in 2021 put

16 IMF. Financial Access Survey. Available at: <https://data.imf.org/fas>
 17 AFI member interview in writing, Bangladesh Bank, November 2021
 18 GSMA. Mobile Money Metrics. Available at: <https://www.gsma.com/mobilemoneymetrics/#regulatory-index?y=2021>
 19 IMF. Financial Access Survey. Available at: <https://data.imf.org/fas>
 20 GSMA. Global Mobile Money Dataset. Available at: https://www.gsma.com/mobilemoneymetrics/wp-content/uploads/2022/05/Global_Mobile_Money_Dataset_new.xlsx

21 Citibank. 2022. Digital Money: The Rise of the Entrepreneurial State. A available at: <https://www.citibank.com/icg/sa/flippingbook/2022/Digital-Money-The-Rise-of-the-Entrepreneurial-State/>
 22 Bangladesh Telecommunication Regulatory Commission (BTRC) counted a total of 116.4 mobile internet subscriptions in July 2022, but this number was flat from one year prior. Available at [http://www.btrc.gov.bd/site/page/347df7fe-409f-451e-a415-65b109a207f5/-](http://www.btrc.gov.bd/site/page/347df7fe-409f-451e-a415-65b109a207f5/)
 23 ITU DataHub. Available at: <https://datahub.itu.int/data/>
 24 Alliance 4 Affordable Internet (A4AI). Mobile Broadband Pricing, Data for 2021. Available at: https://adi.a4ai.org/extra/baskets/A4AI/2021/mobile_broadband_pricing_gni.php

Bangladesh ahead of all other countries in the size of the relative gender gap: at 19 percent of women, only about half as many used mobile internet as men (36 percent) - a gap that notably exceeds the relative gap on mobile ownership (65 percent of women to 84 percent of men) which is the second largest behind Pakistan.²⁵

In essence, Bangladesh's digital telecommunications space is still in the transition from 3G mobile usage (i.e., principally voice) to 4G. Although the 4G network coverage is essentially universal (95 percent), affordability of devices, low levels of digital literacy, and a perceived lack of relevance stand in the way of progress in usage patterns. For women, specifically concerns around personal safety, harassment, and fraud delay this evolution further.²⁶

Internet access appears to strongly translate into social media use (possibly because of bundling by MNOs).



Use for any social media was estimated at 49.6 million for January 2022, of which 44.7 million users were on Facebook, and 34.5 million on YouTube, but only one in ten mobile internet users were on LinkedIn and Instagram, respectively.

Social media use appears to be strongly gendered: less than one in three users in Bangladesh is a woman. The relative gender closes only slowly by age groups - even among 18-24-year old's women are only about half as often a user of social media compared to men.²⁷

With these patterns of adoption, MFS remains the dominant use case in Bangladesh's digital economy ecosystem - and due to the regulatory context puts banks as MFS operators in a key position regarding the pace of innovation in the country.

25 GSMA. The Mobile Gender Gap Report 2022. Available at: <https://www.gsma.com/r/gender-gap/>

26 GSMA. 2021. Achieving mobile-enabled digital inclusion in Bangladesh. Available at: <https://tinyurl.com/ywb6hwdw>

27 DataReportal. Digital 2022: Bangladesh. Available at: <https://datareportal.com/reports/digital-2022-bangladesh>

28 Prove. 2022. Bangladesh - The Rising FinTech Star in South Asia. Available at: <https://www.prove.com/blog/bangladesh-the-rising-fintech-star-in-south-asia>

29 Tracxn. 2022. FinTech Startups in Bangladesh. Available at: <https://tracxn.com/explore/FinTech-Startups-in-Bangladesh>

The MFS market continues to be led by bKash, which is led by the country's largest mass market-focused bank BRAC, and some investment from China's Ant Financial Group, and commands some 80 percent of the MFS market. But also other banks have either MFS offers, e.g. mCash (Islamic Bangladesh Bank), uCash, and Islamic Wallet (Al-ArafahIslami Bank) or digital banking offers, e.g. Dhaka Bank Limited (DBL) or Bank Asia, which is planning to form a neobank targeting the youth.²⁸ A total of 175 fintech start-ups are reportedly operating in Bangladesh, with verticals covering e.g. digital banking (Nagad by Bangladesh's post office, Rocket by commercial bank DBBL), digital lending (Dana), digital wallets (dMoney, SureCash), bill payments (PayWell), funding (GoRiseMe), and agricultural tech solutions that include financing (iFarmer).²⁹

Pre-pandemic demand-side research appears to underline the slow uptake: among all mobile money users (17 percent of adults), only a part was actively using the service in a 90-day window (14 percent) and only four percent of the total can be considered "advanced users" who use multiple services.

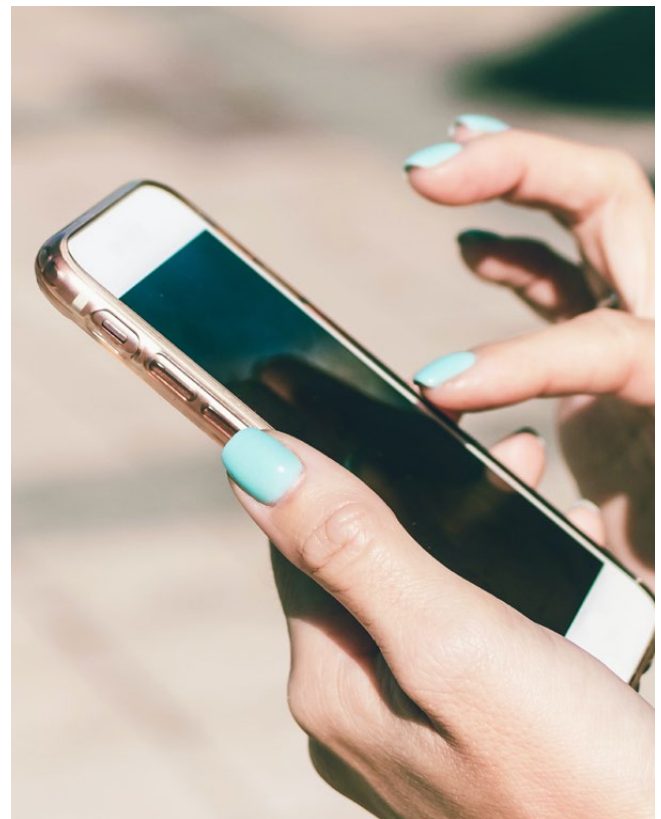


Image by Artem Beliaikin/Unsplash

CONTEXT

With strong momentum and supportive policies, Bangladesh came through the pandemic well. In the financial sector, meanwhile, inclusive policies had helped to reduce the gender gap. However, its remaining size and headwind from social norms still leave work to do for policymakers.

THE PANDEMIC

As with many other countries, the first COVID-19 wave reached Bangladesh in 2020 spring. Thanks to government measures, the virus' spread was quickly curbed, but new coronavirus variants and epidemic waves lead the government to apply strong measures.³⁰

From early August 2021, Bangladesh ramped up a large vaccination drive, and by the time of the Omicron variant, half of the population was inoculated, exceeding the average of lower-middle-income countries. In a quick follow-up with second doses, Bangladesh achieved full vaccination for two-thirds of its population by the beginning of April 2022 - and keeps running ahead of the peer group average by 15 percentage points of the population fully vaccinated.³¹

Across all waves of the pandemic until now, Bangladesh appears to have been able to run more effective public health precautions: its pandemic peaks came in below the average experienced by lower-middle-income countries, and far from the levels suffered by India in 2021 and early 2022 (see Annex).

OBSERVED IMPACT

At the level of the entire economy, Bangladesh was able to cope comparatively well with the pandemic — one of the few countries in the world to avoid a recession in 2020 or 2021 — and compared to its two South Asian peers India and Pakistan.

FIGURE 2. REAL GDP GROWTH PER ANNUM³²

	2018	2019	2020	2021	2022
Bangladesh	7.9%	8.2%	3.5%	5.0%	6.4%
Emerging & Developing Asia	6.4%	5.3%	-0.8%	7.3%	5.4%
World	3.6%	2.9%	-3.1%	6.1%	3.6%

Bangladesh was able to achieve this resilience even though a 14.2 percent drop in exports of goods and services as many of the clients of its RMG industry in OECD countries held back on orders with textile retail stores closed to shoppers. Government net lending was lower in absolute and relative terms than in 2019.³³ A slight improvement in remittances (from 5.2 to 5.8 percent of the rising GDP) provided some boost to purchasing power.³⁴



Image by Maruf Rahman/Pixabay

30 The Daily Star. 2022. Why Bangladesh Should be Concerned About the Emerging Covid Variants. Available at: <https://www.theshould-be-concerned-about-the-emerging-covid-variants-2127336>.

31 Our World in Data. Coronavirus Pandemic (COVID-19). Available at: <https://ourworldindata.org/coronavirus#explore-the-global-situation>

32 IMF. 2022. World Economic Outlook Database. Available at: <https://www.imf.org/en/Publications/WEO/weo-database/2022/April>

33 Ibid.

34 World Bank database

The Government of Bangladesh was swift to introduce public activities and movement restrictions (mandatory masks, social distancing rules, limited public transportation) as a response to the COVID-19 pandemic.³⁵ As a result, mobility sharply decreased in the spring of 2020 following response to restrictions introduced during the Alpha and Delta outbreaks. While the initial drop-in social activities were as big as in many other countries (-60 percent at workplaces and -70 percent footfall in public transit and retail stores), since early April 2020 Bangladesh has seen public activity recover. At the end of May 2021, a general lockdown was lifted. By October of the same year, it was already at the level right before the pandemic, and by summer 2022 was some 50 percent above.³⁶

Pandemic-related disruptions to work, family life, and social interactions particularly affected women in Bangladesh, as in many other developing countries. Bangladesh's women indicated twice as often as men that they would not be able to come up with emergency funds within 30 days. However, at 16 percent, this was less frequent than in the average of lower-middle-income countries, in India or Pakistan (18 percent, 20 percent, and 34 percent, respectively).³⁷

The pandemic may have exposed some pre-existing socioeconomic disparities in Bangladesh. Many women have lost their livelihoods because of pandemic-related restrictions and economic strain.³⁸



When some 1,900 export-oriented RMG factories closed in March 2020 and estimated more than 2.1 million jobs were lost for an industry that employed four million Bangladeshis out of which 65 percent were women.

Some overseas workers were forced to return home to Bangladesh, only to face social stigma and a lack of support that threatened to push them into poverty. An even larger group was the domestic workers in Bangladesh itself who were left destitute and put out from the households of their employers, with many returning to their villages and facing food shortages. Incidences of domestic violence had also increased. As in many other countries, the lockdowns of educational

facilities further increased the toll of care and domestic work responsibilities on women's ability to be economically active outside of the household.³⁹ Although women were less likely to catch the virus in the beginning due to their lower likelihood of leaving the house for work, they may have been more affected by the Delta variant, due to disparities in vaccination and unequal access to healthcare.⁴⁰ Persistent social stigma also meant that women were more reluctant to go for testing, highlighting a gender gap in access to healthcare.

WOMEN'S FINANCIAL INCLUSION

CHALLENGING CONTEXT:

Despite its recent rapid economic growth, poverty remains a major issue limiting women's opportunities. Even though household size is now fully in line with the global average and the sex ratio at birth is at the natural level, the improvements seen over the past decades in women's inclusion (e.g., the labor force participation rate rose by 10 percentage points to 38 percent in 2019)⁴¹ still leave room for improvement.

Ranked 71 out of 146 countries in the WEF's Global Gender Gap Report, Bangladesh is at or above the global average on the scores for politics, education, and health. Where it is noticeably below this average is the space of economic inclusion. Although ahead of its South Asian peers India and Pakistan on this as well as on education, also indicators like wage equality, estimate income, or the share of women among leading staff as well as among professional and technical workers show Bangladesh among the lowest quarter of countries covered. Indeed, for the joint score on economic participation and opportunity, Bangladesh comes out on the fifth-last rank.



Women's unemployment rate is nearly double that of men (7.6 percent) and their rate of part-time workers more than four times as high (41 percent vs 10 percent of male employees).⁴²

As nearly half of the population (46 percent of men and women) declare that it is unacceptable for a woman to have remunerated work outside the family home. Two thirds of the population believes that men are better

35 The Indian Express. 2022. COVID-19: Bangladesh extends restriction measures till Aug 3. Available at: <https://tinyurl.com/2b5f79pd>

36 Google mobility data, see Annex.

37 World Bank. 2022. Global Findex.

38 UN Women. 2020. Far from the spotlight, women workers are among the hardest hit by COVID-19 in Bangladesh. Available at: <https://tinyurl.com/yasydaft>

39 UN Women. 2020. COVID-19 Bangladesh Rapid Gender Analysis. Available at: <https://tinyurl.com/3yfn4euc>

40 BD News 24. 2021. A Grim New Trend: Why are more women now dying from COVID in Bangladesh? Available at: <https://tinyurl.com/45spfr42>

41 World Bank database.

42 World Economic Forum. 2022. Global Gender Gap Report 2022, Bangladesh. Available at: <https://www.weforum.org/reports/global-gender-gap-report-2022/in-full/economy-profiles-5b89d90ea5>

political leaders than women. Fifty-three percent of women experience domestic violence, and 28 percent of women justify such violence - the legal framework against this phenomenon is judged as incomplete. These issues illustrate how social norms impede a fuller inclusion of women. Even though, on the full set of related indicators, Bangladesh performs better than Pakistan but below development peers in Africa and Central Asia.⁴³

Women's legal equality is incomplete in Bangladesh: Only in the field of personal mobility do women have fully equal rights, and in the space of entrepreneurship, gender-discrimination in accessing credit is not explicitly forbidden. For the areas of work, pay, marriage, parenthood, pensions, and assets, though, the World Bank finds notable differences in legal rights and protections.⁴⁴

45.2 percent of women marry early and rights to divorce are unequal, as are inheritance rights. These, in addition with rights classified as "uneven" when it comes to land and non-land assets are a primary reason for women to be unable to meet collateral requirements for accessing credit:⁴⁵ men hold 95 percent of agricultural land.⁴⁶

The degree to of women's empowerment such as in her influence on and autonomy in household spending decisions correlated in Bangladesh with usage patterns of formal financial services. Users of over-the-counter services were more empowered than complete on-users but less so than registered users.

Those classified as "advanced users" showed the highest indicators for empowerment.⁴⁷

Outside of the RMG sector, most female economic activity is informal. Before the pandemic around one in nine women in both rural and urban settings (93.3 percent in rural and 87.3 percent in urban areas) were in informal employment.⁴⁸

Most women's enterprises in the country are Cottage, Micro, Small, and Medium-Sized Enterprises (CMSMEs),



Image by Maruf Rahman/Pixabay

which tend to operate informally and are concentrated in a few sectors - mostly in the wholesale and retail trade of textiles (23.8 percent). Among small businesses with above five employees, only 13 per cent of businesses are fully or partially owned by women, which is lower than average for the region. The highest proportion (69 per cent) of women's enterprises operate in commerce, followed by manufacturing (19 percent) and services (12 percent). 96 per cent of women enterprises, are sole proprietorships.⁴⁹ In the emerging space of e-commerce on big social media platforms, half of businesses are estimated to be owned by women.⁵⁰

Poverty and limited economic opportunity represent obstacles to financial inclusion. Women are less likely to own businesses in Bangladesh than men, with one of the lowest rates of female entrepreneurship in the region. About 10 percent of the country's registered micro-, small-, and medium- enterprises (MSMEs) are women owned or -led, most of which are microbusinesses. Access to finance remains a significant challenge; less than 20 percent of women-owned/led MSMEs use formal

43 OECD. 2019. Social Institutions & Gender Index (SIGI). Available at: <https://www.genderindex.org/wp-content/uploads/files/datasheets/2019/BD.pdf>

44 World Bank. 2022. Women, Business and the Law. Available at: <https://wbi.worldbank.org/en/data/exploreeconomies/bangladesh/2022>

45 WEF. 2022. Global Gender Gap.

46 OECD. 2019. Social Institutions & Gender Index (SIGI). Available at: <https://www.genderindex.org/wp-content/uploads/files/datasheets/2019/BD.pdf>

47 Financial Inclusion Insights. 2019. Bangladesh Wave 6 Report (online access suspended).

48 N Women, 2020. COVID-19 Bangladesh Rapid Gender Analysis. Available at: <https://tinyurl.com/3yfn4euc>

49 Think Asia, Women Entrepreneurs in SMEs: Bangladesh Perspective. 2017. Available at: <https://tinyurl.com/5fk835hf> and World Bank, Financing Solutions for MSMEs in Bangladesh, 2019. Available at: <https://tinyurl.com/3a7yv3bp>

50 IDLC Finance. Emergence of F-Commerce Startups: Serving Customers at Their Doorsteps. Available at: <https://idlc.com/mbr/article.php?id=192>

financial services. A lack of overall financial knowledge and low levels of digital literacy also prevent more women from accessing formal financial services. In addition, women may hesitate or be unable to open their formal bank accounts, due to cultural norms.⁵¹

For the more than 14 percent of households that are headed by women - especially in some urban centers - opportunities for economic inclusion are even more constrained.⁵²

Some of the challenges to gender equality already start in early childhood as Bangladesh has one of the highest rates of child stunting with girls often eating less and last in the family - resulting in almost half of women in reproductive age (45.7 percent) having anemia.⁵³



Image by Adrien Taylor/Unsplash

While these are some of the challenges that Bangladesh's development agenda will have to address to continue its success, fortunately they do not need to constitute insurmountable barriers for financial inclusion as the progress achieved by Bangladesh and in several other countries with similarly overlapping issues of poverty, social and economic inclusion, and societal obstacles have shown.

51 HERProject. 2020. HerProject 2020 Highlights. Available at: <https://highlights.herproject.org/>

52 UN Women. 2020. COVID-19 Bangladesh Rapid Gender Analysis. Available at: <https://tinyurl.com/3yfn4euc>

53 Ibid.

GENDER INCLUSIVE FINANCE TRENDS:

In 2011, Bangladesh and India both reported a 26 percent rate of female account ownership. Since then, both countries have taken different routes to advance financial inclusion. India drove up numbers with its Aadhaar ID registration drive which was linked to formal accounts. It got to 78 percent of women with formal financial services accounts (with no gender gap) but also 32 percent of adults reporting that their account is not in active use (only 23 percent of Indian men report this). For Bangladesh, Global Findex found 43 percent of women with an account but only six percent of inactivity. In essence, India's big push in terms of active accounts has only gained a nine percent advance over Bangladesh among women, and compared to India Bangladesh is even ahead of men who actively use their accounts. Converting access into usage is not surprisingly becoming an increasingly important focus for policymakers.

One major difference in usage lies in the role of mobile money, which in Bangladesh by 2021 was reported to have reached 20.3 percent for women compared to just five percent in India. And this has been instrumental in turning around what in the years before the pandemic had been a growing gender gap in Bangladesh, reaching 29 percentage points in 2017.⁵⁴ In the years to 2021, this gap came down to some 19 percent - and much of the progress came from mobile money. As 31 percent of women reported an account at a formal financial institution, three out of five female mobile users appear to have been previously un-served. Usage patterns for mobile money in Bangladesh are distinct as over-the-counter use of mobile money agents by unregistered clients remains frequent (64 percent of users in market leader bKash and 46 percent in follower Dutch-Bangla Bank Limited).⁵⁵

One area where Bangladesh will have to find novel ways for financial inclusion policy is in savings.



While 21 percent of women (and 22 percent of men) save, the share of those who do so at a formal institution fell from 10 in 2017 to five percent in 2021 (and nine percent of men).

54 World Bank. 2022. Global Findex.

55 Financial Inclusion Insights. 2019. Bangladesh Wave 6 Report (online access suspended).

For borrowing, the story appears more complex: in 2011, 22 percent of women and 24 percent of men borrowed from a formal institution, nearly three times the average for lower middle-income countries. This is probably reflected in Bangladesh's strong microcredit sector. This share then collapsed to 10 and eight percent in the following Findex surveys and only recovered to 16 percent (13 for men) in 2021. Digital lending via mobile money appears to contribute one additional percentage point. Overall, 45 percent of women (the same as the lower middle-income average) and 48 percent of men borrowed in 2021. This still leaves Bangladesh with higher absolute and relative shares of formal borrowing than its peer average.



On digital payments, Bangladesh is ahead of India and other lower middle-income countries with 34 percent of women having made (28 percent) or received (18 percent) such payments.

Here, the gender gap is particularly strong, though, as already 58 percent of men had made either type of transaction in 2021.

But women have seen stronger progress in the past few years (i.e., including the pandemic) as in 2017 only 21 percent of them had been doing digital payments. In other words, women's digital financial inclusion grew by more than half in the years since then.

This reflects a special policy emphasis on the digitization of payments with a gender lens: bringing social transfer payments (G2P) onto digital financial service channels as well as digitizing the wage payments, especially in Bangladesh's RMG industry with 65 percent female employees.

Based on more detailed demand-side surveys (e.g., Financial Inclusion Insights in 2018), the gender gap among bank users is exceeded by gaps between rural and urban populations (12 percent) and the socio-economic division by the poverty line (15 percent). Financial inclusion in Bangladesh, therefore, has a clear mark of intersectional aspects of marginalization and vulnerability. On the other hand, for mobile money, the 2018 data suggests that the picture was inverted: the gender gap on registered mobile money is notably wider (10 to 24 percent) than those between rural and urban areas and the poverty line (both seven percent). In line with its mission, among clients of non-bank financial institutions women, rural and poor populations.⁵⁶

On current trends, though, a detailed statistical analysis of the FII survey suggested the country's overall trajectory on financial inclusion would be expected to remain favorable if the economic growth outlook materializes. Women's financial inclusion by 2030 would exceed 60 percent. However, the gender gap would only have narrowed to 15 percentage points. So, Bangladesh Bank and other stakeholders have an opportunity to further hasten these favorable trends with a gender lens. The related market opportunity from serving the women's market is quantified as nearly USD 1 billion in additional annual revenues.⁵⁷

The various strings of financial inclusion initiatives were being brought together by the Bangladesh Bank and the Ministry of Finance of Bangladesh in the format of a first National Financial Inclusion Strategy. It features concrete measures targeting Gender Inclusive Finance. As the pandemic intervened, the NFIS was adjusted and formally launched in April 2022.⁵⁸

Before the pandemic, Bangladesh presented a favorable setting for further supply-side progress. In addition to the microcredit sector, both BRAC Bank with its TARA has been targeting various women segments since 2017, with its offer of loans and savings, special communications channels, and non-financial services for entrepreneurs. It was followed by City Alo as a dedicated women's division of City Bank covering women as entrepreneurs, homemakers, salaried workers, and professionals with financial (including Islamic finance) and non-financial services. Prime Bank followed in targeting the women's market segments in 2020. More generally, in a survey of large banks, most indicated that women represent a core element of their strategy and have positive opinions of female clients across several criteria.⁵⁹

Overall, Bangladesh Bank could count on the support and positive interest from a financial sector where several important players are inclined toward the women's market -but would also need to be prepared to (continue) to work around one of the world's more challenging contexts when it comes to women's inclusion.

⁵⁶ Ibid.

⁵⁷ Data2X/WFID. 2022. Towards Women's Financial Inclusion: A Gender Data Diagnostic of Bangladesh. Available at: <https://data2x.org/resource-center/towards-womens-financial-inclusion-a-gender-data-diagnostic-of-bangladesh/>

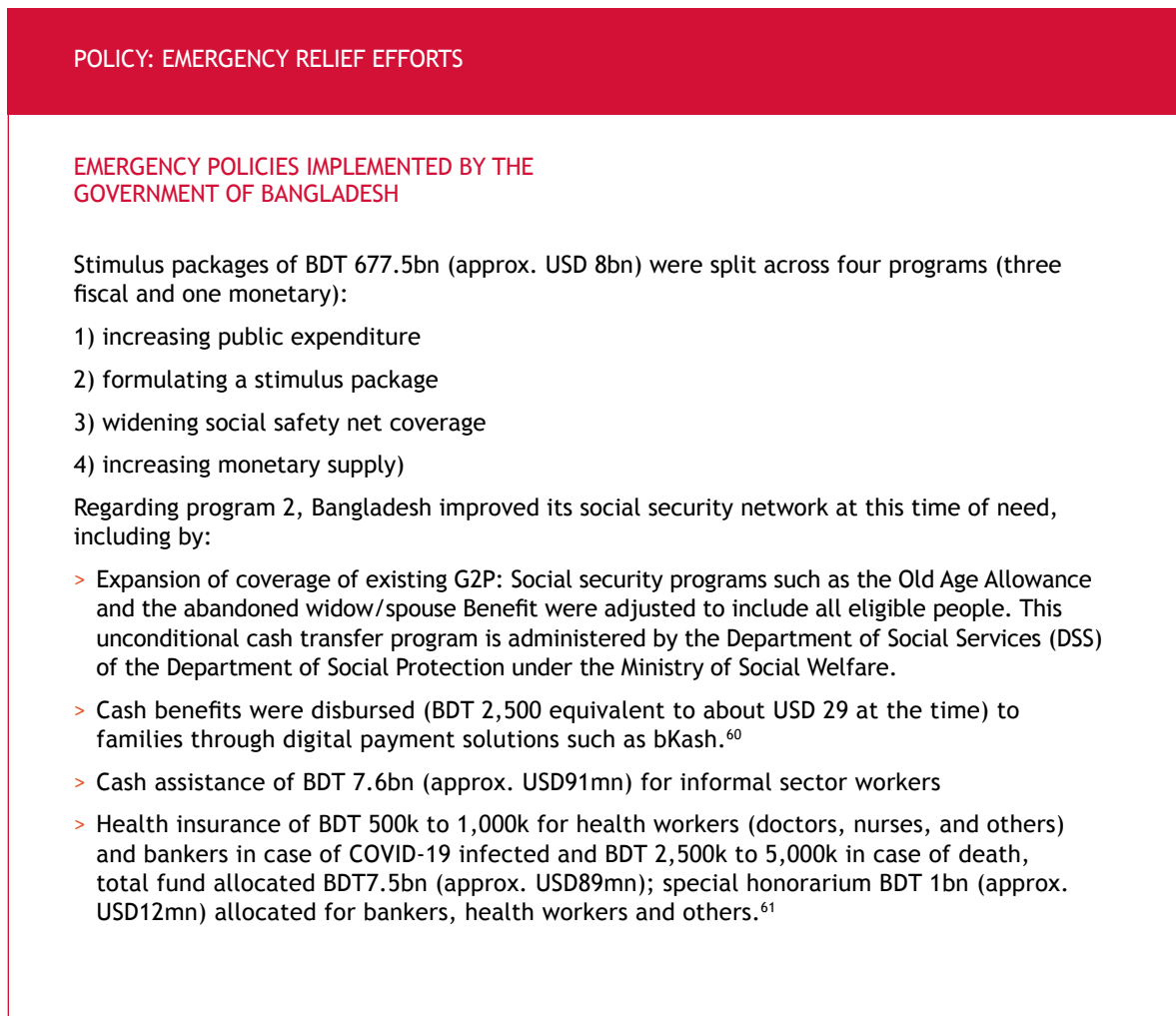
⁵⁸ AFI. 2022. Bangladesh's 2021-2026 National Financial Inclusion Strategy. Available at: <https://www.afi-global.org/publications/bangladeshs-2021-2026-national-financial-inclusion-strategy/>

⁵⁹ Data2X/WFID. 2022. Towards Women's Financial Inclusion: A Gender Data Diagnostic of Bangladesh. Available at: <https://data2x.org/resource-center/towards-womens-financial-inclusion-a-gender-data-diagnostic-of-bangladesh/>

MANAGING THE CRISIS RESPONSE

Leveraging its pre-pandemic efforts at enhancing the digitization of state support, Bangladesh's policymakers were able to deploy multiple targeted relief measures. With such focus and thanks to the continued momentum of economic growth, the fiscal stimulus did not end up increasing the government's net debt.

FIGURE 3. BANGLADESH'S POLICIES



60 LightCastle Partners. Digital Payments in Bangladesh: A Road to Growth and Stability. Available at: <https://www.lightcastlebd.com/insights/2020/12/digital-payments-in-bangladesh-a-road-to-growth-and-stability/>

61 KPMG. 2022. Bangladesh Government and institution measures in response to COVID-19. Available at: <https://home.kpmg/xx/en/home/insights/2020/04/bangladesh-government-and-institution-measures-in-response-to-covid.html>

POLICY: EMERGENCY RELIEF EFFORTS

EMERGENCY POLICIES IMPLEMENTED BY FINANCIAL
SECTOR REGULATORS/BANGLADESH BANK

Regarding program 1), a BDT 50bn (approx. USD 595m) stimulus package targeted export-oriented industries (i.e., especially the RMG sector). This includes assistance towards salaries and funding of 2-year loans to factory owners at two percent interest, to avoid the large-scale dismissal of workers (65 percent women in this sector).

POLICY: WAIVERS AND INCREASE OF LIMITS FOR

EMERGENCY POLICIES IMPLEMENTED BY FINANCIAL
SECTOR REGULATORS/BANGLADESH BANK

Bangladesh Bank raised the daily limit for online transactions in response to increased online transaction volumes.

The daily transaction limit on contactless debit and credit cards increased from approximately USD 35 to USD 60.

Fee/charges interventions included:

- > No charges on cash-outs using mobile financial services up to BDT 1,000
- > Waiver of charges to merchants accepting debit and credit card payments for medicine and other essentials, up to approximately USD 180 per day and USD 1,200 per month⁶².

Bangladesh Bank has created several refinancing schemes amounting to a total of BDT 380 billion, a 360-day tenor special repo facility to facilitate the implementation of the government stimulus package:⁶³ Special loans to serve as incentive packages for companies to keep employees in employment.⁶⁴

A refinance scheme for COVID-19 affected SMEs worth BDT 100.00 billion was introduced, where five percent of the total fund is allocated for women entrepreneurs.

Bangladesh Bank launched a Credit Guarantee Scheme for SMEs, including women entrepreneurs, exporters, and farmers on 27 July 2020.

Bangladesh Bank issued a one-page SME loan application on 23 July 2020, to lower the documentation hurdle for SME

⁶² Ibid.

⁶³ IMF, 2022. Policy Responses to COVID-19. Available at: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#B>

⁶⁴ Haque Bidisha, Sayema and Faruk, Avinno. 2020. The Labour Market Implications of COVID-19 for Bangladeshi Women. UNU-Wider. Available at: <https://www.wider.unu.edu/publication/labour-market-implications-covid-19-bangladeshi-women>

POLICY: SMES

EMERGENCY POLICIES IMPLEMENTED BY FINANCIAL
SECTOR REGULATORS/BANGLADESH BANK

Bangladesh Bank has created several refinancing schemes amounting to a total of BDT 380 billion, a 360-day tenor special repo facility to facilitate the implementation of the government stimulus package:

Special loans to serve as incentive packages for companies to keep employees in employment.

A refinance scheme for COVID-19 affected SMEs worth BDT 100.00 billion was introduced, where five percent of the total fund is allocated for women entrepreneurs.

Bangladesh Bank launched a Credit Guarantee Scheme for SMEs, including women entrepreneurs, exporters, and farmers on 27 July 2020.

Bangladesh Bank issued a one-page SME loan application on 23 July 2020, to lower the documentation hurdle for SME lending, particularly for women entrepreneurs.



Image by Sazzad Bin Jafor/Unsplash

POLICY: DIGITAL PAYMENTS

EMERGENCY POLICIES IMPLEMENTED BY FINANCIAL
SECTOR REGULATORS/BANGLADESH BANK

Plans for an interoperable system of digital payments where all digital services are accessible, to harmonize transactions between various payment service participants, such as customers, merchants, payment and receivables, payment processors, e-wallets, banks, and financial institutions.

Export oriented manufacturing industry workers receiving the salary support under the government stimulus package would pay a charge of BDT 4 per BDT 1,000 cash-outs of the salaries using mobile financial services.⁶⁵

65 KPMG. 2022. Bangladesh Government and institution measures in response to COVID-19. Available at: <https://home.kpmg/xx/en/home/insights/2020/04/bangladesh-government-and-institution-measures-in-response-to-covid.html>

CRISIS RESPONSE PLANNING, COORDINATION, AND PREPAREDNESS

Even though the NFIS launch was during the pandemic, previous policy priorities and practices had established a model for collaboration, as well as put in place tools for crisis response which were intensified for a COVID-19 policy response.

A MULTI-STAKEHOLDERS RESPONSE

BANGLADESH BANK (BB)

Bangladesh Bank, the nation's Central Bank, is the financial sector regulator, and jointly with the Ministry of Finance, the driver of the country's financial inclusion strategy and their respective implementation. It oversees commercial banks, non-banking financial institutions as well as licensed MFS providers.

Microfinance, insurance, and credit cooperatives have their respective regulators: the Microcredit Regulatory Authority (MRA), the Insurance Development & Regulatory Authority, and the Department of Cooperatives.⁶⁶

Bangladesh Bank has revised enabling regulations to bring down hurdles to the adoption and continued use of (digital) financial services, such as the rules on MFS operations, on agency banking, and helped deploy the digitization of bulk payments from government and employers that laid the foundation for much swift crisis response. In this and the drafting of the country's first financial inclusion strategy, close institutional links existed with the Ministry of Finance, which could be leveraged for crisis response.

KEY GOVERNMENT ENTITIES

The Government of Bangladesh (GoB), and especially its Ministry of Finance, plays a leading role alongside BB to develop initiatives in the financial sector, which later enabled a more effective crisis response.

By setting a national development agenda that highlights digital opportunities and inclusion (with gender equality as the principal dimension), the GoB had provided the framework for a gender lens, to carry weight in setting policy before the crisis - and

continue to do so in the more intense environment of the pandemic.

Government digitization and the use of DFS to disburse all salaries, pensions, and government-to-person (G2P) social safety net payments is a choice intended for increasing women's financial inclusion. This double role in supporting policy design and execution was highlighted as of key importance to enshrine a gender focus in Bangladesh's financial sector development, not least as its first NFIS was being drafted.⁶⁷

COMMERCIAL BANKS

Three commercial banks have launched a comprehensive suite of products for women customers, while most other banks have introduced W-SME loan products in recent years, following the regulatory mandate.



Joining two dedicated women's market offers (BRAC's Tara and City Alo by City Bank), Prime Bank launched a third dedicated women's offer called "Neera" focusing on the unbanked, including financial and non-financial services plus value-added services such as self-care and wellness.

A few other commercial banks also play a key role in the mobile financial services, as lead partners in the dedicated subsidiaries running such an offer. BRAC's bKash dominates this market. These are the units that partner with the government and private sector in the various cashflow digitization efforts of Bangladesh.

A2I (PREVIOUSLY ASPIRE 2 INNOVATE):

To help meet the expectations of Bangladesh's Vision 2021 initiatives about digitally-enabled, inclusive growth, the GoB, UNDP, and several international funders established in 2007 a special program to advise on and help to design, test and deploy innovation in the public sector with a "citizen-friendly" mindset.⁶⁸ After its conclusion in 2019, it has now been converted into a2i, an organization focused on digital transformation in the interest of development objectives - supporting both Bangladesh-based stakeholders, as well as least-developing countries and others in the global South.⁶⁹

⁶⁶ Data2X/WFID. Towards Women's Financial Inclusion: A Gender Data Diagnostic of Bangladesh. Available at: <https://data2x.org/resource-center/towards-womens-financial-inclusion-a-gender-data-diagnostic-of-bangladesh/>

⁶⁷ AFI member interview, BB, December 2021.

⁶⁸ UNDP. Aspire to Innovate (A2I). Available at: <https://www.undp.org/bangladesh/projects/aspire-innovate-a2i>

⁶⁹ Aspire to Innovate (A2I). Available at: <https://a2i.gov.bd/about-us/>

Digital Financial Inclusion is a long-standing pillar of a2i's activities. A2i plays a particular role as a catalyst for information in a conducive organizational format, semi-detached from the government but closely working with it. Espousing the human-design approach, it has run a Digital Financial Services (DFS) Lab+ jointly with Bangladesh Bank and sought to bring up innovations in DFS that would work for poor Bangladeshis. In addition to working on payments digitization, the DFS Lab also ran projects on assisted rural e-commerce, and on affecting behavior change with financial literacy interventions. Based on the expertise and evidence base it holds, DFS Lab+ acted as an advisor on policy and regulatory reform.⁷⁰

The expertise on the realities of vulnerable groups in Bangladesh from other initiatives (e.g., a COVID-19 helpline and simple e-commerce solutions for essentials during lockdown⁷¹) provided helpful in supporting the GoB's and Bangladesh Bank's crisis response.

DATA

Similar to the dedicated DFS and financial inclusion expertise gathered in a2i, Bangladesh Bank also put an emphasis on ensuring good data availability, for evidence-based policymaking.

Going well beyond the scope of the World Bank Global Findex, Bangladesh reasonably requires more nuanced demand-side insights. Running six "waves" of such nationally representative surveys, until 2018, with funding from the Bill & Melinda Gates Foundation, a closer assessment of the baseline as well as of potential reasons for exclusion and non- or a limited usage of formal finance could be undertaken, in addition to tracking of impacts.

Bangladesh Bank handles the significant progress achieved to date in increasing the availability of good-quality supply-side gender data that could be used to divide GIF strategies. Banks must provide sex-disaggregated account data to various central bank departments—including payment systems, the SME and Special Programs Department, the Financial Inclusion

Department, and the Statistics Department—on a monthly/quarterly basis. Departments publish financial inclusion-related summaries on a monthly/quarterly basis, providing aggregate-level detail on the ownership of accounts and agents by gender.⁷²

A joint initiative by MRA and Bangladesh Bank will result in the creation of the Microfinance Credit Information Bureau, to be supervised by MRA. Once launched, the bureau will increase capabilities for collecting more granular, customer-level, sex-disaggregated data.⁷³

This wealth of data has facilitated policymaking during the crisis and is credited by Bangladesh Bank as an essential ingredient to its success. Bangladesh Bank seeks to further enhance the value of supply-side data collection by e.g., creating a basis for the age-disaggregation of data, next.⁷⁴

This favorable situation on sex-disaggregated data, however, does not always translate into the operational practice of providers: commercial banks, MFS providers, and microfinance institutions can disaggregate most client-related data (typically excluding incorporated women SMEs) but with few exceptions do not yet apply it for performance review and strategic analysis. Bangladesh Bank's example and engagement in the sector still has the potential to catalyze such good GIF practices.



70 Aspire to Innovate (A2I). Digital Financial Services. Available at: <https://a2i.portal.gov.bd/site/page/251d625e-1603-4da4-acd8-4d6e15ad9da5/>

71 Bangladesh Sangbad Sangstha (BSS). A2i initiatives emerge as blessings for people during Covid-19. Available at: <https://www.bssnews.net/news/30528>

72 Data2X/WFID. Towards Women's Financial Inclusion: A Gender Data Diagnostic of Bangladesh. Available at: <https://data2x.org/resource-center/towards-womens-financial-inclusion-a-gender-data-diagnostic-of-bangladesh/>

73 Ibid.

74 AFI member interview, BB, November 2021.

GENDER LENSES TO BANGLADESH'S POLICIES

Building on a foundation of gender as one of the pillars of development policy, crisis response prominently featured a focus on women.

WOMEN-CENTERED POLICIES

VISION 2021

Developed as an electoral program for the 2008 general elections, the Awami League party, which since 2009 has been governing Bangladesh, presented a “VISION 2021” as an outline for the country’s development until the 50th anniversary of independence. Among the guiding principles of the program was the increased deployment of digital technology for education, economy, governance, and an inclusive and environmentally sustainable growth model. Gender equality is one of the four pillars of the eighth target for becoming a more inclusive and equitable society, and the role of women is also highlighted in education.⁷⁵

To implement VISION 2021, the Government of Bangladesh has emphasized financial inclusion for social and economic advances. Accordingly, various government agencies and the Bangladesh Bank have formulated policies and taken initiatives to expedite the process. The government has been disbursing all its salaries, pensions, and government-to-person (G2P) social safety net payments by using digital financial services (DFS), especially targeted to women, to improve its goal of full financial inclusion.⁷⁶

In Bangladesh, such guidance has mobilized providers’ strategic interest in the women’s market. Key banks, MFIs, and MFS providers now label women as a core element of their strategy, driven by commercial considerations of growth and differentiation (rather than corporate social responsibility). They explicitly mark unbanked, small business owners and rural women as segments of interest.⁷⁷

⁷⁵ Wikipedia. Vision 2021. Available at: https://en.wikipedia.org/wiki/Vision_2021

⁷⁶ AFI member interview, BB, December 2021.

⁷⁷ Survey of seven commercial banks, three microfinance institutions, and three mobile financial service providers in Bangladesh by ConsumerCentriX in 2021.

While VISION 2021 set the framework of national development priorities and the guiding principles for achieving them, other strategies and sectoral policies have since then translated these principles - prominently the focus on digital and gender equality as drivers of growth - into practice.

NFIS-B

Financial inclusion is a long-standing policy priority for Bangladesh. Bangladesh Bank has been a long-standing member of AFI and has chaired AFI’s board of directors in the past. With the Microcredit Regulatory Authority as an additional principal member, and the Ministry of Finance as well as the Insurance Development and Regulatory Authority of Bangladesh as associate members, Bangladesh is one of the AFI member countries with the broadest representation. The country did not yet have in place a dedicated strategy for financial inclusion to guide this area of national development.

Starting in 2016, the process led by the Ministry of Finance and Bangladesh Bank for drafting such a strategy was set up. It had come to fruition as the National Financial Inclusion Strategy-Bangladesh (NFIS-B) intended to provide a road map to implement the government’s financial inclusion goal. Clear women-centric goals are stipulated in the policy. The draft was circulated for public review in 2019 - and gave a sense of priorities. Full adoption and public launch of NFIS-B came about in early 2022, after incorporating early lessons from fighting the pandemic.

Important gender lens aspects of the strategy in its stated core dimensions include:

- > an emphasis on individual access to financial products (rather than one via husbands or fathers as proxies)
- > an emphasis on ease of access (in terms of location, convenience, and security) that resonates with the challenges of time and mobility constraints that women face
- > a wide range of key services for women to build a more resilient and enabling financial future for themselves and their loved ones

The Bangladesh Bank sets this last objective as an important indication that the DFS payments initiatives are part of a bigger picture.

MAINSTREAMING GENDER INTO SMALL BUSINESS SUPPORT

Small businesses, including home-based ones, referred to as cottage businesses, are another priority area for NFIS-B as well as for the overall development objectives of the government.

Women, who are sometimes considered to be a group as marginalized and/or vulnerable, are “mainstreamed” into respective policies for each sub-sector. In effect, before the pandemic, this included:⁷⁸

- > Capping interest for WSMEs at lower-than-market rates⁷⁹
- > Setting aside 15 percent of loans for women entrepreneurs
- > Creating a dedicated women’s entrepreneurship desk at bank branches
- > Allowing for collateral-free loans of up to USD 30,000 for women entrepreneurs, against a personal guarantee
- > Establishing a USD 178 million refinancing facilities for women entrepreneurs

Though newer baseline data would be beneficial, at an extremely low rate of around 7.2 percent of women ownership among the country’s nearly eight million small businesses, Bangladesh Bank has for years aimed at boosting this share - and had achieved increased access to finance for such businesses.

These policies were intensified during the pandemic to provide W-SMEs with a lifeline but also to encourage further contributions to employment and value creation for a swifter recovery. Policies by the GoB and Bangladesh Bank include a set of initiatives that streamline gender into its terms:

- > Credit facilities (both working capital and term Loans) at a four percent interest rate. The Government of Bangladesh is providing a five percent subsidy to entrepreneurs. Under this package, at least eight percent of the package is allocated to women entrepreneurs. Under the aforesaid financial incentive package, a total of BDT 7.6 billion have been disbursed to 5,435 women entrepreneurs during the first phase (July 2020-June 2021). In the second phase, (up to Nov 14, 2021) a total of BDT 1.1 billion has been disbursed to 1503 women entrepreneurs.
- > Cash incentives for successful W-SME lending: offering both the borrower and lender, one percent each as performance incentives for credits disbursed to women entrepreneurs and successfully repaid until December 2024.

- > Credit Guarantee Scheme (CGS) to address what research in Bangladesh identifies as the biggest hurdle by gender: collateral. Ten percent of the overall guaranteed scheme is reserved for women entrepreneurs.
- > Without specific gender targets but accessible to women are the ‘Refinance Scheme for Setting up Agro-Based Product Processing Industries in Rural Areas’ and ‘Refinance Scheme for New Entrepreneurs in Cottage, Micro and Small Enterprise Sector’. Their volume increased from seven billion to 14 billion, and 0.5 billion to 1 billion, respectively. The interest rate has also been reduced from nine percent to seven percent at the borrower level.

Finally, Bangladesh Bank also deployed a dedicated scheme for women entrepreneurs. The ‘Small Enterprise Refinance Scheme’ with a volume of BDT 15 billion (USD 140 million) offers a five percent p.a. subsidized credit rate.⁸⁰

For creating new entrepreneurs and encouraging self-employment, Bangladesh Bank instructed banks to set up Start-Up funds by transferring one percent fund from their annual net profit.



Banks and financial institutions have disbursed BDT 54 billion as a credit to 66,189 women entrepreneurs in Year 2020 and they have disbursed BDT 29 billion as a credit to 30,739 women entrepreneurs in Year 2021 (up to June 2021).⁸¹

78 AFI. 2017. Case Study 5: Expanding Women’s Financial Inclusion in Bangladesh through MSME Financial Policies. Available at: <https://www.afi-global.org/publications/case-study-5-expanding-womens-financial-inclusion-in-bangladesh-2/>

79 Some banks have reported misuse of this program, with some male business owners encouraging their wives to apply for loans as a way to lower the cost of capital for their businesses.

80 AFI member interview, BB, November 2021.

81 Ibid.

THE ROLE OF DIGITAL FINANCIAL SERVICES (DFS)

Bangladesh's crisis response benefitted from a strong momentum of several DFS models and digitization of cashflows, which incentivized many women who on their own would have remained on the sidelines of formal finance.

The massive digital transformation that occurred in the last decade is the single most important contributor to women's financial inclusion in Bangladesh. With over 70 percent of Bangladesh's adult population (and 64 percent of women) having access to mobile phones and the emergence of mobile financial services (MFS), financial inclusion has increased rapidly. For instance, MFS provider bKash entered the market in 2011, and by the end of 2017, the company had registered 29 million users. The government has leveraged these technologies with its transition to digital social safety net payments. This has accelerated the pace with which women access formal financial services since beneficiaries must set up accounts to access their funds. Remittance flows, too, have largely gone digital. So, even though women's participation in the labor force is low, the digitization of social payments to beneficiaries and remittance flows have brought millions of women into the formal financial system. The private industry is moving towards electronic payments as well, with assistance from donor organizations.

The pandemic provided another boost to the already burgeoning mobile financial service sector. The Government's move to disburse pandemic assistance through MFS operators is another push toward Bangladesh's digital future.⁸²

With all these steps, Bangladesh has become the number one market for mobile financial services in terms of transactions. Whereas before the pandemic, 75 percent of MFS transactions were cash-in/cash-out, by late 2021 peer-to-peer transfers had taken the lead and have been joined by transactions to banks to prepaid cards, utility bills, merchant payments.⁸³

The various MFS-linked initiatives, in response to the crisis, appear to have been roundly positive. By May 2022, even the already previously well-established network of agents responded to demand by growing by 20 percent to 1,188,184. Registered clients grew by nearly 38 percent compared to February of 2020 to more than 112.6 million. Notably stronger growth, however, was achieved by activating clients who previously were still more embedded in cash-based transactions: at 45.8 million their number is now 68.9 percent higher than it was in February 2020 and is equivalent to a 40.6 percent activity rate. Activation occurred quickly: by September 2020, so half a year into the pandemic, the number of active users had already risen by more than half.

Transactions grew more slowly but not in terms of volume and value. The robust growth in peer-to-peer transfers (+100 percent) and utility bill payments (+202 percent) and even more so merchant payments (+337 percent) suggest that MFS are indeed becoming more entrenched into daily use cases. Especially merchant payments kept growing faster than the other transaction types. It remains only at around one-tenth the level of person-to-person (P2P) or cash-in/cash-out.⁸⁴

MULTIPLE DISTRIBUTION CONCEPTS

While the focus is on MFS, Bangladesh Bank has laid the foundation for another alternative distribution channel of financial services with regulation for agent banking since 2013.

Indeed, the number of licensed banks rose from 22 in September 2019 to 28 in June 2020, as the pandemic highlighted business continuity risks to the branch-dependent distribution model of banking. Five additional banks (an increase of more than 25 percent) launched their agent banking operations in the first six months of the pandemic. Another six banks have done so since then.



The key difference between mobile money and banking agents tends to be in the scope of products and extent of assistance that can be provided to clients. Mobile money agents focus mainly on cash-in/cash-out services and include many smaller businesses such as corner stores.

82 LightCastle Partners. 2021. Mobile Financial Services: Acceleration in Digital Transactions Amidst COVID-19. Available at: <https://www.lightcastlebd.com/insights/2020/06/mobile-financial-services-acceleration-in-digital-transactions-amidst-covid-19/>

83 AFI member interview, BB, November 2021.

84 Monthly-based analysis of MFS statistics.

On the other hand, agency banking tends to be run via professional partners such as retail distribution networks or larger businesses and as permitted by Bangladesh Bank regulation it allows a much wider scope of financial services. In addition to the opening of full bank accounts, services also include funds transfer, international remittance receipt, bill payment, loan processing, salary disbursement, and e-commerce support services.⁸⁵

Given the context of limited digital skills and financial literacy, limited smartphone use, and concerns about fraud, the firmer “substance” of a banking agent and additional degree of assisted onboarding to formal finance that can be provided may resonate well with women.⁸⁶ The 2018 Financial Inclusion Insights highlighted that among the financially excluded, merely 42 percent could send or receive text messages and only 77 percent had access.

Despite the success of its MFS subsidiary bKash, there is a large network of branches serving mass market retail and SME clients. In 2018, BRAC Bank also launched a dedicated agent banking network before taking up the new regulation by Bangladesh Bank in the summer of 2022 to offer sub-branches.⁸⁷

Even for long-standing operators, such as Bank Asia which had been the first to launch agent banking operations in 2014, during the crisis this distribution concept appears to have continued to gain importance.


64% In March 2021, Bank Asia reported more than four million accounts among which women dominate with nearly 64 percent - at this point, it sought to more than double its agent network by way of partnering with the postal office's 8,500 outlets.⁸⁸

The availability of this second alternative to conventional branch-based banking (or group meeting-based microfinance) has proven its value to Bangladeshis during the pandemic. It appears to have particularly resonated with women: women

held 37 percent of the 3.96 million accounts opened and served via banking agents in September 2019. By the sixth month of the pandemic, accounts had more than doubled, and by June 2022 they had more than quadrupled - but women's accounts had even grown to 5.44 times the pre-pandemic level, bringing their share to near parity (49.4 percent).

Especially during the first few months of 2020 usage of this channel grew rapidly, as regular branches were shut. Deposit volume more than doubled, remittance receipts grew to 3.2 times the pre-pandemic level, while loan disbursements grew even to 3.55 times. Next to women, rural clients also benefitted particularly: especially during the continued course of the pandemic, their account numbers grew strongly above the rate of all accounts.

10% Rural areas account for more than 85 percent of this network - and by June 2022, 30 banks had launched their agent banking operation and were serving 16 million accounts. The 12.1 million new accounts among agent banking accounts are equivalent to financial inclusion for more than 10 percent of the adult population in Bangladesh.⁸⁹



Indeed, pre-pandemic demand-side research had already found that from 2017 to 2018, the principal driver of increased financial inclusion was a five-percentage point increase in bank clients signing up via agency banking – while mobile money stagnated in that year. Already back then, the increase was observed for men and women, though slightly larger for men.⁹⁰

Currently, one significant role for banking agents where too few users in Bangladesh would be able or willing to run purely digital self-service is loans. Loan disbursements experienced the strongest growth: +255.5 percent between September 2019 and September 2020. Even in June 2022, after all restrictions had been long lifted, the monthly level of loans handled via agent banking was at 2.5 times the pre-pandemic level.⁹¹

85 The Business Standard. 2022. Brac Bank introduces sub-branches to widen its distribution channel. Available at: <https://tinyurl.com/2nsphvk7>

86 See for instance the assessment of best practices in DFS for women prepared by Women's World Banking and ConsumerCentriX. Available at: <https://tinyurl.com/tkufcb29>

87 The Business Standard. 2022. The average balance per Bank Asia agent account at that time converts to around USD 75.

88 The Business Standard. 2021. Bank Asia to build largest network through post office banking. Available at: <https://tinyurl.com/bdsu7hj>

89 Bangladesh Bank. Quarterly Reports on Agent Banking Activities. Available at: <https://www.bb.org.bd/en/index.php/publication/publicctn/2/68>

90 Financial Inclusion Insights. 2019. Bangladesh Wave 6 Report (online access suspended).

91 Bangladesh Bank. Quarterly Reports on Agent Banking Activities. Available at: <https://www.bb.org.bd/en/index.php/publication/publicctn/2/68>

ENABLING DFS

In nearly a decade of mobile and digital financial services, Bangladesh had established much critical infrastructure. Nevertheless, for the social distancing context of the pandemic, Bangladesh Bank needed to enable eKYC and fully digital onboarding of clients.

Introduced to the country's financial sector just ahead of the pandemic, eKYC helped to onboard women users and create business cases. Now, women can and are encouraged to open an account without sharing data with any third party, do financial transactions remotely using the app. Bangladesh Bank highlights a fully functional system of digital ID records with access to all market participants who are onboarding clients as a crucial enabler.⁹²

To assist the emergence of next-generation DFS, Bangladesh Bank has set up a Regulatory FinTech Facilitation Office (RFFO) providing consultation and support in piloting to FinTechs. Increased competition is a desired side-effect.⁹³

DIGITIZING GOVERNMENT TO PERSON (G2P) PAYMENTS

Bangladesh's experience with G2P digitization has been accompanied by development professionals, who analyzed and documented progress. From this experience - as well as directly from the expertise that Bangladesh Bank contributes to AFI - other countries can achieve a head start if they incorporate the lessons from South Asia.⁹⁴

"The more this government subsidy keeps coming into the digital arena, the more women will come under the DFS umbrella."

— Md. Anwarul Islam, Director of Bangladesh Bank

Bangladesh Bank noted that as a driver for an initial uptake of formal financial services, G2P digitization is "the easiest path to reach the end beneficiaries", especially in the context of "culture and religious boundaries that are key factors".⁹⁵ Bangladesh's financial system offers also a set of Shariah-compliant banking but in contrast to a financial inclusion drive that leads with savings or with access-to-credit,

receiving social transfer payments is much less strongly associated with concerns about interest being charged or paid.

Bangladesh was able to build on several years of history and full political support for the digitization of G2P in deploying even wider digitized G2P initiatives as a crisis response. Whereas earlier, disbursement into bank accounts was standard for a few initiatives, Bangladesh Bank noticed that this often still left hurdles in place, such as the distance to bank branches and men stepping in when it comes to women attending a more formal setting such as a bank branch. In effect, often the money did not end up in the hands of women. Direct disbursement onto accounts linked to a woman's cell phone, however, remains confidential and under the control of the female recipient.⁹⁶

DIGITIZING WAGES



Image by Maruf Rahman/Pixabay

Bangladesh's garment sector is a prominent example with 90 percent of its 4.5 million workers being women. It has been a key focus for Bangladesh Bank's push for closing gender gaps that were catalyzed by the pandemic. By November 2019, one-third of garment workers had seen their wages digitized. In 2020, another 2.5 million (56 percent) were included, achieving the pre-COVID target of 90 percent wage digitization, ahead of time. In factories that participated, financial inclusion went from around 20 percent to 98 percent. This outreach allowed Bangladesh Bank swiftly supported these women's

⁹² AFI member interview, BB, November 2021.

⁹³ Ibid.

⁹⁴ For instance, A2I's report with practical suggestions on "Accelerating G2P Payment Digitisation". Available at: <https://a2i.gov.bd/wp-content/uploads/2022/08/Accelerating-G2P-Payment-Digitization-Lessons-from-the-field.pdf>

⁹⁵ member interview in writing, BB, November 2021.

⁹⁶ Ibid.

income, to help their households stay out of poverty during periods of lockdown. The government disbursed support to a total of around five million workers via mobile finance.

Similar initiatives are now being developed for Bangladesh's garment sector, in response to growing evidence that women's financial inclusion benefits both factory owners (break-even point estimated at less than four months) and female workers who saved money on their (so far, in-cash) person-to-person payments.

There is compelling evidence that Bangladesh's gender gap – one of the world's largest by the time of the 2017 Findex survey – has now reduced due to the digitization drive. Women's access to mobile finance accounts had been growing twice as fast as men's and likely left women in a better position to weather the economic shock. After cleaning of inactive accounts in 2021, almost 50 million women's mobile accounts stood alongside 58 million accounts held by men. As a result of this positive momentum, over the next decade, women and men are forecast to continue the upward trend, doubling women's financial inclusion to around 70 percent by 2030.



Wage digitization has been a key policy objective for the Bangladesh Bank even before the pandemic. This has been especially relevant in the garment sector which has 4.5 million workers, 90 percent of which are women.

By 2019, one-third of the workers employed in Bangladesh's sizeable garment sector had seen their wages digitized. In 2020, another 2.5 million workers were included, achieving the pre-COVID target of 90 percent wage digitization earlier than expected.

Participating factories have seen their financial inclusion rates increase from around 20 percent to 98 percent. This outreach allowed Bangladesh during the lockdown of factories to swiftly support these women's income to help their households stay out of poverty.

From 2015 to 2019, the Digital Wages Program, supported by the Bill & Melinda Gates Foundation and three implementing partners (Change Associates, Mamata, and Young Power in Social Action), helped 64 garment factories and more than 100,000 workers transition to digital wages, most of whom are

women.⁹⁷ More recently, government actions to shore up the garment industry during the COVID-19 pandemic catalyzed further digitization and increased women's account ownership. Such efforts have yielded bottom-line benefits for the companies themselves. The evidence suggests that wage digitization leads to increased account usage and savings, and greater financial capability.⁹⁸

For financial inclusion, it mattered that sector-wide support to export-oriented manufacturing (especially ready-made garments) included components that built on the success of wage digitization. Instead of exclusive support to employers, salary support for employees, affected by the lockdown, had a particular GIF aspect as most of these workers are women. Bangladesh Bank reported two million new accounts and disbursed livelihoods-protection payments to around five million.⁹⁹

In Bangladesh, the success of wage digitization was built on the presence of strong DFS providers like bKash that banks such as DBBL as trusted partners to corporate clients were able to work with. With this combination, 245 factories signed up for wage digitization with DBBL's "Rocket" payroll account.

In the context of a pandemic, wage digitization through a gender lens may even have particular importance for low-income countries. The ability to reliably pay critical workers in healthcare, infrastructure, and emergency response is a foundational capacity for deploying and sustaining non-financial crisis response policies. Sierra Leone's government was able to digitize 30,000 health worker payments within two weeks during the 2014 Ebola outbreak, saving USD 10.7 million over 13 months.¹⁰⁰ Once achieved, wage digitization creates new capabilities for crisis response policies: it provides the basis in terms of data and channels for liquidity support to be rolled-out to formal sector employees by way of ad-hoc wage support or furlough schemes, as Bangladesh has undertaken during the crisis.

97 HERProject. 2020. HERProject 2020 Highlights. Available at: <https://highlights.herproject.org/>

98 Breza, Emily, Kanz, Martin & Klapper, Leora F. 2020. Learning to Navigate a New Financial Technology: Evidence from Payroll Accounts. The National Bureau of Economic Research. Available at: <https://www.nber.org/papers/w28249>

99 AFI member interview in writing, BB, November 2021.

100(Better Than Cash Alliance 2016); and (Goodwin-Groen et al. 2020)

SECURING DFS UPTAKE

In Bangladesh, an update of mobile finance accounts in April 2021, based on activity, saw a downward correction by eight percent.¹⁰¹ Such effects are to be expected during a rapid growth period, but they also indicate that there is no room for policymakers to bailout DFS growth trends boosted by the crisis. It is not a foregone conclusion that users will not revert to cash without a policy focus.

Where financial inclusion initiatives have a specific gender-lens, the need for the preparation of clients, onboarding, and support in adopting active use, is often recognized more easily. Recently, drive to digitize wage payments in Bangladesh, explicit attention was given to training these workers and helping them gain knowledge and confidence about digital financial transactions. Merely opening accounts and transferring their wages in cashless format was insufficient for these women to benefit from digital payroll. Learning sessions about the safe use of DFS, group-visits to cash-out points, and planning their daily schedule to include time for such interactions with agents were important in seeing continued adoption. The involved FSPs bKash (by BRAC) and DBBL Rocket (by Dutch-Bangla Bank) saw the benefits in improved uptake and usage. Bangladesh Bank shares this sense of the importance of awareness and practical literacy on everyday financial tools and sees it as key to achieving women's financial inclusion, especially in a challenging social norms context.¹⁰²



Image by Maruf Rahman/Pixabay

Active in Cambodia and 15 other countries, HERProject led by the Business for Social Responsibility (BSR), a corporate social responsibility initiative of global brands, a wide range of open-source materials, including posters, videos and tech tools in local languages have been developed specifically reflecting the concerns and constraints faced by female workers in the garment sector. Hands-on advice on savings, budgeting and wage spending helps ensure that DFS are not just used but benefit the financial resilience and health of each woman, and her family.¹⁰³

Beyond non-financial services like awareness building and training, getting the DFS ecosystem to evolve in ways that feel relevant to women is a key aspect for retaining and entrenching (newly shaped) habits. Bangladesh Bank describes its aspiration as “create a digital lifestyle for the full segment population to discourage cashing out”.¹⁰⁴

Accordingly, merchant acceptance and digital access points near (rural) population centers and the ease-of-use of digital interfaces to handle one's finances constitute the respective focus areas.¹⁰⁵

101 Bangladesh Bank, Mobile Financial Services statistics Q3/2021.

102 AFI member interview in writing, Bangladesh Bank, November 2021.

103 Klapper, Requejo and Svarer. 2021. More information about the HERProject. Available at: <https://herproject.org/>

104 AFI member interview in writing, Bangladesh Bank, November 2021.

105 Ibid.

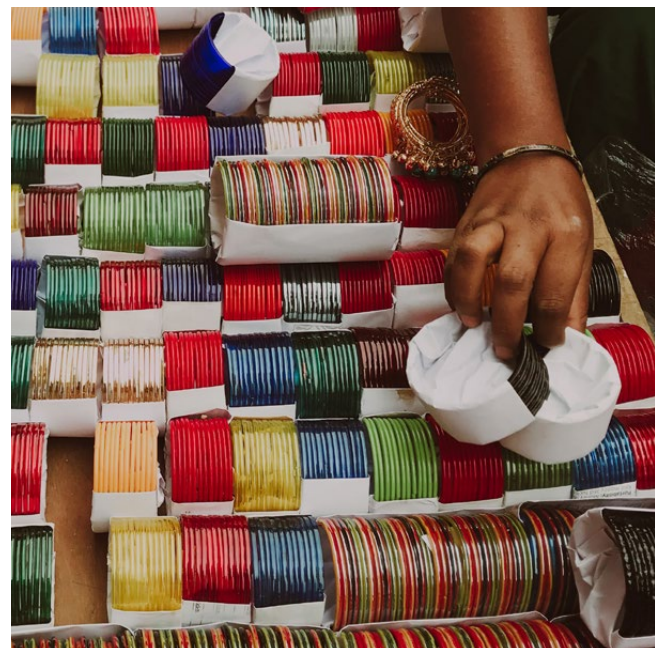


Image by Redowana Rashid Hridy/Unspalsh

CONCLUSION

Using pre-pandemic data, Bangladesh already presents an example of how gender-intentional policies can help to invert the previous expansion of financial inclusion gaps, even in very large countries.¹⁰⁶

Built up of a dense network of service outlets for digitally enabled solutions is key in predominant cash-based economies. Bangladesh built one of the world's most extensive networks - which was already nearly 1 million strong, i.e. one agent for some 115 adults at the start of the pandemic.

Alongside mobile finance with more emphasis on self-service and the limited support that agents may supply, Bangladesh has demonstrated its potential for agency banking. Its higher capacity for assisting clients throughout the initial stages may resonate particularly well with women, as demonstrated by their overproportioned growth of clients.

Bangladesh's experience may indicate that this model (which also after seeing success in Brazil had been replicated in many Latin American economies as well as in India) has not lost its relevance with the emergence of mobile financial services. Especially in the initial stages, until women (and men), have become fully confident in their ability to use self-service channels.¹⁰⁷

Wage digitization as a lever for boosting financial inclusion may not be equally viable in other emerging markets and often would not involve as strong an aspect of women's financial inclusion as it did in this garment sector. Nonetheless, the experience in Bangladesh highlights the potential for private sector-led initiatives to catalyze public sector development objectives.

The international peers of Bangladesh Bank have an opportunity to mobilize their respective industries which have formal structures but informal, cash-based practices to contribute to overall financial inclusion. This can happen by providing a conducive setting for such initiatives, and possibly supporting them actively with performance-linked incentives or simplified KYC and onboarding processes, to enhance the overall viability of serving these low-income populations by keeping the upfront costs as low as possible. With local and international stakeholders whose agendas overlap with such wage digitization, the role of the public sector can be as a facilitator while focusing on actively shaping interventions in other areas.

If such wage digitization also extends to critical facilities in healthcare, education, infrastructure order emergency services (the former often with very many female employees), the country builds up important resilience capacities for crises that do disrupt everyday life.

As the experience of Bangladesh, and that of an increasing number of AFI members¹⁰⁸ during the pandemic indicates, digitization of social transfer payments can be a powerful catalyst for GIF. Even for countries like Bangladesh are marked by very low labor force participation of women, this tool can reach a large scale of beneficiaries and makes it easy to justify a focus on women (either as individual beneficiaries due to certain aspects of vulnerability or as financial managers of the household likely to make pro-social spending choices).

¹⁰⁶ CCX analysis based on Global Findex data from 2011, 2014, 2017, and 2021. For Bangladesh, the gender gap shrank from 29 to 19 percent between 2017 and 2021, for Pakistan from 28 to 15 percent, for Nigeria, from 24 to 20 percent, and for Egypt from 12 to six percent (though Findex figures fall well short of local supply-side figures).

¹⁰⁷ The experience of East Africa's leading mass-market bank Equity Bank is indicative in that up to the pandemic agency banking operations were still increasing and mobile transactions had only overtaken those of the assisted agency channel in 2015, eight years after the launch of M-Pesa and a time when more than 70 percent of Kenyan adults were already using MFS: <https://tinyurl.com/222t884z>.

¹⁰⁸ See also the respective case studies on Paraguay and Fiji, as well as experiences such as the "Novissi" G2P program for informal workers launched quickly in Togo.

ACRONYMS

ATM	Automated Teller Machine
BB	Bangladesh Bank
BSB	Business For Social Responsibility
CGS	Credit Guarantee Scheme
CIB	Credit Information Bureau
CMSME	Cottage, Micro, Small, And Medium-Sized Enterprises
DFS	Digital Financial Services
eKYC	Electronic Know-Your-Customer
FinTech	Financial Technology
G2P	Government-to-person
GDP	Gross Domestic Product
GNI	Gross National Income
IDRA	Insurance Development & Regulatory Authority
MF-CIB	Microfinance Credit Information Bureau
MRA	Microcredit Regulatory Authority
MSF	Mobile Financial Services
MSME	Micro, Small, and Medium-sized Enterprises
NGO	Non-Governmental Organization
RFFO	Regulatory FinTech Facilitation Office
USD	United States Dollars
WSME	Women-led Small and Medium-sized Enterprises

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BANGLADESH COUNTRY SNAPSHOT

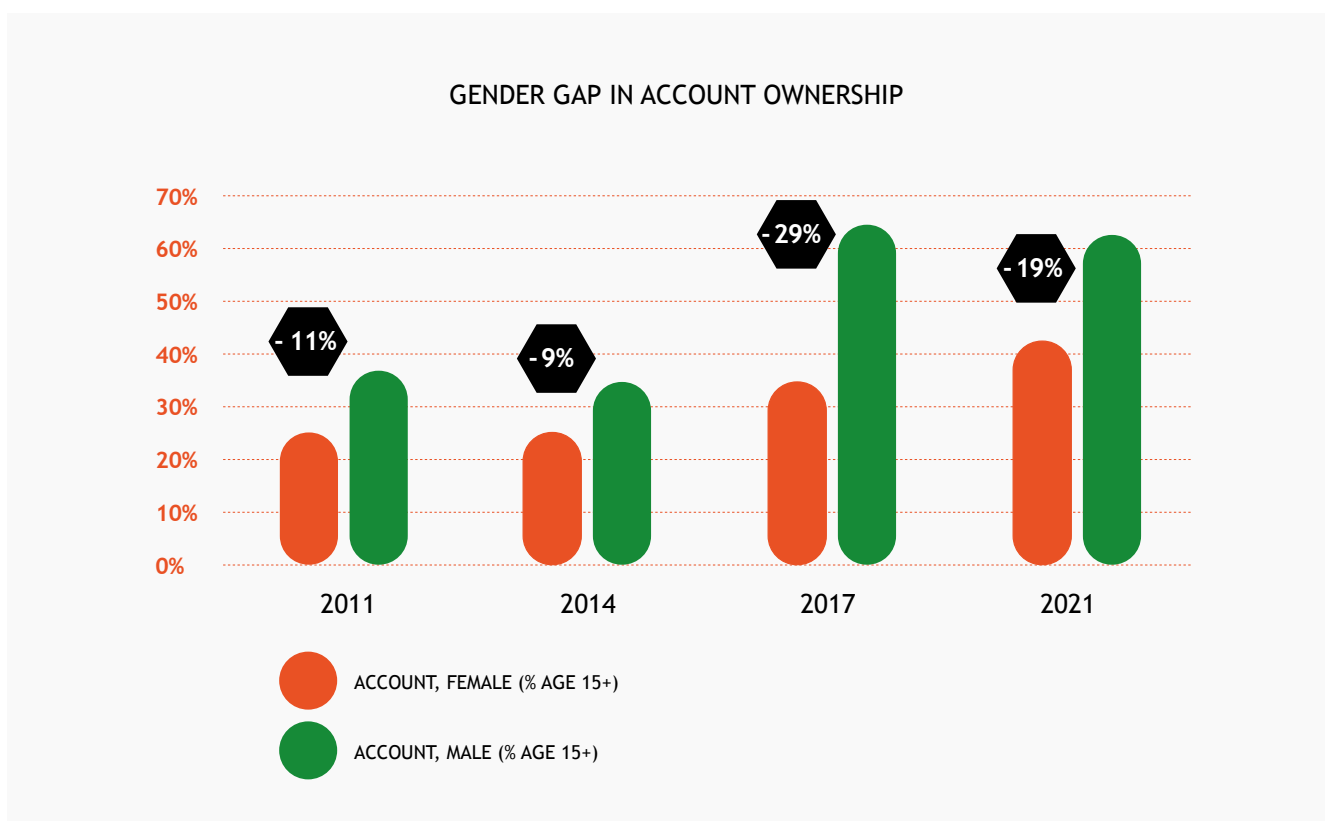
FIGURE 4. POPULATION & SOCIAL DEVELOPMENT

POPULATION (TOTAL)	166,303,494	GDP GROWTH (ANNUAL PERCENT)	6.19%
LIFE EXPECTANCY	72.8 years	POVERTY GAP AT USD 1.90 A DAY (2011 PPP) (PERCENT)	2.60%
HDI RANK	129 of 189	SOCIAL INSTITUTIONS AND GENDER INDEX (SIGI)	54.80%
LANGUAGES	Bengali	URBAN POPULATION (PERCENT OF TOTAL POPULATION)	39%

FIGURE 5. ECONOMY

GNI PER CAPITA (PPP)	USD 6,960	TAX REVENUE (PERCENT OF GDP)	10.2%
STATUS	Lower-middle	GOVERNMENT EXPENDITURE (PERCENT OF GDP)	15%
GINI INDEX (WORLD BANK ESTIMATE)	32.4	MANUFACTURING, VALUE ADDED (PERCENT OF GDP)	21%
PERCENT SME FEMALE OWNED	7.2%	EASE OF DOING BUSINESS RANK	168 of 190

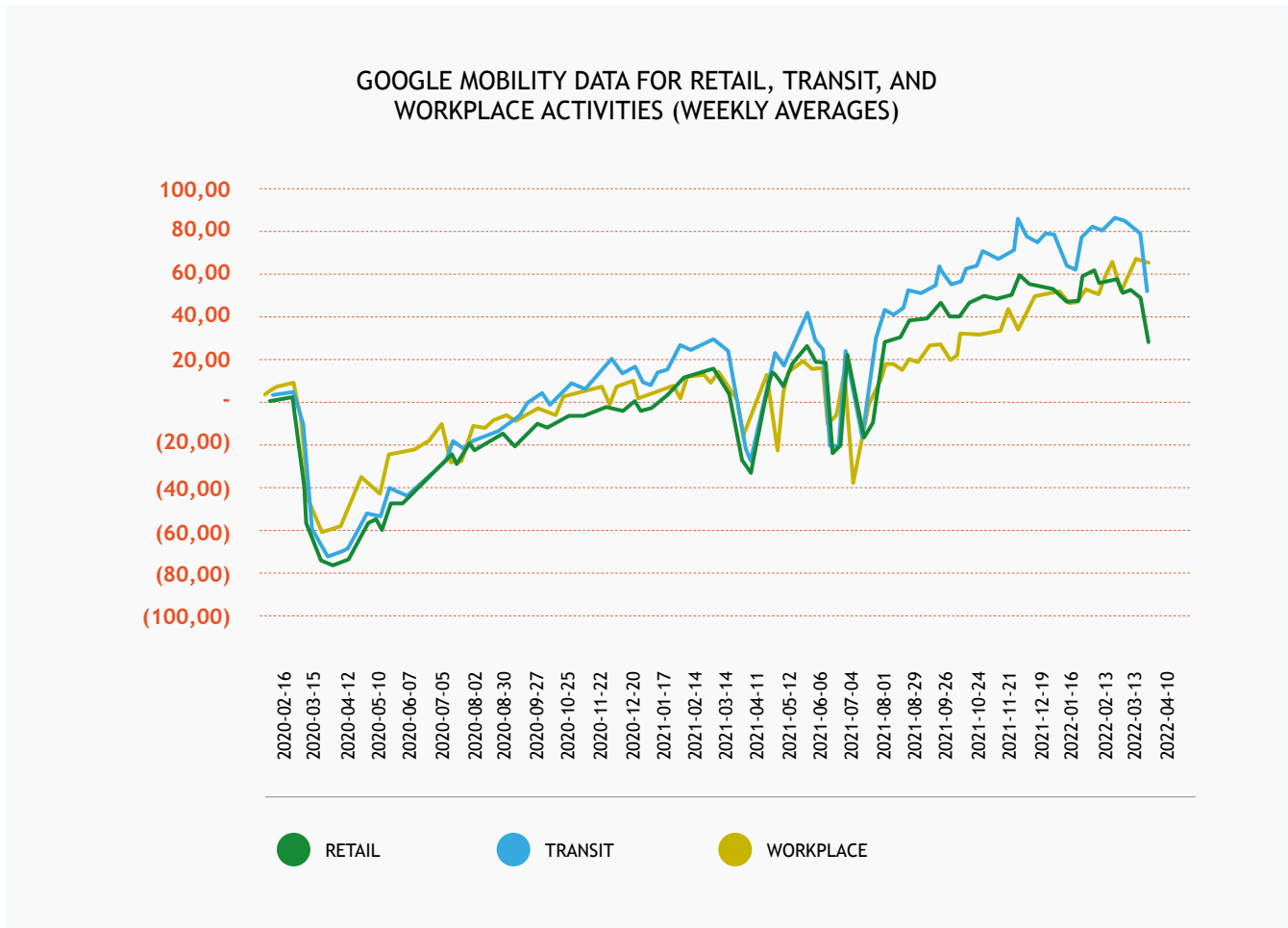
FIGURE 6. FINANCIAL INCLUSION



COVID-19 IMPACT

Google mobility data shows activity changes in several public settings (e.g., shops, restaurant, workplaces, parks, etc.) compared to a median value baseline for the corresponding day of the week, during the five-week period of 3 January to 6 February 2020.

FIGURE 7. GOOGLE MOBILITY DATA



Data on cases and vaccination rates are published on the [Our World in Data](#) database.

FIGURE 8. DAILY NEW CONFIRMED COVID-19 CASES PER MILLION PEOPLE

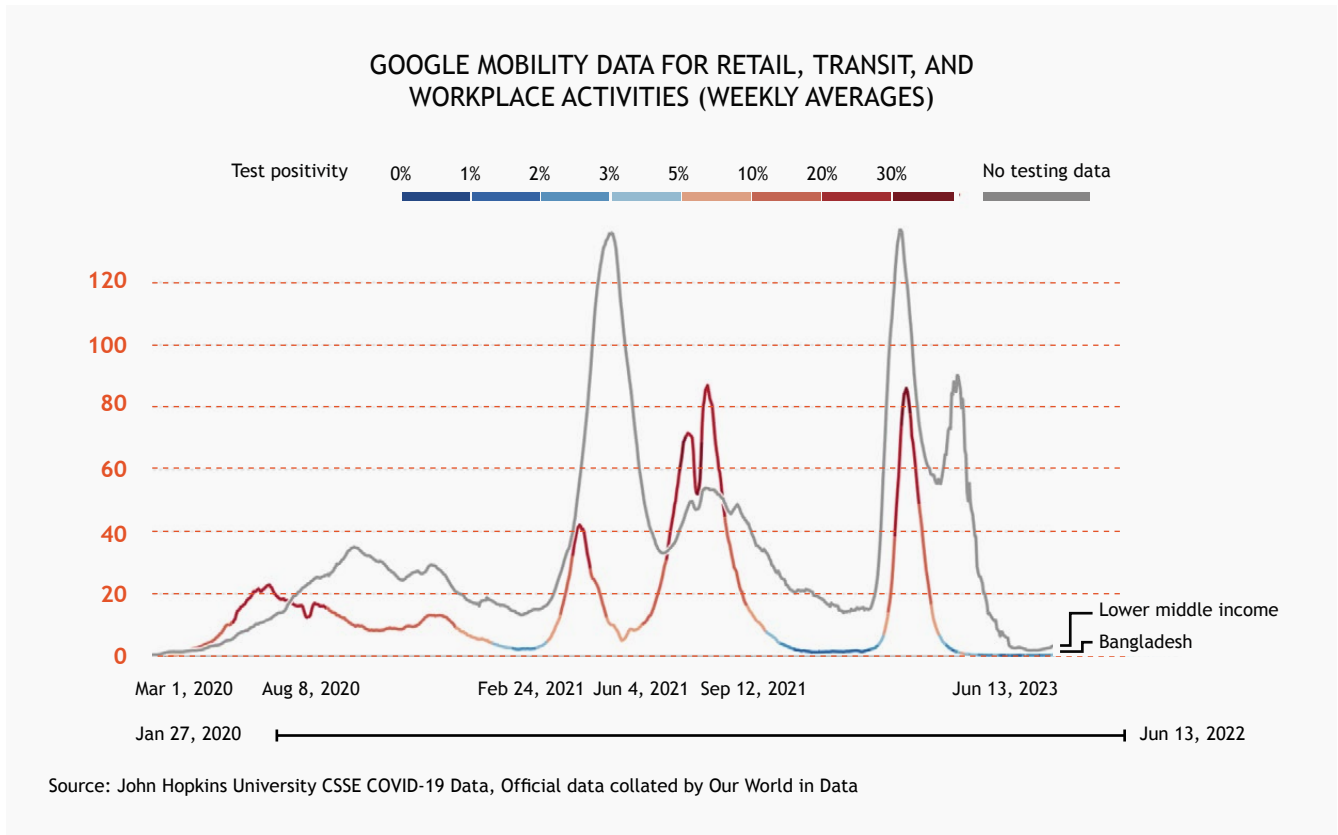
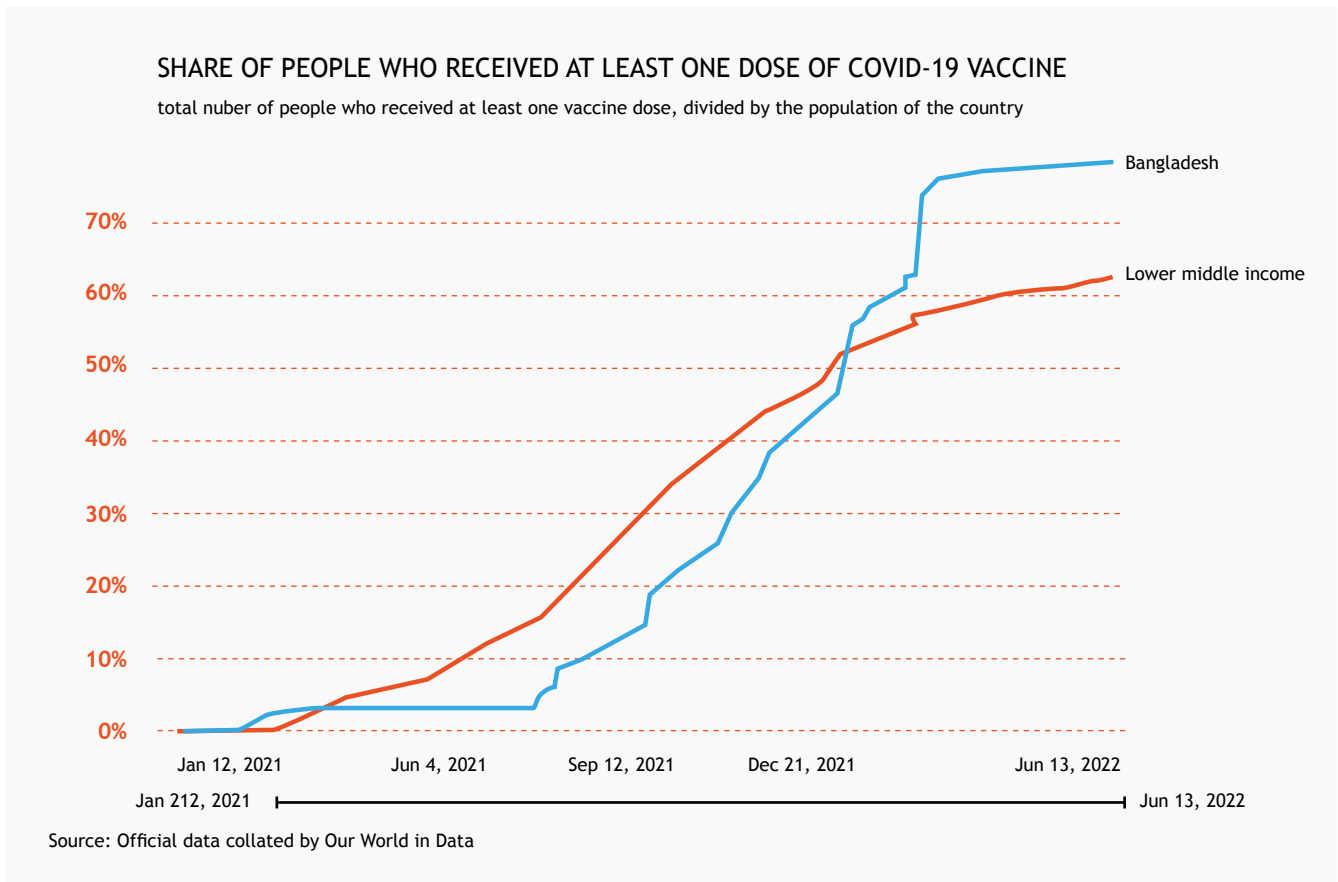


FIGURE 9 COVID-19 STATISTICS ON PEOPLE WHO RECEIVED AT LEAST ONE DOSE OF VACCINE



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