FINANCIAL INCLUSION insights
APPLIED RESEARCH FOR digital financial inclusion

BANGLADESH

STEPS TOWARD FINANCIAL INCLUSION 2014 (WAVE 2)
The Financial Inclusion Insights (FII) program responds to the need identified by multiple stakeholders for timely, demand-side data and practical insights into digital financial services (DFS), including mobile money, and the potential for their expanded use among the poor.

The FII team conducts regular survey and qualitative research in Kenya, Tanzania, Uganda, Nigeria, India, Pakistan, Bangladesh and Indonesia to:

• **Track access to and demand** for financial services generally, and the uptake and use of DFS specifically;
• **Measure adoption and use** of DFS among key target groups (females, BOP, rural, unbanked, etc.);
• **Identify drivers and barriers** to further adoption of DFS;
• **Evaluate the agent experience** and the performance of mobile money agents; and
• **Produce actionable, forward-looking insights** to support product and service development and delivery, based on rigorous FII data.

The FII program is managed by InterMedia. Visit the FII Resource Center to learn more: [www.finclusion.org](http://www.finclusion.org).
## CONTENTS

1. Digital Financial Inclusion Background 4
2. Executive Summary 8
3. Context: Who is the Demand-Side Consumer? 16
4. Financial Behavior 22
5. Financial Service Providers 27
6. Mobile Financial Services 32
7. Banks 45
8. Nonbank Financial Services 49
9. Methodology and Research Description 53
10. Glossary 55
DIGITAL FINANCIAL INCLUSION BACKGROUND
Country context

• In 2011, Bangladesh Bank, the country’s central bank, issued Mobile Financial Services (MFS) Guidelines defining a model in which MFS must be bank-led, but partnerships with MNOs are forged to reach customers.
  – Two MFS providers have emerged as early leaders: BRAC/bKash and Dutch Bangla-Bank/DBBL.

• Financial inclusion is part of the central bank’s strategic plan, and it aims to ensure these products meet the needs of the traditionally underserved segments of society. Priorities include:
  – Expanding access to financial services to women, poor and rural populations.
  – Formalizing financial services by promoting registered transactions (versus the current majority use of over-the-counter services).

• With four decades of history in the country, microfinance institutions (MFIs) play a significant role in the Bangladesh financial services market. Grameen Bank alone provided loans to 8.4 million borrowers in 2013, 96 percent of whom were women. MFIs focus on the poor, and have evolved to offer not only microcredit, but also savings and other financial services, bringing many otherwise excluded groups into the formal financial sector.

Sources: IFC Mobile Money Scoping Country Report: Bangladesh (http://www.ifc.org/wps/wcm/connect/c5a33c80407b90ef90b990edd0ee9e33/Bangladesh+Scoping+Report+051513_final_publication.pdf?MOD=AJPRES); Beyond Profit: A Talk with Muhammad Yunus (http://opinionator.blogs.nytimes.com/2013/04/17/beyond-profit-a-talk-with-muhammad-yunus/?_php=true&_type=blogs&r=0)
2014 – Updates to agent and mobile banking service regulations

• Since the previous survey (2013), agent banking regulations were released in December 2013 and Bangladesh Bank made amendments in March 2014. These amendments limited customers to four transactions a day – two withdrawals and two deposits – and put a cap of Tk25,000 per transaction. Initially, transactions were required to take place outside municipalities but, in June 2014, the central bank changed its stance and began allowing these to be conducted in municipal areas as well as outside of them.

• In February 2014, the National Board of Revenue (NBR) requested organizations involved with mobile banking services to pay a 10 percent tax-at-source from money earned through commissions, fees, etc.
Supply-side availability

As the intermediaries between financial service providers and vulnerable groups in many parts of the country, agents play an important role in financial inclusion. Bangladesh Bank statistics show staggering growth in the number of mobile money agents, from 9,093 in March 2012 to 414,170 in June 2014.

- However, the number of accounts and value of transactions plateaued, implying smaller transaction values and therefore lower potential profits for agents.
- Proximity to agents is less of an issue considering the dense landscape. Service providers’ concerns over profitability and costs, consumers’ technical literacy, and trust in financial institutions are all equally if not more imposing barriers than proximity.

<table>
<thead>
<tr>
<th>Description</th>
<th>March 2012</th>
<th>December 2013</th>
<th>June 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of agents</td>
<td>9,093</td>
<td>188,647</td>
<td>414,170</td>
</tr>
<tr>
<td>Number of registered accounts (million)</td>
<td>0.4</td>
<td>13.2</td>
<td>16.7</td>
</tr>
<tr>
<td>Number of active accounts (million)</td>
<td>NA</td>
<td>6.5</td>
<td>6.7</td>
</tr>
<tr>
<td>Total transactions ($, million)</td>
<td>$25.9</td>
<td>$857.4</td>
<td>$1,100.1</td>
</tr>
</tbody>
</table>

Table 2: Mobile financial services

Source: Bangladesh Bank
EXECUTIVE SUMMARY
KEY INSIGHTS

Mobile money is contributing to greater financial inclusion in Bangladesh.

Nearly four in 10 Bangladeshis are financially included, bolstered by growth in registered mobile money usage.

Mobile money usage is static overall, but a greater percentage are now registered vs. 2013. Growth in registration is mostly among men, urbanites and those above the poverty level.

Bank and nonbank financial institution account usage is static.

The keen desire for customer assistance with mobile money is potentially keeping OTC the primary method of transaction.

Even with registration growth, the vast majority still make OTC mobile money transactions.

Users want the hand-holding that comes with face-to-face contact.

Registered mobile money users often use mobile money services OTC for a period of time before registering.

Although not as stark as other markets in South Asia, the nation’s gender gap is still pronounced.

The benefits of mobile money account ownership are unknown or not recognized.

Many do not see the value or think they can have all the services they need through OTC.

Opportunities:

More so than motivating mobile money usage, there’s a need for motivating registration by explaining how it enables consumers, and how they can still attain the desired personal assistance from agents.

There hasn’t been as much of an increase in registered mobile money usage among women, rural and lower income groups, suggesting more targeted efforts are needed to build comfort and broaden use.
KEY INSIGHTS

MFI are the most prevalent form of nonbank financial institutions in Bangladesh and a key component of financial inclusion.

• Most MFIs in the market offer Bangladeshis savings and other financial services in addition to credit.
• MFI customers are more likely to be women, rural and below the poverty line, compared with bank and mobile money customers.
• A large majority of MFI account holders do not have access to other sources of financial services.

Digital access – 15 percent of Bangladeshis have digital access to a financial account.

• Approximately half of bank account holders have some form of digital access to their accounts.
• Only about 10 percent of MFI account holders can access their accounts digitally.

Opportunity:

Because of the high prevalence of MFIs, particularly among the underserved, a push towards digitizing MFI accounts could help a substantial number of Bangladeshis gain digital access to finance.
KEY INSIGHTS

A collection of life factors, including lifestyle, employment and economic need influence financial behaviors, suggesting that opening, using accounts is more purposeful and driven by need.

- Nearly all financial support for those without their own source of income comes from the family.
- This may partially explain the prevalence of P2P transfers and popularity of OTC mobile money services for that purpose.

Life factors present financial challenges and create vulnerability. It’s a struggle to cover monthly bills and have any money left over, and lack of employment leads to dependency on family members for income. Desire to invest or go to school requires a loan. There likely isn’t any type of reserve in case of emergency, sometimes monthly income does not cover expenses. Yet there is still a desire to make smart financial decisions.

- Those that do have money left over at the end of the month, save it.
- Approximately one-quarter of Bangladeshis are currently repaying at least one loan, most commonly in order to invest in a business.

Digital skills building could help increase financial inclusion through greater registered mobile money use, suggesting there is value in building knowledge, comfort.

- There’s a positive correlation between technical skill and feelings of empowerment related to mobile phones and use of registered mobile money suggesting technical barriers still stand in the way of mobile money registration for many.

Opportunity:

Recognizing the purpose users open and register accounts, and understanding their financial goals and aptitudes can help identify methods for recruiting new, registered users and, with that, include more Bangladeshis in the financial system.
HIGHLIGHT: Nearly 40 percent of all Bangladeshi adults are financially included

- **37%** of adult Bangladeshis are financially included
  - **20%** have nonbank financial institution accounts (including MFI, excluding credit only)
  - **18%** have bank accounts
  - **5%** have registered mobile money accounts

Nonbank and bank have near equal shares

Smaller, but growing contribution (up 2 percentage points vs. 2013).

Overlap representing those who have multiple kinds of financial accounts is not shown.

Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-August 2014.
BANGLADESH

HIGHLIGHT: Over 15 percent of Bangladeshis have digital access to their financial accounts

- 15% Have digital financial accounts
- 10% Have digital bank accounts
- 5% Have registered mobile money accounts
- 2% Have digital nonbank financial institution accounts (excluding credit only)

Banks accounts are more likely to be digitally accessible, vs. nonbanks

Overlap representing those who have multiple kinds of financial accounts is not shown.

*Digital accounts are those that can be accessed through ATM/Debit cards, online or through mobile phones.

Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-August 2014.
HIGHLIGHT: Access and use of bank accounts is static, mobile money access and use increased

<table>
<thead>
<tr>
<th>Banks</th>
<th>Access to a bank account</th>
<th>20% 20%</th>
<th>18% 18%</th>
<th>12% 12%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bank account holders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Active bank account holders</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mobile money</th>
<th>Access to an MM account</th>
<th>22% 23%</th>
<th>3% 5%</th>
<th>3% 4%</th>
<th>19% 18%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Registered MM account holders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Active registered MM account holders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>OTC MM</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

-Suggests recent push for account registration may be resonating with consumers.

OTC MM = users whose financial access is limited to over-the-counter mobile money use.
Red text indicates statistically significant differences at the 95% confidence interval.
Source: InterMedia Bangladesh FII Tracker survey (N=6,000, 15+) Wave 1 September-November 2013; Wave 2 June-August 2014.
### Cross Country Indicators (Bangladesh)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2014 Wave 2</th>
<th>Base n</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of adults (15+) access to digital financial services</td>
<td>30%</td>
<td>6,000</td>
</tr>
<tr>
<td>% of adults (15+) with a registered digital stored-value accounts</td>
<td>15%</td>
<td>6,000</td>
</tr>
<tr>
<td>% of adults (15+) with active digital stored-value accounts</td>
<td>11%</td>
<td>6,000</td>
</tr>
<tr>
<td>% of adults (15+) below the poverty line (&lt;$2/day) with active digital stored-value accounts</td>
<td>9%</td>
<td>4,499</td>
</tr>
<tr>
<td>% of males (15+) with active digital stored-value accounts</td>
<td>15%</td>
<td>2,889</td>
</tr>
<tr>
<td>% of females (15+) with active digital stored-value accounts</td>
<td>7%</td>
<td>3,111</td>
</tr>
<tr>
<td>% of rural males (15+) with active digital stored-value accounts</td>
<td>11%</td>
<td>2,000</td>
</tr>
<tr>
<td>% of rural females (15+) with active digital stored-value accounts</td>
<td>5%</td>
<td>2,032</td>
</tr>
<tr>
<td>% of adults (15+) who actively use at least one digital financial service beyond basic wallet, P2P and bill pay payments</td>
<td>2%</td>
<td>6,000</td>
</tr>
<tr>
<td>% of adults (15+) below the poverty line (&lt;$2/day) who actively use at least one digital financial service beyond basic wallet, P2P and bill pay payments</td>
<td>2%</td>
<td>4,499</td>
</tr>
<tr>
<td>% of males (15+) who actively use at least one digital financial service beyond basic wallet, P2P and bill pay payments</td>
<td>2%</td>
<td>2,889</td>
</tr>
<tr>
<td>% of females (15+) who actively use at least one digital financial service beyond basic wallet, P2P and bill pay payments</td>
<td>2%</td>
<td>3,111</td>
</tr>
<tr>
<td>% of rural males (15+) who actively use at least one digital financial service beyond basic wallet, P2P and bill pay payments</td>
<td>2%</td>
<td>2,000</td>
</tr>
<tr>
<td>% of rural females (15+) who actively use at least one digital financial service beyond basic wallet, P2P and bill pay payments</td>
<td>2%</td>
<td>2,032</td>
</tr>
<tr>
<td>% of adults (15+) who use mobile money (OTC or their own account)</td>
<td>23%</td>
<td>6,000</td>
</tr>
</tbody>
</table>
CONTEXT:
WHO IS THE DEMAND-SIDE CONSUMER?
The Bangladeshi population is young, concentrated in rural areas and largely lives under the poverty line

<table>
<thead>
<tr>
<th>Demographic</th>
<th>% of Survey (N=6,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>51%</td>
</tr>
<tr>
<td>Female</td>
<td>49%</td>
</tr>
<tr>
<td>Urban</td>
<td>32%</td>
</tr>
<tr>
<td>Rural</td>
<td>68%</td>
</tr>
<tr>
<td>Above the $2.50/day poverty line</td>
<td>26%</td>
</tr>
<tr>
<td>Below the $2.50/day poverty line</td>
<td>74%</td>
</tr>
<tr>
<td>Ages 15-24</td>
<td>30%</td>
</tr>
<tr>
<td>Ages 25-34</td>
<td>26%</td>
</tr>
<tr>
<td>Ages 35-44</td>
<td>19%</td>
</tr>
<tr>
<td>Ages 45-54</td>
<td>12%</td>
</tr>
<tr>
<td>Ages 55+</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-August 2014. Figures are weighted to reflect national census data demographics.
Four in 10 are employed, and the workforce consists primarily of men

**Employment Demographics**
(Shown: Percentage of each demographic group who has a job)

<table>
<thead>
<tr>
<th>Category</th>
<th>Total (N=6,000)</th>
<th>Male (n=2,889)</th>
<th>Female (n=3,111)</th>
<th>Urban (n=1,968)</th>
<th>Rural (n=4,032)</th>
<th>Above poverty line (n=1,501)</th>
<th>Below poverty line (n=4,499)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>42%</td>
<td>75%</td>
<td>8%</td>
<td>43%</td>
<td>41%</td>
<td>36%</td>
<td>44%</td>
</tr>
</tbody>
</table>

Red text indicates statistically significant differences at the 95% confidence interval.

Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-August 2014.
Many unemployed receive financial support from family members, vs. government

The unemployed: Source of money for daily expenses
(Shown: Percentage of unemployed adult Bangladeshis, n=3,481)

<table>
<thead>
<tr>
<th>Source of Money</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers/upkeep money or in-kind support from a spouse</td>
<td>55%</td>
</tr>
<tr>
<td>Transfers/upkeep money or in-kind support from parents</td>
<td>23%</td>
</tr>
<tr>
<td>Transfers/upkeep money or in-kind support from a child (children)</td>
<td>12%</td>
</tr>
<tr>
<td>Student scholarship</td>
<td>.4%</td>
</tr>
<tr>
<td>Government pension</td>
<td>.4%</td>
</tr>
<tr>
<td>Pension from a non-government agency</td>
<td>.4%</td>
</tr>
</tbody>
</table>

Employment rate
(Shown: Adult Bangladeshis, N=6,000)

- Employed: 42%
- Unemployed: 58%

Potential explaining the popularity of mobile money for its P2P transfer services.

Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-August 2014.
Access to mobile phones is ubiquitous, and a majority own, not borrow; the exception is gender where a large ownership gap exists.

Mobile phone ownership by demographic group
(Shown: Percentage of each demographic group who own/borrow a mobile phone)

<table>
<thead>
<tr>
<th>Demographic Group</th>
<th>Borrow a mobile phone</th>
<th>Own a mobile phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (N=6,000)</td>
<td>36%</td>
<td>61%</td>
</tr>
<tr>
<td>Male (n=2,889)</td>
<td>22%</td>
<td>76%</td>
</tr>
<tr>
<td>Female (n=3,111)</td>
<td>50%</td>
<td>46%</td>
</tr>
<tr>
<td>Urban (n=1,968)</td>
<td>26%</td>
<td>71%</td>
</tr>
<tr>
<td>Rural (n=4,032)</td>
<td>40%</td>
<td>56%</td>
</tr>
<tr>
<td>Above poverty line (n=1,501)</td>
<td>25%</td>
<td>73%</td>
</tr>
<tr>
<td>Below poverty line (n=4,499)</td>
<td>39%</td>
<td>57%</td>
</tr>
</tbody>
</table>

Red text indicates statistically significant differences at the 95% confidence interval.
Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-August 2014.
Mobile phones are primarily for calls, but over one-third use at least one other feature, showing some signs of developing technical literacy.

34% made a call and used at least one other possible function of a mobile phone in the past 90 days; the majority of this group did not require assistance.

**Mobile phone uses in the past 90 days**
(Shown: Percentage of adult Bangladeshis with access to mobile phones, n=5,789)

Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-August 2014.
FINANCIAL BEHAVIOR
Many Bangladeshis are financially vulnerable

- 85% have debts that exceed their savings
- 57% are unable to earn more than they spend each month
- 79% had no money left over last month after paying all expenses
- 91% did not have an emergency fund to cover unplanned expenses

Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-August 2014.
Few Bangladeshis have any discretionary funds, but the majority of those who do tend to save this money.

What did you do with any money left over after paying expenses last month?
(Shown: Percentage of persons who had surplus money after paying all expenses in the prior month, n=1,237)

- Saving money: 70%
- Repaying loans: 11%
- Sending money to other people, including sending regular support money, emergency support, gifts, etc.: 5%
- Investing: 6%
- Entertainment: movies, restaurants, sport shows, theater plays, restaurants: 2%
- Paying for insurance: 2%

Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-August 2014.
One in four Bangladeshis are currently repaying loan debt

**Number of loans in repayment**  
(Shown: Bangladeshi adults, N=6,000)

- None, 75%
- 2 or 3, 5%
- More than 3, 1%
- 1, 19%

**Loans by urban/rural**  
(Shown: Percentage of demographic group who have loans)

- Total (n=6,000)
  - 25%
- Urban (n=1,968)
  - 18%
- Rural (n=4,032)
  - 28%

*Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-August 2014.*
Loans tend to be used for investments or a necessity vs. discretionary uses

**Borrowers**
(Shown: Bangladeshi adults N=6,000)

- At least one loan: 75%
- No loans: 25%

**What did you use your loan for?**
(Shown: Percentage of persons who borrow money, n=1,576)

- Investment in business, farm or future, e.g., buying livestock, land, seeds, equipment and machinery, etc. 46%
- Routine purchases such as groceries and transportation 18%
- Medical payments, hospital charges 9%
- Make a large purchase, such as TV, car or bicycle, house, etc. 7%
- Emergency expenses 6%
- Educational expenses, school fees 3%
- Bills: utility bills, mobile phone and airtime, rent, taxes, etc. 1%

Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-August 2014.
FINANCIAL SERVICE PROVIDERS
MFIs and banks lead registered account use, even though overall use of mobile money is on par

<table>
<thead>
<tr>
<th>Use of financial services (Shown: Bangladeshi adults, N=6,000)</th>
<th>Registered financial service account use (Shown: Bangladeshi adults, N=6,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Money</td>
<td>Mobile Money</td>
</tr>
<tr>
<td>23%</td>
<td>5%</td>
</tr>
<tr>
<td>MFI</td>
<td>MFI</td>
</tr>
<tr>
<td>22%</td>
<td>20%</td>
</tr>
<tr>
<td>Bank</td>
<td>Bank</td>
</tr>
<tr>
<td>20%</td>
<td>18%</td>
</tr>
<tr>
<td>Cooperative</td>
<td>Cooperative</td>
</tr>
<tr>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Village level savings group</td>
<td>Village level savings group</td>
</tr>
<tr>
<td>0.9%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-August 2014.
Five percent of Bangladeshis have registered mobile money (MM) accounts, extending total financial inclusion to 37%; most MM use is still unregistered.

- **Bank/Nonbank only**: 32%
- **MM and bank/nonbank**: 3%
- **MM Only**: 2%
- **OTC only**: 11%

% of total population

**Nonbank** = Those with accounts at nonbank formal and semi-formal financial institutions, including MFIs, that offer services beyond credit.

**Both** = Those with a bank/nonbank account, and a registered mobile money account.

**OTC** = Users whose financial access is limited to “over-the-counter” digital payments.
It is more common for consumers to have digital access (credit, ATM, mobile, the internet) to financial services through bank accounts than nonbank financial accounts.

Digital access to bank accounts
(Shown: Bangladeshi adults, N=6,000)

Digital access to nonbank financial accounts
(Shown: Bangladeshi adults, N=6,000)

Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-September 2014.
A majority of bank account holders can access their accounts through some form of digital means

Digital bank account access
(Shown: Total population, N=6,000)

- Have digital access to a bank account
- Have a bank account without digital access
- Do not have a bank account

- More likely to be urban (53%) than rural (47%)

Digital access among bank account holders
(Shown: Active bank account holders, n=716)

- Digital bank account: 57%
- Offers debit/ATM or credit card: 44%
- Can be accessed via internet or mobile: 28%
- Can transfer money digitally: 27%

Digital bank accounts offer at least one of the following options: debit/ATM or credit cards, internet or mobile access, or a digital money transfer capability.

MOBILE FINANCIAL SERVICES
There’s greater awareness of bKash than the concept of mobile money, and many are unaware of the full range of available providers and services.

### Awareness of "mobile money" as a concept

- **Aware:** 36%
- **Unaware:** 64%

(Shown: Percentage of Bangladeshi adults, N=6,000)

#### Among those aware
- 100% are aware of at least one mobile money provider
- 34% have used mobile money
- 10% have registered mobile money accounts

### Awareness of at least one mobile money provider

- **Aware:** 91%
- **Unaware:** 9%

(Shown: Percentage of Bangladeshi adults, N=6,000)

#### Among those aware
- 39% are aware of the concept of mobile money
- 25% have used mobile money
- 6% have registered mobile money accounts

Most Bangladeshis refer to mobile money services in general as bKash.

*Categories are not mutually exclusive.*

*Source: InterMedia Bangladesh FII Tracker survey (N=6,000, 15+) Wave 2 June-August 2014.*
More people are now registered users of mobile money than in 2013; mobile money use overall is static

**Mobile money use**
(Shown: Total population, N=6,000)

Source: InterMedia Bangladesh FII Tracker survey (N=6,000, 15+) Wave 2 June-August 2014.
By division, registered mobile money is either static or increasing

<table>
<thead>
<tr>
<th>Wave</th>
<th>Total</th>
<th>Dhaka</th>
<th>Chittagong</th>
<th>Rajshahi</th>
<th>Rangpur</th>
<th>Khulna</th>
<th>Sylhet</th>
<th>Barisal</th>
</tr>
</thead>
<tbody>
<tr>
<td>MM Use</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>22%</td>
<td>23%</td>
<td>19%</td>
<td>17%</td>
<td>29%</td>
<td>25%</td>
<td>17%</td>
<td>32%</td>
</tr>
<tr>
<td>2014</td>
<td>23%</td>
<td>27%</td>
<td>18%</td>
<td>12%</td>
<td>27%</td>
<td>23%</td>
<td>16%</td>
<td>33%</td>
</tr>
<tr>
<td>Registered MM</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>3%</td>
<td>3%*</td>
<td>3%</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>2014</td>
<td>5%</td>
<td>6%*</td>
<td>3%</td>
<td>5%</td>
<td>7%</td>
<td>6%</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Total N</td>
<td>2013</td>
<td>6,000</td>
<td>2,008</td>
<td>1,152</td>
<td>704</td>
<td>672</td>
<td>664</td>
<td>416</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>6,000</td>
<td>2,016</td>
<td>1,144</td>
<td>696</td>
<td>680</td>
<td>664</td>
<td>416</td>
</tr>
</tbody>
</table>

- There is a statistically significant increase in registered mobile money use from 2013 in the Dhaka division.
- The use of mobile money services varied largely between provinces with the greatest gap being between Barisal (33%) and Rajshahi (12%).

*Red text indicates statistically significant differences at the 95% confidence interval.*

Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-August 2014.
Even with registration increasing, OTC use remains the dominant form of mobile money use

- While 5 percent now have registered mobile money accounts, mobile money services are used OTC by 18 percent of Bangladeshis.

- Among users of market leader bKash, 86 percent most commonly use the service OTC via an agent’s account.

Moving toward widespread registered use is a primary goal of financial inclusion advocates and mobile money providers alike. Registered accounts can potentially be used to access financial service offerings such as savings facilities and credit.

Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-August 2014.
Registered users are young, urban and have a bank account

<table>
<thead>
<tr>
<th>OTC users</th>
<th>Registered account holders</th>
</tr>
</thead>
<tbody>
<tr>
<td>70% are male</td>
<td>83% are male</td>
</tr>
<tr>
<td>36% live in urban areas</td>
<td>49% live in urban areas</td>
</tr>
<tr>
<td>59% have at least a secondary education</td>
<td>83% have at least a secondary education</td>
</tr>
<tr>
<td>26% have access to a bank account</td>
<td>46% have access to a bank account</td>
</tr>
<tr>
<td>27% are above the poverty line</td>
<td>44% are above the poverty line</td>
</tr>
<tr>
<td>61% are under 35 years of age</td>
<td>75% are under 35 years of age</td>
</tr>
</tbody>
</table>

Source: InterMedia Bangladesh FII Tracker survey (N=6,000, 15+) Wave 2 June-August 2014. Base: n=1012 OTC users; n=270 registered account holders.
Most registered users register their accounts after OTC use, yet many don’t find registration necessary

**When did you register your mobile money account, before using it or after?**
(Shown: Percentage of registered MM users n=270)

- Before, 38%
- After, 55%
- Don’t, know, 7%

**Why don’t you register for a mobile money account?**
(Shown: Percentage of unregistered mobile money users, n=1,012)

- I can have all the services through an agent, I do not need an... 27%
- I do not need to, I do not make any transactions 19%
- Using such account is difficult 16%
- I prefer that agents perform transactions for me, they will fix... 11%
- I do not see any additional advantages to registration 9%
- I do not have a state ID or other required documents 3%
- Agent can help me use the service/I do not know how to use it on... 3%
- I never have money to make a transaction with such account 3%
- Fees for using such account are too high 2%
- Other (Specify) 2%
- I do not understand the purpose of this account, I don’t know what... 2%
- I prefer to keep money in cash and use m-money only to... 1%
- No one among my friends or family has such account 1%
- Registration fees are too high 0%
- I have heard of fraud on mobile money 0%
- There is no point-of-service/agent close to where I live 0%
- I do not trust my money is safe on an m-money account 0%

Don’t know 7%

Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-August 2014.
Top uses for mobile money (MM) are CICO, P2P – services that require registration do not appear among popular uses

<table>
<thead>
<tr>
<th>Rank</th>
<th>Top uses for MM accounts (percentage of active account holders n=225)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Withdraw money</td>
<td>77</td>
</tr>
<tr>
<td>2</td>
<td>Deposit money</td>
<td>56</td>
</tr>
<tr>
<td>3</td>
<td>Receive money from other people for regular support/allowances, or emergencies</td>
<td>24</td>
</tr>
<tr>
<td>4</td>
<td>Buy airtime top-ups</td>
<td>16</td>
</tr>
<tr>
<td>5</td>
<td>Receive money from other people for other reasons or no particular reason</td>
<td>15</td>
</tr>
<tr>
<td>6</td>
<td>Send money to other people for other reasons or no particular reason</td>
<td>14</td>
</tr>
</tbody>
</table>

Bangladeshis open mobile money accounts primarily to transfer money, but some are driven by uses only available through registered accounts.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Top reason for starting to use an MM account (n=225)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I had to receive money from another person</td>
<td>54</td>
</tr>
<tr>
<td>2</td>
<td>I had to send money to another person</td>
<td>30</td>
</tr>
<tr>
<td>3</td>
<td>I saw other people using it and wanted to try myself</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Most of my friends/family members are already using it</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>I saw posters/billboards/radio/TV advertising that convinced me</td>
<td>2</td>
</tr>
<tr>
<td>6</td>
<td>I wanted to start saving money with a mobile money account</td>
<td>2</td>
</tr>
</tbody>
</table>

Using savings products, which are only available through registered accounts, appeared as one of the reasons people began using mobile money.

*Question allowed multiple responses. Source: InterMedia Bangladesh FII Tracker survey (N=6,000, 15+) Wave 2 June-August 2014.*
More men, urbanites and those below the poverty line use registered mobile money accounts compared with 2013

Demographic trends for mobile money account use
(Shown: Percentage of Bangladeshi adults who fall into each category, N=6,000)

- More men, urbanites and those below the poverty line use registered mobile money accounts compared with 2013.
- The year-on-year increases for male, urban and adults living below the poverty line are statistically significant.

Red text indicates statistically significant differences at the 95% confidence interval.
Differences in waves are significant at the 95% confidence level for male, urban and below poverty line. Categories are not mutually exclusive.
Source: InterMedia Bangladesh FII Tracker survey (N=6,000, 15+) Wave 1 September-November 2013; Wave 2 June-August 2014.
bKash is the most commonly used mobile money provider and its market share continues to grow

Mobile money provider market share, by wave
(Shown: Percent of active mobile money account holders, by year/wave)

<table>
<thead>
<tr>
<th>Provider</th>
<th>2013 (n=141)</th>
<th>2014 (n=225)</th>
</tr>
</thead>
<tbody>
<tr>
<td>bKash</td>
<td>28%</td>
<td>86%</td>
</tr>
<tr>
<td>DBBL</td>
<td>18%</td>
<td>89%</td>
</tr>
<tr>
<td>Others</td>
<td>1%</td>
<td>2%</td>
</tr>
</tbody>
</table>

DBBL active account holders now represent a smaller portion of the total mobile money market; the number of DBBL customers, however, remained essentially the same.

Demographic trends for active mobile money account use, by provider

<table>
<thead>
<tr>
<th>Provider</th>
<th>Male</th>
<th>Female</th>
<th>Urban</th>
<th>Rural</th>
<th>Above poverty line</th>
<th>Below poverty line</th>
</tr>
</thead>
<tbody>
<tr>
<td>bKash</td>
<td>16%</td>
<td>84%</td>
<td>61%</td>
<td>39%</td>
<td>41%</td>
<td>59%</td>
</tr>
<tr>
<td>DBBL</td>
<td>54%</td>
<td>46%</td>
<td>61%</td>
<td>39%</td>
<td>54%</td>
<td>46%</td>
</tr>
</tbody>
</table>

bKash users below the poverty line increased from 52 to 59 percent since 2013.

DBBL users’ demographics shifted to being less male-dominant (94 to 85 percent) and from primarily rural (58 percent) to much more urban (61 percent).

*Active mobile money account holders can have accounts with more than one provider.*

*Source: InterMedia Bangladesh FII Tracker survey (N=6,000, 15+) Wave 1 September-November 2013; Wave 2 June-August 2014.*
Financial knowledge and behavior drive, explain registered mobile money use

Defined by indexed constructs:

- Saving in formal financial institutions (excluding mobile money)
- Borrow and repayment behaviors
- Having plans for unexpected financial shocks – such as deaths
- Financial numeracy

Both basic financial literacy and positive financial behaviors are positively correlated with mobile money account registration, suggesting that more financially savvy Bangladeshis may see mobile money accounts as a useful financial tool. Greater financial literacy could remove some barriers to registration.

* The Nagelkerke R Square of the logistic regression is 0.23.
Text messaging, basic facility with a mobile phone led to greater text-based phone use, can predict registered mobile money use

- Frequency of sending/receiving text messages
- Basic operation of mobile device
- Mobile phone empowerment

Registered Mobile Money Use

Predicts

Understanding of Text Messages

Predicts

Technical literacy, particularly as it relates to the ability to comfortably use text-based mobile phone features, is positively correlated with registered mobile money use. Reducing difficulty using or distrust of mobile phones beyond simple calling will likely reduce mobile money consumers’ reliance on agents.

*The Nagelkerke R Square of the logistic regression is 0.24.*
BANGLADESH

BANKS
Consumers use bank accounts predominantly for withdrawals and deposits

<table>
<thead>
<tr>
<th>Rank</th>
<th>Top uses for active BANK accounts (n=716)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Withdraw money</td>
<td>92</td>
</tr>
<tr>
<td>2</td>
<td>Deposit money</td>
<td>86</td>
</tr>
<tr>
<td>3</td>
<td>Receive money from other people for regular support or to help with emergencies</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>Send money to other people for regular support or to help with emergencies</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Receive wages for primary job</td>
<td>4</td>
</tr>
</tbody>
</table>

Questions allowed multiple responses.

Source: InterMedia Bangladesh FII Tracker survey (N=6,000, 15+) Wave 2 June-August 2014.
Bank customers are beginning to take advantage of more advanced service offerings

**Advanced uses for active bank account holders**
(Shown: Percentage of active bank account holders, n=716)

- 12% for P2P
- 6% for Bill pay
- 5% for Receive benefit/wages
- 2% for Insurance
- 1% for Loans
- 0.4% for Transfer money between financial institutions

**Source**: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-August 2014.

- 82% of bank account holders have savings accounts.
- 72% of savings account holders own interest-bearing accounts.
Banks are still perceived as accessible only to the rich

• “I do not have enough money to need a bank account” was by far the most commonly cited reason nonbank users did not open accounts.

• Regression analysis of 2013 GPS data indicates distance to a bank was not a driver of bank use. This reinforces the notion that it is likely not a lack of bank branches that is limiting bank use but rather other factors such as real or perceived fees.

Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 1 September-November 2013; Wave 2 June-August 2014.
NONBANK FINANCIAL SERVICES
Among nonbank financial service providers, MFIs dominate

**Usage of non-bank financial service providers**
(Shown: Percentage of users of each)

- **MFI**: 20% (Registered users) 17% (Active account holders)
- **Cooperative**: 3% (Registered users) 2% (Active account holders)
- **Village level savings group**: 0.6% (Registered users) 0.5% (Active account holders)
- **Post office Bank**: 0.3% (Registered users) 0.2% (Active account holders)

Bangladesh has a long history of MFI development which has resulted in an appreciable effect on the financial inclusion picture in the country.

*Questions allowed multiple responses. Source: InterMedia Bangladesh FII Tracker survey (N=6,000, 15+) Wave 2 June - August 2014.*
MFIs are more of a financial service for women and the poor, similar to 2013

**Persons who have used an MFI**
(Shown: Bangladeshi adults, N=6,000)

<table>
<thead>
<tr>
<th>Category</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td>18%</td>
<td>22%</td>
</tr>
<tr>
<td>Male</td>
<td>16%</td>
<td>19%</td>
</tr>
<tr>
<td>Female</td>
<td>21%</td>
<td>26%</td>
</tr>
<tr>
<td>Urban</td>
<td>14%</td>
<td>16%</td>
</tr>
<tr>
<td>Rural</td>
<td>21%</td>
<td>25%</td>
</tr>
<tr>
<td>Above Poverty Line</td>
<td>11%</td>
<td>16%</td>
</tr>
<tr>
<td>Below Poverty Line</td>
<td>21%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-August 2014.
Accessing credit is far and away the top use of MFI accounts, but most MFIs offer more than just credit

**Uses of MFI accounts**  
(Shown: Percentage of people to have used MFIs, n=1,440)

- Take loans: 85%  
- Save/store money: 67%  
- Basic transactions: 14%  
- Make investments: 5%  
- Insurance: 4%

**Types of MFI accounts**  
(Shown: Percentage of people to have used MFIs, n=1,440)

- Beyond-credit services: 15%  
- Credit only: 85%

*Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) Wave 2 June-August 2014.*
METHODOLOGY & RESEARCH DESCRIPTION
# METHODOLOGY AND RESEARCH DESCRIPTION

## Survey summary
- Annual, nationally representative survey (N=6,000) of Bangladeshi individuals aged 15+
- Face-to-face interviews lasting upwards of 60 minutes
- Second survey (wave 2) conducted from 6/16/2014 to 8/22/2014
- Tracks trends and market developments in DFS based on the information gathered in the first survey, conducted from 9/28/2013 to 11/7/2013

## Data collected
- Basic demographics
- Poverty measurement (Grameen Progress Out of Poverty Index)
- Access/use of mobile devices
- Access/use of mobile money
- Access/use of formal financial services (e.g., bank accounts)
- Access/use of semi-formal and informal financial services (e.g., SACCO, cooperatives, self-help groups)
- Financial literacy and preparedness
- Technical literacy
Survey sampling approach

Sampling Frame

• A nationally representative sample of all adults (defined as those aged 15 or above) was drawn from the national population of Bangladesh (as defined in the preliminary 2011 Bangladesh Census Data).

• Bangladesh is divided into seven divisions. The total sample was distributed among the seven divisions in proportion to their population size.

• Each of the seven divisions contain a specified number of administrative subdivisions. The number of interviews within each subdivision class was distributed in proportion to its population size.

Sampling Subdivisions

• Every subdivision class that was sampled (except the seven Divisional Headquarters which were all sampled) was randomly selected using statistical software.

Sampling Start-Points, Households and Respondents

• Electoral rolls were used to randomly assign starting points in each selected subdivision. In villages where electoral rolls were unavailable, the village was mapped into blocks and a block was randomly selected. Five interviews were conducted per starting point.

• After completing an interview at the randomly selected first household, subsequent households were selected using the right-hand rule (every fifth household in urban areas and every third household in rural areas).

• An individual respondent from each household was selected using the Kish Grid method.
• **Access to an account**—An individual is said to have access to an account if he/she has used either mobile money or bank services, at least once, either via their own account or via an account of another person.

• **Account holder**—An individual who has a registered bank or mobile money digital account.

• **Active account holder**—An individual who has a registered digital account and has used it in the last 90 days.

• **Agent**—A person or business contracted by a DFS provider to provide services to customers using their own bank or mobile money account.

• **Banked**—An individual with a registered account at a formal financial institution. For this particular study, the banked are all individuals with their own bank accounts.

• **Bank/banking services**—All services offered by a bank through a branch, ATM, kiosk, business correspondent, or other delivery channel.

• **Digital account**—A financial account that can be accessed through digital means such as an ATM/debit card or via the internet or mobile phone.

• **Digital financial services (DFS)**—All bank and mobile money services.

• **Financial inclusion**—For the purposes of this study, those with a bank, nonbank financial institution or registered mobile money account are considered financially included.

• **Grameen Progress out of Poverty Index (PPI)**—A poverty measurement tool from the Grameen Foundation wherein a set of country-specific questions are used to compute the likelihood that a household is living below the poverty line.

• **Mobile money services**—Mobile money services include 1) nonbank semi-closed mobile money accounts/wallets and 2) full service mobile money bank accounts that allow for cash withdrawals. Semi-closed mobile wallets are not considered to be bank accounts, while full-service mobile money bank accounts are considered bank accounts.

• **Poor/below poverty line**—“Poor” adults, or those living below the poverty line, are defined as those living on less than $2.50 per day (at 2005 purchasing power parity), as classified by the Grameen Progress out of Poverty Index (PPI).

• **SIM card**—A removable micro-card that contains a subscriber identity module that securely stores the electronic codes used to verify subscribers’ identities on mobile phones and computers.

• **Unbanked**—Individuals without a registered bank account.

• **Urban/rural**—Urban and rural persons are defined according to their residence in urban or rural areas. The population in the survey was divided between towns and villages, which were classified as such based on the size of each of their populations. Towns are urban areas, villages are rural.
For more information, contact:
Nat Kretchun, FII Asia Lead
Kretchunn@InterMedia.org

Peter Goldstein, Director of Business Development
GoldsteinP@InterMedia.org