BANGLADESH

STEPS TOWARD FINANCIAL INCLUSION

Highlights from the FII Tracker Survey and Qualitative Studies on Access and Use of Banking and Mobile Money Services
Conducted September–October 2013
PUTTING THE USER FRONT AND CENTER

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).
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COUNTRY CONTEXT
Digital financial services are evolving in Bangladesh

• In 2011, Bangladesh Bank, the country’s central bank, issued Mobile Financial Services (MFS) Guidelines, establishing a bank-led MFS model that still allows for forging partnerships with MNOs to reach customers.
  – Two MFS providers have emerged as early market leaders: BRAC/bKash and Dutch Bangla-Bank/DBBL.
• Financial inclusion is part of the central bank’s strategic plan, and the bank 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 (as opposed to the current majority use of over-the-counter services).
• With a 40-year presence 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/c5a33e80407b90ef90b990cdd0ee9c33/Bangladesh+Scoping+Report+051513_final_publication.pdf?MOD=AJPERES;
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
KEY INSIGHTS
Bangladeshis’ current financial behavior

Saving and borrowing is high among the poor, likely due to the high use of MFIs in Bangladesh

- Those living below the poverty line are more likely to save and borrow than those above the poverty line.
  - The poor are more likely to save in a bank or MFI account (17 percent) than those above the poverty line (12 percent).
  - The poor also are more likely to borrow (32 percent) than those above the poverty line (22 percent).

Life insurance is the main type of insurance held

- Nine percent of Bangladeshis have life insurance, while only a negligible number (less than 1 percent) have other types of insurance policies.

Most bank account holders opened their accounts to send money to someone

- This indicates high demand for money transfer services.
- Twenty-three percent started using a bank account because they wanted a safe place to store money.

Trust in bank accounts is much higher than trust in MFIs

- Ninety-seven percent of Bangladeshi adults said they either “fully” trust or “somewhat” trust state-owned banks, and 79 percent say they “fully” trust or “somewhat” trust private banks.
- Only 47 percent said they either “fully” trust or “somewhat” trust MFIs.
Mobile Money: Several key factors drive uptake

Those with bank accounts are more likely to use mobile money

- Those who already have bank accounts are more likely (35 percent) to use mobile money than those without (19 percent).
- However, 71 percent of unregistered mobile money users, and 55 percent of registered mobile money users, do not use a bank account, meaning a substantial proportion of mobile money users are otherwise unbanked.

Mobile phone access is high, but gender differences likely impact mobile money use

- Ninety-five percent of Bangladeshi adults have access to a mobile phone, including 58 percent who have their own mobile phones, while another 37 percent access mobile phones through borrowing or pay-for-use.

- Gender gap: There is a significant gender gap in mobile phone ownership: 72 percent of men have phones versus just 44 percent of women.
- Fifty-nine percent of Bangladeshi adults own their own SIM card, and 23 percent of these use two or more SIM cards.

Trust in mobile money agents found to be lower than trust in banks

- Sixty-six percent of Bangladeshi adults “fully” or “rather” trust mobile money services, and 63 percent “fully” or “rather” trust mobile money agents.
- These trust levels are considerably lower than the trust levels Bangladeshi adults have for state-owned banks (97 percent) or private banks (79 percent).
Bank or mobile money account access/ownership

Percentage of Bangladeshi adults who are:

- **Bank accounts**
  - Active bank account holders: 12%
  - Bank account holders: 18%
  - Those with access to a bank account: 20%

- **Mobile money (MM) services**
  - Those with access to MM: 22%
  - OTC MM: 19%
  - Registered MM account holders: 3%
  - Active registered MM account holders: 3%

Access to a bank account or mobile money account means a respondent can use bank/mobile money services either via their own account or via an account of another person. **Active account holders are those with a registered mobile money and/or bank account who have used that account in the last 90 days.** Categories are not mutually exclusive.

- One-fifth of the respondents have access to a bank account while somewhat fewer have their own bank account.
- Three percent of Bangladeshis have registered mobile money accounts. However, the rapid growth in the popularity of mobile money is most evident in the high percentage of Bangladeshis who use mobile money via unregistered, over-the-counter use.
- Registered mobile money users and OTC users transact with similar frequency; only about 19 percent of each group are lapsed users (those having used the services, but not in the past 90 days.)

*Source: InterMedia Bangladesh FII Tracker survey (N=6,000 15+) September-October 2013.*
Mobile Money: Transactions are mostly OTC and dominated by a single provider

- Fifteen percent of mobile money users have registered accounts, but most users transact over the counter* (OTC) with an agent.

- Bangladeshis say they are more comfortable having an agent perform a transaction for them than doing it themselves.
  - Customers are concerned with losing their money and say, if something goes wrong with a transaction, an agent is able to fix the problem, whereas they would not know how to resolve it themselves.
  - Many say the menu, which is in formal Bengali or English, is difficult to understand and use.
- bKash is the dominant mobile money provider with 22 percent of Bangladeshi adults using its services; DBBL mobile banking is a distant second with only 2 percent of the market.

*Over-the-counter mobile money use occurs when a customer uses a mobile money agent to conduct a transaction on their behalf using the agent’s account.

While most mobile money users access the services over the counter (OTC), 15 percent of users are registered

“Sixty percent of people cannot [use mobile money with a registered account and independently]. They cannot send money on their own. They don’t want to learn it. What can I do?” Mobile money agent, Chittagong metro, Chittagong division

Base n=1,267 who have ever used mobile money services
Significant financial inclusion gaps exist, both in banking and mobile money, when it comes to reaching women and other vulnerable groups

- **Gender gap**: There is a significant gender gap in mobile money usage of 18 percentage points. This is likely due, in part, to a 28-percentage-point gap in mobile phone ownership. But women who use mobile money do find it important.

- **Education gap less for mobile money than banking**: Those who received a higher education are 6.5 times more likely to have a bank account, but just three times more likely to use mobile money than those with no formal education.

- **A smaller urban/rural gap exists for mobile money than for banking**: Rural dwellers are 12 percentage points less likely than urban dwellers to have a bank account, but just 5 percentage points less likely to have used mobile money.

The gender gap is wider for mobile money than for bank accounts

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own bank account</td>
<td>23%</td>
<td>17%</td>
</tr>
<tr>
<td>Have used mobile money</td>
<td>31%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Base n = 2,860 men and n = 3,140 women

“Being a woman, it is not possible for me to go to town every day. So using bKash I can receive money anytime.” Female, exit interview respondent, 18-25, Kustia, Khulna division, housewife, bKash
UPTAKE AND USE OF DIGITAL FINANCIAL SERVICES
Among registered mobile money users, nearly all are active users

- Registered mobile money is having an appreciable effect on the overall level of access to financial services in Bangladesh. Three percent of adults have registered mobile money accounts, through which they can access a growing range of financial services.
- However, most mobile money transactions in Bangladesh are conducted over-the-counter (OTC) through mobile money agents. OTC has proven a very popular service in Bangladesh, reducing the time and cost of P2P money transfers. Despite the popularity, services such as savings are not available over-the-counter through agents.

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000
Just over a fifth of Bangladeshi adults use mobile money; use increases with education levels

Mobile money usage across demographic groups

<table>
<thead>
<tr>
<th>Group</th>
<th>Usage Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (n = 6,000)</td>
<td>22%</td>
</tr>
<tr>
<td>Male (n = 2,860)</td>
<td>31%</td>
</tr>
<tr>
<td>Female (n = 3,140)</td>
<td>13%</td>
</tr>
<tr>
<td>Urban (n = 1,976)</td>
<td>26%</td>
</tr>
<tr>
<td>Rural (n = 4,024)</td>
<td>21%</td>
</tr>
<tr>
<td>Above poverty line (n = 1,375)</td>
<td>28%</td>
</tr>
<tr>
<td>Below poverty line (n = 4,625)</td>
<td>21%</td>
</tr>
</tbody>
</table>

Mobile money usage by education level

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Usage Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>No formal education (n=1,708)</td>
<td>13%</td>
</tr>
<tr>
<td>Primary schooling (n=3,521)</td>
<td>23%</td>
</tr>
<tr>
<td>Secondary schooling (n=457)</td>
<td>36%</td>
</tr>
<tr>
<td>Higher education (n=303)</td>
<td>44%</td>
</tr>
</tbody>
</table>

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000.
Rural males above the poverty line are the most likely to use mobile money; rural females, above or below the poverty line, are least likely to use mobile money

Mobile money usage by demographic group

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000.
At least 95 percent of each major demographic group either owns or has access to a mobile phone

Women are much less likely to own their own phones than those in any other demographic group: more than half use someone else’s phone.

Percentage of those who own or have access to a mobile phone

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000.
While mobile money users are more likely to use a bank account than other Bangladeshis, a substantial proportion of mobile money users are still otherwise unbanked.

Percentage of mobile money users and nonusers who use a bank account

<table>
<thead>
<tr>
<th>Category</th>
<th>Users of Bank Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (n=6,000)</td>
<td>20%</td>
</tr>
<tr>
<td>Registered mobile</td>
<td>45%</td>
</tr>
<tr>
<td>money user (n=172)</td>
<td></td>
</tr>
<tr>
<td>Unregistered mobile</td>
<td>29%</td>
</tr>
<tr>
<td>money user (n=1,095)</td>
<td></td>
</tr>
<tr>
<td>Mobile money</td>
<td>16%</td>
</tr>
<tr>
<td>nonuser (n=4,733)</td>
<td></td>
</tr>
</tbody>
</table>

71% of unregistered mobile money users and 55% of registered mobile money users do not use a bank account.

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000; subsample base n=1,267 mobile money users.
Qualitatively, there is a high comfort level with over-the-counter use

- Through focus groups, consumers share they are more comfortable having an agent perform a transaction on their behalf than trying to do it themselves.
  - Participants said if something goes wrong with the transaction, or if there is a network failure, the agent is able to fix it whereas they would not know how to fix it themselves.
  - Exit interviews revealed that many customers are afraid of losing their money if they perform the transactions themselves.
  - Customers also have trouble understanding the formal Bengali and English used in the menus.

- They also feel agents are prevalent enough that it is not a burden to visit an agent to make a transaction. Many view registration as an unnecessary hassle.

- Some participants said they do not know how to register for an account.

- Even registered users often need help and will take their phones to an agent so the agent can walk them through their transactions.

“Sometimes customers don’t even know where to check whether their money has arrived or not. They see a message but they don’t know where to check the amount, they can’t even enter the program.” Mobile money agent, Chittagong metro, Chittagong division

“Many think that using their own account is risky and their money may be lost. They want to keep us [involved in transactions to] keep them risk free.” Mobile money agent, Kaptai, Chittagong division
Unregistered use through bKash is the most common way mobile money is used

Why customers choose bKash:
- It is the most widely known
- It has an extensive agent network
- It is the most widely advertised

Familiarity is so high that customers often refer to mobile money transfers as “doing bKash”

Source: Focus group discussions

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000.
Female mobile money users are least likely to have a registered account

Percentage of mobile money users in each demographic group who are registered and unregistered

- Male (n=849): 18% registered, 82% unregistered
- Urban (n=493): 18% registered, 82% unregistered
- Above poverty line (n=357): 22% registered, 78% unregistered
- Female (n=418): 8% registered, 92% unregistered
- Rural (n=774): 14% registered, 86% unregistered
- Below poverty line (n=910): 12% registered, 88% unregistered
The more educated are much more likely to have registered accounts

Among mobile money users, percentage in each education level who are registered and unregistered users

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000.
While there are niche uses for mobile money, the main uses are withdrawing and depositing money

Mobile money uses
Percentage of mobile money users who conduct each type of transaction

- Overall, mobile money use does not differ greatly among demographic groups.
- Urban residents and those above the poverty line are slightly more likely to use mobile money to send remittances for regular support than rural residents and those below the poverty line.
- Urban residents also are more likely than rural residents to send money to help out in an emergency.

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000; subsample base n=1,267 mobile money users.
Mobile money still is seen primarily as a way to send and receive money

- While most people see mobile money as a means to transfer money, 38 percent of mobile money users say it’s possible to make payments on a loan, and 25 percent say it’s possible to save money.
- However, only 1 percent of users have actually used it to make loan payments, and no one has used mobile money to save.

Percentage of adults who are aware of the varied mobile money uses

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000. Respondents were asked, “What kinds of things can you do with a mobile money account” and given a list to choose from. Multiple responses were allowed.
Bill payment is a potential mobile money use, but its advantages largely go unnoticed

Only a quarter of mobile money users recognized bill payment as an available mobile money service, even though it is an option.

Exit interviews and mystery shoppers revealed that agents do not market this service. Agents say low commissions and lack of support from mobile money providers offer no incentive to market bill payment services.
DRIVERS & BARRIERS TO
DIGITAL FINANCIAL SERVICES ADOPTION
Cash remains the predominant transaction method

- Most Bangladeshis (88 percent) say cash is the best tool for making small and medium transactions.
- Digital payment methods have captured only a small part of this market: 4 percent say a bank account is the “best” method and 3 percent say using mobile money is best.
- This was supported by focus group participants, who said they conduct most of their routine transactions in cash.

Percentage who say each payment method is “best” for each transaction size

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000.
There are both incentives and barriers to shifting away from cash

- **Bangladeshis like the ease of accessing and using cash**, and many say they cannot make daily transactions without it.
- They are concerned about robbery and accidental loss of cash, as well as the temptation to spend.
- **Barriers to digital payments can be minimized.** The advantages Bangladeshis see with cash are largely related to convenience, and could be overcome with greater digital infrastructure, such as tools for using mobile money for daily purchases. The disadvantages are security and financial management problems, which could be alleviated with a protected, digital account.

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000. Multiple responses were allowed.
Qualitatively, there are multiple advantages to mobile money use

- Focus group participants cited several specific benefits associated with mobile money use:
  - Ease and speed of transactions
  - Ability to withdraw cash when needed
  - No need to carry cash
  - Money remains safe, even if the phone is stolen
  - Saves transportation costs to and from the bank

“I used to send money via courier before. It usually took two to three days to be delivered. Now it can be done in no time from the agent shops.” Female user, above poverty line, urban, Chittagong metro

“Mobile money saves time and is easy to use. I do not need to stand in queue and the service enables savings from transportation cost. The nearest bank is far from the location where I remit money to. If I send through mobile it is convenient, and the beneficiary receives it instantly. To tackle emergencies, money can be transferred through mobile money anytime during the day.” Urban male exit interview respondent, age 18-25, Chittagong metro, Chittagong division

“There is no possibility of hijacking of the money.” Female user, above poverty line, urban, Chittagong metro
Deposit Pension Scheme payments are a potential mobile money opportunity

• Many Bangladeshis participate in Deposit Pension Schemes (DPS), which generally require monthly deposits and enable long-term savings.
  – Focus group participants expressed an interest in digitizing the monthly installments to ease the process.
  – This would connect mobile money with existing financial behaviors, presenting an opportunity for adoption.
  – One participant said he makes his DPS payments with bKash, but this practice does not seem widespread.

• Other mobile money-based services that were cited as potentially useful:
  – Booking train tickets or paying for bus tickets
  – Business payments (i.e., paying for wholesale goods and employees’ salaries)
  – Most participants maintain a credit they settle monthly via cash. Products could be tailored to make cash and credit transactions between customer and vendor easier
  – Saving money in mobile wallets, but only if it provides interest on these savings

“It would be good to provide 8 to 10 percent interest like banks, and then everyone can deposit money in the personal account in large amounts. They wouldn’t need to go to the bank.” Mobile money agent, rural, Munshiganj, Dhaka division

“If the bill of the shops can be made by bKash then it will be helpful. We can make the wholesale payment through bKash. And we shall make the retail shopping in cash.” Male user, below poverty line, urban, Chittagong metro
Mobile money awareness does not seem to be a barrier

• Awareness of mobile money is high
  – Nearly 40 percent of Bangladeshi adults can spontaneously name a mobile money services provider
  – Another 50 percent recognized at least one brand when shown a list of options.

• Nearly 90 percent are aware of bKash (either by spontaneously naming it, or recognizing it when prompted), and DBBL is second, with 45 percent aware of it.

• Focus group participants said knowledge of bKash is so high, money transfer is often referred to as “doing bKash,” even among nonusers.

• Despite high levels of awareness, focus groups revealed that among both users and nonusers, awareness of how to conduct transactions is much lower.

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000. Multiple responses were allowed.
Mobile money problems include a variety of technical challenges

**Use of language**
Focus group participants said the formal Bengali and English used in mobile money menus and SMS is difficult to understand, and, therefore, many are uncomfortable conducting transactions on their own phones.

They say the services would be easier to use if the interface was in conversational Bengali or English.

**Network challenges**
Mobile money users also said the transaction process involves many steps, and it is common for the network to fail before completing all steps. This requires them to restart the entire process, making it difficult to complete a transaction.

**Unreliable confirmation**
Sometimes SMS transaction confirmations do not come through as they should, which causes concern about whether the transaction was completed.
Transaction fees are a barrier to expanded use

- **Fees too high:** The level of transaction fees was the most commonly stated disadvantage among mobile money users in the focus groups.
  - When asked about their most recent three transactions, mean transaction fees for mobile money were higher than those for banks.
- **Official rate unclear:** Some OTC users said they had not seen rate cards and did not know if the agent was charging an official amount or adding unofficial fees.
  - Mystery shoppers also reported that agents generally do not display fee rates.
- **Fear of unauthorized fees:** While most mobile money users prefer conducting transactions OTC through an agent, they are concerned that agents charge unauthorized fees.
- **Transaction size limited:** When customers need to send a large amount of money urgently, they often do so OTC in multiple transactions, paying a fee for each transaction. They would prefer an ability to conduct larger transactions for a single, flat fee.

“They charge too much. They charge 18.50 Takas ($ .24) per thousand [Takas] cash out.”
Male user, above the poverty line, urban Chittagong metro
Seventy-eight percent of Bangladeshi adults do not use mobile money; the main reason is because they don’t think they need the services. The reasons cited for nonuse did not differ significantly among demographic groups.

<table>
<thead>
<tr>
<th>Reason for not using mobile money</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I don’t need one, I don’t make any transactions</td>
<td>82.9</td>
</tr>
<tr>
<td>I don’t know how to open one</td>
<td>3.4</td>
</tr>
<tr>
<td>I never have money to make transactions with this service</td>
<td>3.3</td>
</tr>
<tr>
<td>I don’t know what it is</td>
<td>2.6</td>
</tr>
<tr>
<td>I don’t understand this service; I don’t know what I can use it for</td>
<td>1.5</td>
</tr>
<tr>
<td>Using such an account is difficult</td>
<td>1.3</td>
</tr>
<tr>
<td>No one among my friends or family use this service</td>
<td>1.2</td>
</tr>
<tr>
<td>Fees for using this service are too high</td>
<td>1.0</td>
</tr>
<tr>
<td>Registration paperwork is too complicated</td>
<td>0.5</td>
</tr>
<tr>
<td>There is no POS/agent close to where I live</td>
<td>0.5</td>
</tr>
<tr>
<td>I don’t trust that my money is safe on a mobile money account</td>
<td>0.5</td>
</tr>
<tr>
<td>I don’t have a state ID or other required documents</td>
<td>0.4</td>
</tr>
<tr>
<td>Registration fee is too high</td>
<td>0.3</td>
</tr>
<tr>
<td>Other</td>
<td>0.2</td>
</tr>
<tr>
<td>I don’t have a smartphone</td>
<td>0.1</td>
</tr>
</tbody>
</table>

The reasons cited for nonuse did not differ significantly among demographic groups.
EVALUATING THE USER EXPERIENCE WITH MOBILE MONEY AGENTS
Users are generally satisfied with the service they receive from mobile money agents

Mobile money users reported few problems with mobile money agents:

• The most commonly reported problem, an absent agent, was only reported by 5 percent of mobile money users.

• Three percent each said an agent overcharged for a transaction, the network was down, or an agent did not have enough cash or e-float to perform the transaction.

Customers report few complaints about agent customer service:

• Only 1 percent of mobile money users said an agent had been rude to them.

• Less than 1 percent said an agent did not know how to perform a transaction, or that an agent refused to perform a transaction.

• However, customer feedback and mystery shopping exercises showed that agents often do not market value-added services such as bill payments, and miss opportunities to introduce customers to new services. In addition, more training could benefit agents who are not always able to solve network issues when they arise.

Location and safety are also user concerns:

• Exit interviews revealed most customers find agent locations safe and convenient.

• Customers say they feel safer conducting transactions in more populated areas rather than quiet locations. However, there is generally limited privacy in such locations.
Agents are concerned about theft and fraud; and say they need more information about how to market value-added services

- Many mobile money agents offer services for multiple mobile money providers, primarily bKash and DBBL.
- Nearly all agents follow Bangladesh Bank regulations and display the partnership between the mobile money service and the specific bank that backs them.

What challenges do agents face?

- Agents worry about theft and security issues, and are cautious about storing large amounts of cash in their stores for customer cash-outs.
- In some cases, agents reported being the targets of a variety of scams, including, for example, phone hackers who send fake SMS messages to “customers” that appear as if the mobile money provider is confirming a transfer.
- Agents reported their current level of training on how to conduct basic transactions is sufficient, but they need more information on troubleshooting and marketing value-added services.
- Agents cite low commissions and lack of financial and other support (e.g., technical and marketing assistance) from mobile money providers and partnering banks as hurdles that must be addressed to keep their businesses sustainable. For example, agents want to reach more customers, but expect providers to shoulder the burden for more advertising.

“As it is a banking service, there is often money in the shop even about 2–3 Lac [200,000–300,000] Takas ($2,583–$3,875) in cash. People know that there is more money where transactions are higher, so the chance of theft is higher.” Mobile money agent, rural, Munshiganj, Dhaka division
GARMENT WORKER CASE STUDY
Garment workers are open to the idea of being paid via mobile money if they can transact conveniently, without experiencing errors.

There are more than 4 million garment workers in Bangladesh’s garment factories. Currently, workers are paid almost exclusively in cash.

*InterMedia conducted focus group discussions with these workers* to explore the potential of using mobile money to receive their monthly payments.

Focus groups revealed specific barriers to digitization among workers, which include:

- **Fear of transaction errors**—such as an agent not sending money or sending less than the full amount
- **Lack of information**—workers aren’t familiar with account protection or the use of PINs
- **Misconceptions about security**—workers think that if they lose their phone they will lose their money
- **Lack of trust in agents**—rumors of agent fraud

**Fear of a transaction error resulting in lost money is high**

“There should be a system like the mobile recharge card. If the correct number from the card is not inputted into the mobile, then the top-up fails. However the card credit does not go to anyone else.” Male, mobile money nonuser, Export Processing Zone
Garment workers feel their current needs are best served by cash

- Garment workers are generally satisfied with their current payment method (cash). They value getting paid in cash and having instant access to their money since most of their regular transactions, such as paying rent and buying groceries, are also conducted in cash.

- Workers identified key expenditures due on payday or within a week of it, including rent and utilities. Dry goods such as rice, beans, oil, salt and sugar are bought with cash, and daily necessities such as soap are bought on credit at the same store. This “corner store” keeps a running tab and accumulated charges are due as soon as workers get paid. These payments have potential to be digitized.

- Many workers use a savings deposit plan with a bank or with the factory they work in. They must deposit the same amount of money on a monthly basis to reap the interest earnings at the end of a specified number of years. Factories also offer loans to workers.

- Most workers own a mobile phone and know how to use basic features, but many ask for help with reading text messages (SMS) or using apps, which are generally not in colloquial Bengali.

- Awareness of mobile money—particularly bKash—is high, but it is perceived only as a money transfer service. Like the rest of the country, most garment workers who are mobile money users use OTC transfers and do not have registered accounts.
There is potential for digitizing salaries at garment factories

- Currently, workers are not sure how digitizing salary payments would benefit them and are reluctant to embrace mobile money payments. They are concerned they will need to go to agents on payday to access their cash and that this will create bottlenecks or delays in receiving their salaries.

- At least in the near-term, even if paid via mobile money, workers will most likely cash out their full salary amount on payday and continue to transact in cash. Their regular transactions are currently conducted with vendors who can only transact in cash. The exception is remittances for which mobile money has become a popular option.

- Despite this, several current transactions show potential for digitization, including monthly installments to savings deposit plans at a bank or with the factory, and getting advances on salaries from the factory. In addition, mobile money transfers may make some grocery payments more convenient. Piloting these products specifically to garment workers may prove to be fertile ground.

- Given that currently 85 percent of garment workers do not access formal financial services, digitizing salary payments could be a gateway product leading to the use of additional demand-driven services which can provide long-term benefits.
Potential exists for a pilot digital payment project

• Garment workers’ close proximity to their workplaces, especially those who work in the Export Processing Zone (EPZ) in Savar, and the fact their routine financial activities are conducted within a 2-km radius from their workplaces, make them an ideal target for a contained digital payment pilot project.

• These conditions also may present a key opportunity for testing the onboarding of merchants and vendors situated within these geographic clusters to receive mobile payments from their clients.

• In such a contained micro-ecosystem, it would be easier to ensure sufficient numbers of agents and liquidity are available to service the garment workers needs as digital payments are rolled out.

• Among the garment workers in this study, current mobile money users are less skeptical about a potential digitization of salary payments than nonusers.
BANGLADESHIS’ FINANCIAL BEHAVIOR
In Bangladesh, the poor are more likely to save money than the non-poor, and women are more likely to save money than men.

This likely reflects the widespread use of MFIs in Bangladesh, which largely target poor women with microcredit loans as well as other financial services such as savings.

Percentage of each demographic group who saves money

<table>
<thead>
<tr>
<th>Demographic Group</th>
<th>Total (n = 6,000)</th>
<th>Male (n = 2,860)</th>
<th>Female (n = 3,140)</th>
<th>Urban (n = 1,976)</th>
<th>Rural (n = 4,024)</th>
<th>Above poverty line (n = 1,375)</th>
<th>Below poverty line (n = 4,625)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>31%</td>
<td>30%</td>
<td>33%</td>
<td>35%</td>
<td>30%</td>
<td>28%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000.
The use of formal saving methods, such as a bank account or a microfinance institution (MFI), is more common than the use of informal methods to save money, indicating a preference for formal savings options.

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000.
Bangladeshis living below the poverty line are more likely to save with formal methods than those above the poverty line, which again is likely due to the prevalence of MFI use among the poor.

Percentage of those above and below the poverty line who use the different savings methods

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000.
Nearly a third of payments Bangladeshi adults make go to family or friends; cash is used “most frequently” to make these payments

Percentage of Bangladeshi adults who make payments to each person/agency

<table>
<thead>
<tr>
<th>Type of Payment</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family member or friend</td>
<td>32%</td>
</tr>
<tr>
<td>Utility company</td>
<td>14%</td>
</tr>
<tr>
<td>Medical facility</td>
<td>12%</td>
</tr>
<tr>
<td>School</td>
<td>11%</td>
</tr>
<tr>
<td>Retail companies/stores</td>
<td>10%</td>
</tr>
<tr>
<td>Religious institutions</td>
<td>9%</td>
</tr>
</tbody>
</table>

On a national scale, the preference for using mobile money to make payments is small but present:

Three percent of those who send money to family or friends say they use mobile money “most frequently.”

For all other payment types, less than 1 percent use mobile money “most frequently.”

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000.
Few have insurance, but nearly all of those who do, have life insurance

Percentage of each demographic group who have insurance

- **Total** (n=6,000): 9%
- **Male** (n=2,860): 9%
- **Female** (n=3,140): 9%
- **Urban** (n=1,976): 10%
- **Rural** (n=4,024): 9%
- **Above poverty line** (n=1,375): 8%
- **Below poverty line** (n=4,625): 9%

50% of those with insurance deliver payments in person, and 37% make payments to door-to-door agents.

*Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000.*
Almost half of adults don’t have insurance because they do not see a need for it—lack of awareness and trust may be barriers to acquiring mobile-enabled insurance products

Barriers

Lack of trust may also be a factor in low use of insurance.

• When asked whether they trust life insurance companies, 30 percent of Bangladeshi adults said they either “somewhat” or “fully” do not trust them.

• A quarter of Bangladeshis said “don’t know” or refused to answer the question, indicating low levels of understanding may also play a role in low usage.

Reasons Bangladeshis do not have insurance

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I do not need one</td>
<td>48%</td>
</tr>
<tr>
<td>Regular contribution is too high, I never have money to pay</td>
<td>23%</td>
</tr>
<tr>
<td>No particular reason, just never thought of it before</td>
<td>15%</td>
</tr>
<tr>
<td>I do not know what it is</td>
<td>3%</td>
</tr>
<tr>
<td>I do not own anything valuable, I don’t need any insurance</td>
<td>3%</td>
</tr>
</tbody>
</table>

Base n=5,432

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000;
The poor are more likely to borrow than the non-poor

Percentage of each demographic group who have taken out or been paying off a loan in the previous 12 months

<table>
<thead>
<tr>
<th>Total (n=6,000)</th>
<th>Male (n=2,860)</th>
<th>Female (n=3,140)</th>
<th>Urban (n=1,976)</th>
<th>Rural (n=4,024)</th>
<th>Above poverty line (n=1,375)</th>
<th>Below poverty line (n=4,625)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>32%</td>
<td>27%</td>
<td>26%</td>
<td>31%</td>
<td>22%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000.

Finding ways to digitize loan payments could bring a substantial proportion of the poor under the digital financial services umbrella.

Most Bangladeshis started using a bank account to send money

Percentage of borrowers who cited the following reasons for taking out a loan

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>For an emergency in this household</td>
<td>42%</td>
</tr>
<tr>
<td>To supplement income during low season</td>
<td>18%</td>
</tr>
<tr>
<td>To pay a debt</td>
<td>8%</td>
</tr>
<tr>
<td>For an emergency in another household</td>
<td>5%</td>
</tr>
<tr>
<td>For a future goal</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000; subsample base n=1,822 Bangladeshis who have taken out a loan.
USE OF BANKING SERVICES
Ninety-two percent of total bank account users are registered for their own bank account

Despite the impact of MFIs on the greater use of formal finance services among those below the poverty line, bank account holders are still more likely to be above the poverty line.

Percentage of each demographic group who have used a bank account

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000.
Most Bangladeshis started using a bank account to send money

There is also a larger desire to use the account as a short-term money storage facility (24 percent) rather than as a long-term savings account (1 percent).

**Reasons Bangladeshis began using a bank account**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I had to send money to another person</td>
<td>87%</td>
</tr>
<tr>
<td>Somebody requested I open an account</td>
<td>29%</td>
</tr>
<tr>
<td>I wanted a safe place to store my money</td>
<td>23%</td>
</tr>
<tr>
<td>An organization/government agency requested I sign up for an account</td>
<td>7%</td>
</tr>
<tr>
<td>To save money</td>
<td>1%</td>
</tr>
</tbody>
</table>

Base n=1,254 bank account users. Multiple responses were allowed.

*Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000*
Most Bangladeshis use their bank accounts to withdraw and deposit money

How do Bangladeshis use their bank accounts?

<table>
<thead>
<tr>
<th>Use of Bank Accounts</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Withdraw money</td>
<td>81%</td>
</tr>
<tr>
<td>Deposit money</td>
<td>80%</td>
</tr>
<tr>
<td>Receive money for regular support</td>
<td>3%</td>
</tr>
<tr>
<td>Send money to help with emergencies</td>
<td>3%</td>
</tr>
<tr>
<td>Receive wages for primary job</td>
<td>2%</td>
</tr>
<tr>
<td>Receive money to help with emergencies</td>
<td>2%</td>
</tr>
<tr>
<td>Pay a utility bill</td>
<td>2%</td>
</tr>
<tr>
<td>Save money for future purchase or payment</td>
<td>1%</td>
</tr>
</tbody>
</table>

Base n=1,254 bank account users. Multiple responses were allowed.

Trust in banks

Trust in banks is high:

**97%** of Bangladeshi adults say they either “fully” trust or “somewhat” trust state-owned banks.

**79%** say they “fully” trust or “somewhat” trust private banks.

Trust in MFIs is substantially lower:

Only **47%** said they either “fully” trust or “somewhat” trust MFIs.

**21%** said “don’t know” or refused to answer, indicating a significant portion of the population simply does not have a strong opinion on trust and MFIs.

Source: InterMedia FII Tracker Survey, Wave 1, September-October 2013; N=6,000
METHODOLOGY AND RESEARCH DESCRIPTION
Survey methodology

Survey Summary

- Annual, nationally representative survey (N=6,000) of Bangladeshi individuals aged 15+
- Face-to-face interviews lasting upwards of 60 minutes
- First survey (Wave 1) conducted from 9/28/2013 to 11/7/2013
- Provides baseline measurements—subsequent annual surveys will measure trends and track market developments in DFS

Data collected

- **Core data on:**
  - Basic demographics
  - Poverty measurement (Grameen PPI)
  - Access/use of mobile devices
  - Access/use of mobile money (MM)
  - Access/use of formal financial services (e.g., bank accounts)
  - Level of satisfaction with financial service providers and products
- **Additional data on:**
  - Influencers and drivers of adoption
  - New product development
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 their 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.
### Survey demographics

<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>33</td>
</tr>
<tr>
<td>Rural</td>
<td>67</td>
</tr>
<tr>
<td>Above the $2.50/day poverty line</td>
<td>24</td>
</tr>
<tr>
<td>Below the $2.50/day poverty line</td>
<td>76</td>
</tr>
<tr>
<td>Ages 15-24</td>
<td>31</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 FII Tracker Survey, Wave 1, September-October 2013; N=6,000.
Qualitative research methodology

Customer Experience Insight

Mystery Shopping
- Venue rating
- Customer service rating
- Issues and challenges
- N=45 exercises

Agent Interviews
- Agent problems, challenges, needs, customer problems
- N=30 interviews

Exit Interviews
- Customer service rating
- Customer needs
- Issues and challenges
- N=50 interviews

Locations for the study

<table>
<thead>
<tr>
<th>Division</th>
<th>Dhaka</th>
<th>Chittagong</th>
<th>Khulna</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>Narayanganj</td>
<td>Chittagong metro</td>
<td>Jessore</td>
</tr>
<tr>
<td>Rural</td>
<td>Sirajdikhan</td>
<td>Kaptai</td>
<td>Kustia</td>
</tr>
</tbody>
</table>
Key Overarching Objectives

- The study focused on the dynamics between the mobile money provider, the agent and the customer at the agent location.
- Mobile money agent in-depth interviews, customer exit interviews and mystery shopping exercises were conducted to provide a triangulated analysis of user experiences at cash-in-cash-out (CICO) points.
- Each element of the study was conducted in an urban and rural area each within three divisions (equivalent of states or provinces): Dhaka (preselected), Chittagong (preselected) and Khulna (randomly selected).

- The urban and rural location for each division was randomly selected from the quantitative survey sample of the respective divisions.
- The analysis aimed to highlight key barriers to uptake and registration, and best practices that stimulated continued use.
- The findings provide insights on potential provider- and agent-led improvements that can help agents better meet customer needs.
Qualitative research methodology (cont.)

- Twenty-four consumer focus groups were conducted in two divisions of Bangladesh between December 2013 and January 2014 to:
  - Provide insights into why participants use or don’t use mobile money services.
  - Understand barriers to and triggers for the uptake and use of mobile money.
  - Understand participants’ financial behaviors and current pain points and identify the potential for new digital financial services.
  - Map common transactions to see where mobile money services can facilitate financial inclusion.

### Consumer Focus Groups

<table>
<thead>
<tr>
<th></th>
<th>Chittagong Division</th>
<th>Khulna Division</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Chittagong Metro (urban)</td>
<td>Kaptai Upazila (rural)</td>
</tr>
<tr>
<td><strong>User, above poverty line</strong></td>
<td>2 male groups 1 female group</td>
<td>NONE</td>
</tr>
<tr>
<td><strong>User, below poverty line</strong></td>
<td>2 male groups 1 female group</td>
<td>1 male group 1 female group</td>
</tr>
<tr>
<td><strong>Nonuser, below poverty line</strong></td>
<td>1 male group 1 female group</td>
<td>1 male group 1 female group</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8</td>
<td>4</td>
</tr>
</tbody>
</table>

InterMedia FII research program, focus groups with users and nonusers of mobile money in Bangladesh, December 2013–January 2014
Qualitative research methodology (cont.)

- Sixteen focus groups were conducted with mobile money users and eight with nonusers. All users were over-the-counter (OTC) users of mobile money.
- Participants were between the ages of 25 and 40.
- Groups were divided by gender, urban and rural residents, and whether they fell above or below the poverty line.
- Focus groups were conducted in urban and rural districts in the Chittagong and Khulna divisions. The urban and rural location within each division was randomly selected from locations covered by the FII quantitative survey wave one in the respective divisions.

- **Key Questions:**
  - If and how does digital literacy affect the use of mobile money services?
  - Why do many users conduct OTC transactions rather than registering and using their own accounts?
  - Are nonusers aware of mobile money services? If yes, why are they not using them?
  - What routine financial transactions do participants conduct, what goods and services do they buy, and how do they make those financial decisions?
  - Which of these transactions are the most difficult to conduct?
  - Can mobile money serve participants’ daily transaction needs, and, if so, how?

*InterMedia FII research program, focus groups with users and nonusers of mobile money in Bangladesh, December 2013—January 2014*
GLOSSARY
• **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 bank account or a mobile money account.

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

• **Financial inclusion**—A state in which all people who are able to use them have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients.

• **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) non-bank 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.
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