

# FUTURE ROLE OF MOBILE FINANCIAL SERVICES IN BANGLADESH

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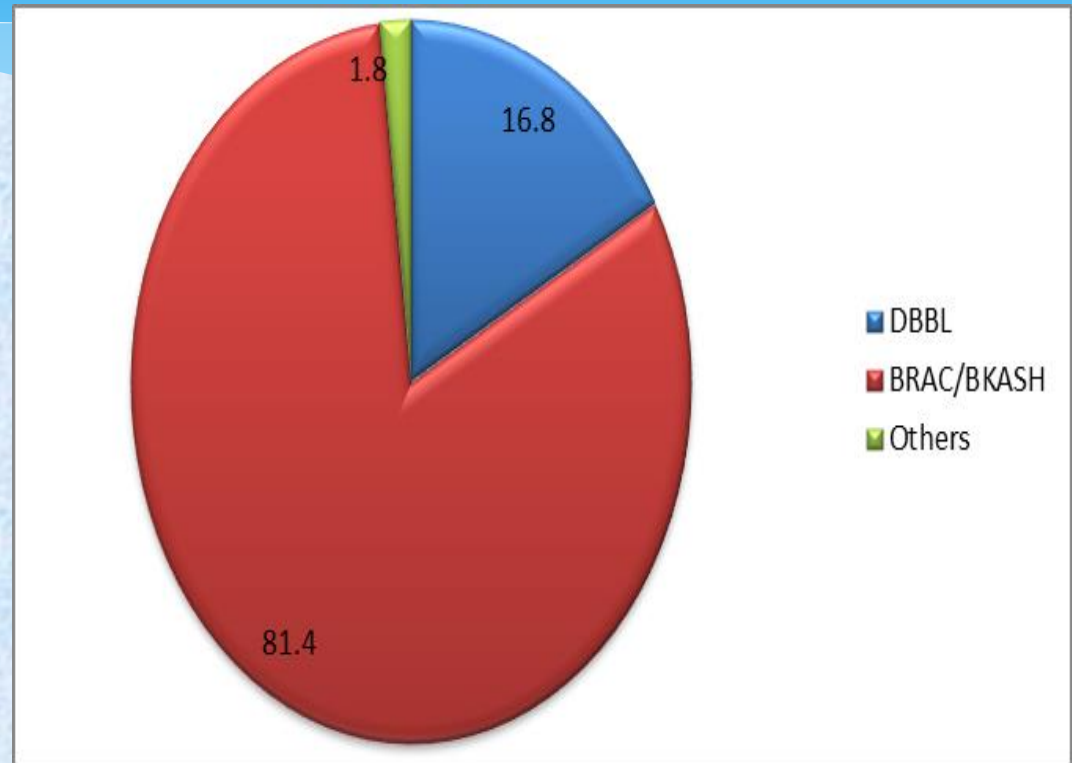
# Mobile Financial Services in Bangladesh: The Context

- \* Financial inclusion got a big boost in Bangladesh from the recent surge in mobile financial accounts and transactions since mid-2013.
- \* Only ONE service Provider (bKash) captures major market share (about 81%): Why?
- \* Is there any entry barrier or regulatory barrier for other MFS providers?
- \* Is the cost of transaction of MFS rational?
- \* What do international experiences suggest?

# Service Providers and Competition

- \* BRAC/BKASH- 81.4% of the total transactions
- \* Dutch Bangla Bank Limited (DBBL)- 16.8% of the total transactions
- \* About 10 banks are now offering services.

Figure: Market Share of MFS Providers (%)



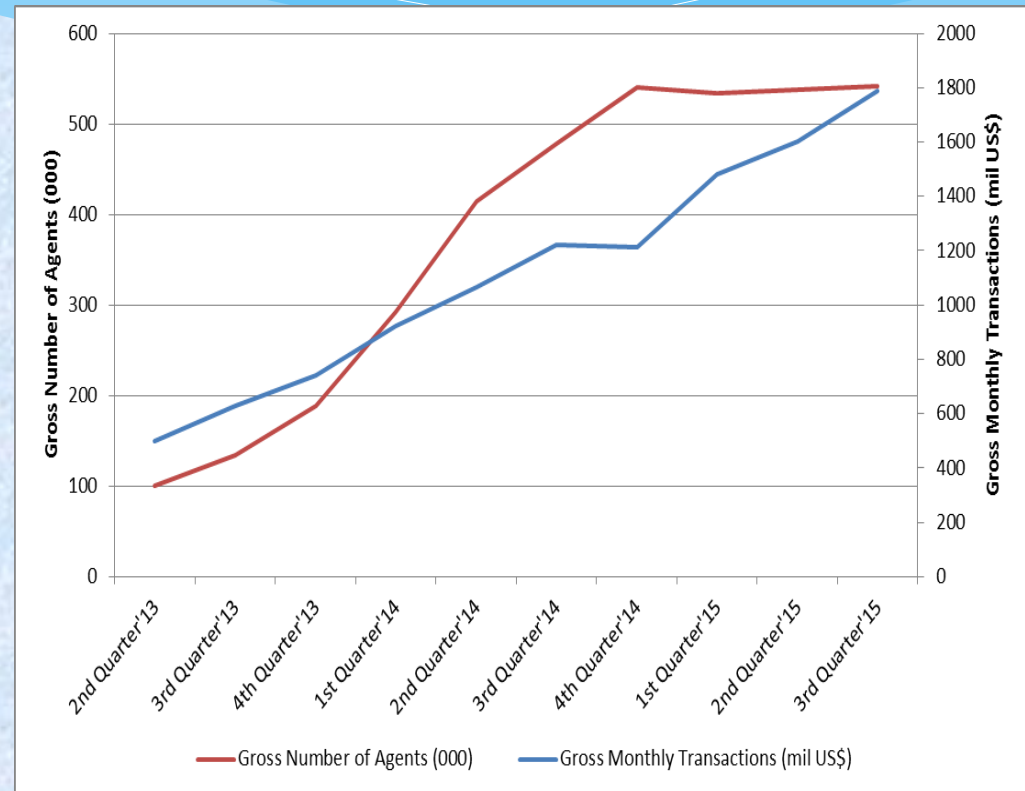
Source: Bangladesh Bank



# MFS in Bangladesh: Growth Trend

- \* **No. of agents**-1 lakh (2013) to 5.5 lakh (2015)
- \* **Gross monthly mobile money transactions**- \$630 million (2013) to \$1787 million (2015)
- \* Amount of average daily transaction- \$47.44 million (USAID, 2015)
- \* Average daily no. of transactions- 2.57 million (USAID, 2015)
- \* Active Customer- 43% (11.7 million) (USAID, 2015)
- \* 41% of mobile phone owners have a mobile wallet

Figure: Gross Number of Agents (000) and Gross Monthly Transactions (mil US\$)

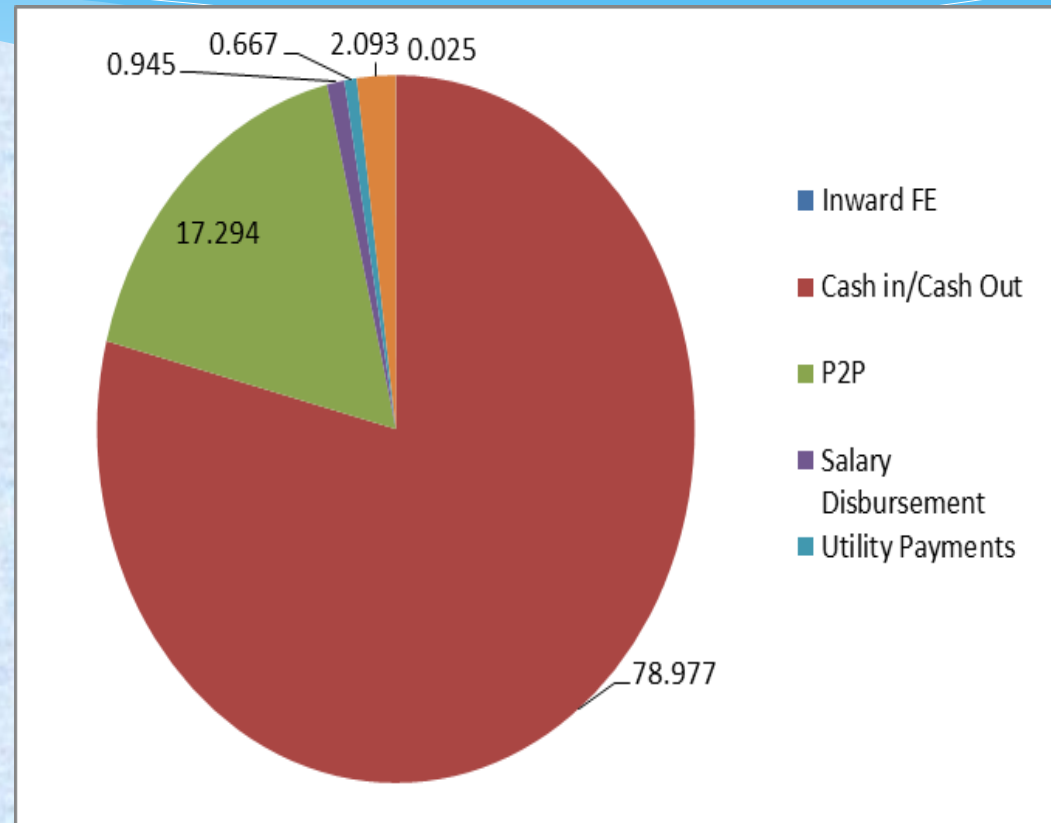


Source: Bangladesh Bank; PRI Study, 2016

# Product Diversification of MFS—A Concern

- \* As of November 2015:96% of transactions involved money transfers, ---79% were cash in/cash out type transactions and 17% were people to people (P2P) transactions
- \* Other products include:
  - Private salary payments (0.9%);
  - Utility payments (0.7%);
  - Others (2.4%).
- \* A tiny volume (0.03%) also represented inward FE.
- \* There are no government to people (G2P) transactions yet.

Figure: Product Composition (%)



Source: Bangladesh Bank



# Regulatory Environment for MFS: International Comparison

- \* MFS Regulations of 2011, imposed an important regulatory constraint: Only banks are allowed to provide MFS
- \* Rules and regulations are stringent giving a leeway for monopoly market

# Regulatory Environment for MFS: International Comparison (contd.)

- \* No restriction on MFS ownership in other countries, except in Bangladesh that requires bank-led MFS.
- \* All countries except Bangladesh allowed mobile network operators to take the lead in MFS



# Costs of Transaction

- \* Service charge in Bangladesh is about 2% at a flat rate (cash-out)
- \* In African countries (Kenya, Tanzania, Zimbabwe), the rate is applicable to different slabs—the higher the amount, the lower is the service charge (Regressive rate)
- \* If we consider variable costs of operation (including USSD price), rates in Bangladesh is not rational
- \* Appropriate tariff modeling is necessary



# Recommendations

- \* Inclusive Growth and Finance
- \* Competitive MFS market and its liberalization (bank-led MFS and MNO-led MFS)
- \* Review USSD pricing and costs of transaction.
- \* Strategic Alliance with MNO and Financial Outlets (Banks, Agents, Postal)
- \* Modernizing and Liberalizing Regulations
- \* Emerging Challenges of Market Share—PayPal, Credit Card
- \* Role of Central Bank, BTRC and BFID (MoF)

**THANK YOU**

