

# bKash's Success Establishes Mobile Financial Services in Bangladesh



In five years, growth of mobile financial services in Bangladesh has skyrocketed, with IFC client bKash leading the way.

## CLIENT PROFILE

Bangladesh's most successful mobile banking services provider, bKash Limited, is part of the BRAC Group, one of the world's largest non-governmental organizations. It is 51 percent owned by BRAC Bank, a socially responsible financial institution focused on small and medium-sized enterprises. The remaining shareholders include Money in Motion, the Gates Foundation, IFC and Alibaba Group which is keen to share its technological know-how with partners like bKash and has successfully brought financial services to the largely unbanked population. Established in 2011, bKash now processes more than 80 percent of mobile banking transactions in Bangladesh.

bKash is focused on providing affordable, secure digital financial services relying on a 180,000-strong agent network covering each district. Operating in a poor country with over 160 million people with 68 percent mobile penetration, bKash saw a significant opportunity to support its social objectives by providing access to digital financial services. With revenue-sharing agreements with Bangladesh's four major mobile network operators, it was able to rapidly expand its customer base, reaching 21 million by March 2016.

## BACKGROUND

Bangladesh is a populous country of over 160 million people with nearly 14 percent of the population living below the poverty line. Furthermore, only 41 percent of all adults are banked (2017). The Central Bank's policies supporting financial inclusion are an important part of its strategy.

In recent years, the use of digital financial services has grown in large part because of regulatory changes implemented in Bangladesh in 2011. These changes allowed banks to establish subsidiaries offering mobile banking services, but also required that they be regulated within the banking framework.

The country's four major mobile network operators (MNOs) were also encouraged by the Central Bank and telecommunications regulator to provide mobile banking providers with access to their networks. Barred by regulations from providing mobile banking services themselves, MNOs nevertheless could benefit from revenue sharing agreements. This arrangement enabled financial institutions to reach customers in partnership with MNOs, which by 2012 had achieved wireless penetration of 65 percent.

## IFC ROLE

In 2013, IFC made a \$10 million equity investment in bKash through its relationship with BRAC Bank. In addition to financing, IFC's provided significant global industry knowledge and expertise in the mobile payments space.

IFC's engagement included:

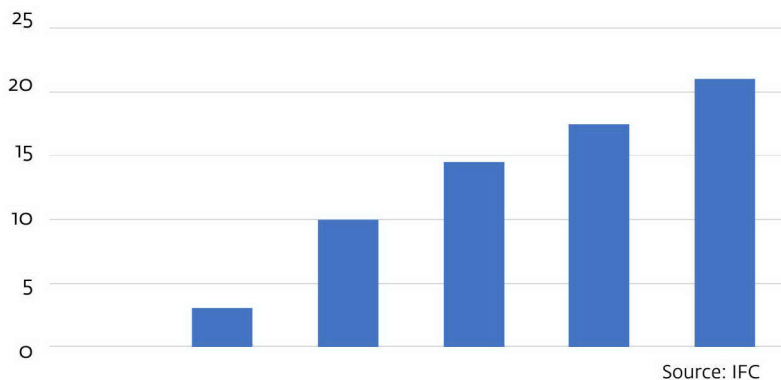
- Market mapping and development of customers and merchants
- Development of a merchant strategy
- Suggestions on greater process efficiency
- Proposed improvements in technology for mobile payments
- Implementation plan for merchant acquisition

IFC's investment also increased confidence in the viability of bKash, which encouraged an equity investment by Bill & Melinda Gates Foundation in 2014.

## IMPACT AND RESULTS

Between mid-2011 to December 2017, bKash users grew to 29 million - more than 10 percent of the country's population. On average, bKash processes 4.5 million transactions per day (2017). bKash is the biggest mobile financial services company in Bangladesh and the second largest globally. Its work has strengthened financial inclusion in the country, enabling poor and unbanked customers to access essential financial services safely and securely. After three years, bKash broke even and began to make profits.

### Value of BSP e-Payment Transactions

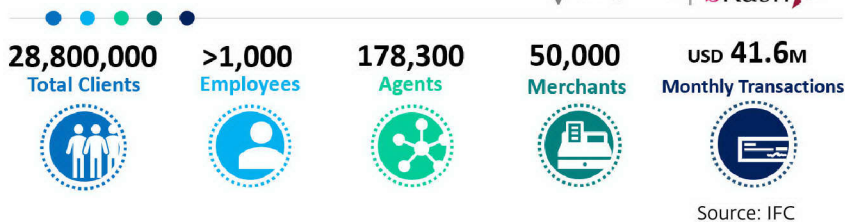


Other benefits include:

- Enabling integration into the formal banking system by creating credit records
- Stimulating economic activity and SME development by reducing transaction costs
- Simplifying salary payments
- Bringing more people and businesses into the formal economy.

The adoption of mobile payments also created the base for offering future digital financial services, such as micro loans and insurance.

## KEY FACTS



## KEY LESSONS

The success of bKash illustrates several important lessons:

- There should be a problem to solve, i.e. expensive informal remittances
- A clear conducive regulatory model should exist
- A strong agent network strategically placed to capture money flows is essential
- Simple, KYC-compliant registration is essential to acquiring customers, especially if low financial literacy is prevalent
- Free cash deposits assist in encouraging customers to engage with the platform
- Rural development benefits from simplified money transfers from urban areas.

## DIGITAL FINANCIAL SERVICES IN IFC

Digital Financial Services, or DFS, uses technology to provide financial services to customers with limited access to traditional branch-based banking. Technology-enabled financial services enable customers and retail outlets to connect to financial service providers using tools such as mobile phones, payment cards, and online banking.

Globally, over 2 billion people – about 40 percent of the world's adult population – are excluded from financial services. IFC's experience has shown that DFS can dramatically narrow the financial inclusion gap in emerging economies, making it an important tool for reducing poverty.

In support of the World Bank Group's commitment to universal access to finance, IFC is working with its network of partner financial institutions to reach 600 million people by 2020. DFS is at the core of IFC's strategy to achieve this goal.

For more information about IFC's Global DFS Team, visit [www.ifc.org/dfs](http://www.ifc.org/dfs).

