

A Review of Mobile Financial Services in Bangladesh

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ABSTRACT: Mobile financial services shortly known as MFS is a big contributor to the “Vision 2021” which was a political vision of Bangladesh for the year 2021, the golden jubilee of the nation. As a part of the master plan, the Bangladesh Bank provided licenses for mobile financial services (MFS). MFS in Bangladesh has been thriving from the very beginning. Although it started with 1 MFS provider in 2011, now there are 13 organizations (Bangladesh Bank, 2021). Bangladesh has seen a significant rise in technology in recent years. According to the Bangladesh Bank, MFS providers are helping Bangladesh move to a digital economy with 1,154,539 agents countrywide. This article uses a literature-based method to explore the Mobile Financial Services in Bangladesh. This is an exploratory research study that draws on secondary sources. Secondary data was collected from a variety of places, including websites, journals, research papers, the media, and regulatory agencies. It is found that scope of MFS in Bangladesh is widespread.

KEYWORDS: Digital Bangladesh, Mobile Financial Services (MFS), Technology, Bangladesh, Development

I. INTRODUCTION

Mobile Financial Services (MFS) is a technique of delivering monetary services that combines banking with mobile wireless networks, enabling customers to conduct banking and other financial transactions using their cell-phones. Accounts can be operated by users by Unstructured Supplementary Service Data, Short Message Service, or particular apps on the smartphone. Agents approved by the bank typically cherishes mobile financial services, allowing account holders to transact outside of bank locations in the place of individual agents (Business Hunt, 2021). MFS is revolutionizing the old financial exchange method, and due to its affordability and safe medium of

transaction, it has gained widespread acceptance in a relatively short time. Since its beginning, the MFS sector's optimistic expansion has been aided in Bangladesh by a tech-savvy community, mobile connectivity, and internet ingress (The Daily Star, 2022).

II. IMPORTANCE OF MOBILE FINANCIAL SERVICES IN BANGLADESH

Financial system is a principal component of modern society. With the evolvement of financial system, many facilities are introduced day by day, and mobile financial services is one of them. Financial market competition and the desire for greater market share are the main drivers for the expansion of mobile financial services, which has a greater impact on growth and financial development in nations like Bangladesh. In nations where the majority of the population is unbanked, mobile financial services can play a significant role to the country's economy.

Massive changes are brought by mobile financial services in financial products and institutional structure. It has the potential to reach out to underserved low-income and micro- and small-business owners, resulting in a broader influence on growth and poverty alleviation.

Monetary companies that previously struggled to provide services to the impoverish using conventional financial production technology can now provide pecuniary services to the unprivileged at a cheap cost utilizing mobile technology. The multi-dimensional effects of MFS, as well as revenue-maximizing devices, make it desirable to government entities. They are presenting the necessary legal and policy support in order to expand MFSs with a better level of security and taxes.

Mobile financial services expand the ability to develop another substitute mode of

banking outside of the banking institution and ATM network, allowing a large percentage of the population, especially those living in rural areas, to have easier and faster access to official banking system.

III. THE OBJECTIVE OF THE STUDY

The main objective of the study is to explore the Mobile Financial Services in Bangladesh by using the literature-based approach.

IV. RESEARCH METHODOLOGY

The type of research is exploratory and it is based on secondary data from publications, research papers, articles, newspapers, magazines, journals, reports, and regulatory authorities' websites.

V. REVIEW OF LITERATURE

Former US President Barack Obama's presidential election campaign slogan, "Change we can believe in" influenced one of Bangladesh's political parties, the Bangladesh Awami League and in 2008, they adopted the concept of "Charter for Change" in their ninth parliamentary election manifesto, which helped them gain a stunning victory in the election. The "Charter for Change" had a goal of achieving a "Digital Bangladesh" by 2021 (Mazumdar and Alharahsheh 2020). Along with many other steps taken by the government to make the dream "Digital Bangladesh" in real, Bangladesh Bank issued licenses for mobile financial services (MFS) in 2011 (Kumar, 2021). Dutch Bangla Bank Limited is the pioneer and launched mobile financial services in Bangladesh in March 31, 2011 with network assistance from two telecom companies named Banglalink and Citycell, and software solution support from Sybase 365 (Akhter and Khalily, 2017). Bkash was second to enter the MFS in Bangladesh and established as a subsidiary of BRAC Bank in July 2011. It began as a joint venture between Bangladesh's BRAC Bank Limited and the United States' Money in Motion LLC (Islam and Hossain, 2018).

On September 22, 2011, the central bank of Bangladesh announced regulatory rules for MFS- "Guidelines on Mobile Financial Services (MFS) for Banks"- after a lengthy assessment and ad hoc permissions on MFS. In December of that year, it was changed again (Sultana, 2014). Later that in 2018, Bangladesh Bank has circulated the regulations named "Bangladesh Mobile Financial Services (MFS) Regulations, 2018". The new laws will take effect instantly and will supersede the old

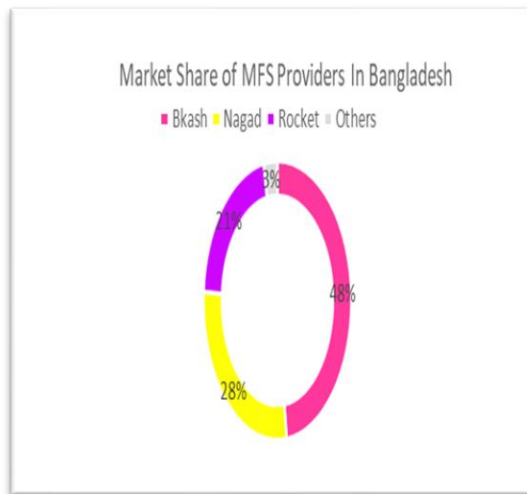
"Guidelines on Mobile Financial Services for Banks" (Bangladesh Bank PSD Circular, 2018).

'Cash-in' and 'Cash-out' from accounts of MFS account holders, person to business payments, person to person payments, business to business payments, online and e-commerce payments, government to person payments, person to government payments, inbound foreign remittances disbursement, payments to vendors and loan disbursements to borrowers are the products of MFS in Bangladesh (Bangladesh Bank PSD Circular, 2018).

Importance Of Mobile Financial Services:
Because of the fundamental drivers of economic inclusion in Bangladesh, MFS are rapidly evolving. Several parameters must be met in order to ensure the quality and diversity of MFS products: (i) the creation of novel MFS products; (ii) a competitive environment that accelerates market entry; and (iii) high-quality, value for money services (Mujeri and Azam, 2017).

Currently, Bkash is leading from the front with 48% market share of MFS in Bangladesh. BRAC Bank Limited runs bKash, which is a joint venture between BRAC Bank Limited in Bangladesh and Money in Motion LLC in the United States. In 2013, the International Finance Corporation (IFC) became an equity partner, and in 2014, the Bill and Melinda Gates Foundation began investing (Islam & Hossain, 2018). Alipay, an Alibaba Group subsidiary, became a new overseas investor in the company in 2018 (Kumar, 2021). Now-a-days, Bkash operates a network of over 200,000 agents in Bangladesh's urban and rural areas, with over 50 million verified accounts. In a customer poll conducted by the Bangladesh Brand Forum, bKash was named the Best Brand of Bangladesh for the second consecutive year in 2019 and 2020 (BBF Digital, 2021).

Honorable Prime Minister Sheikh Hasina inaugurated the Bangladesh Post Office's Mobile Financial Service (MFS) named Nagad on March 26, 2019 (The Daily Star, 2021). BPO launched Nagad by merging its previously introduced Money Transfer System (EMTs) and Postal Cash Card. Nagad is now standing on the second position with 28% market share of MFS in Bangladesh with appointed 240,000 agents and partnered with 12,000 merchants countrywide (The Daily Star, 2021), and achieved a customer count of 5.85 crores.



The Dutch Bangla Bank Limited (DBBL) was the first bank in Bangladesh to offer financial services through mobile networks in Bangladesh. The first MFS to offer a comprehensive range of financial services was DBBL Mobile Banking. It was relaunched as Rocket in 2016 and now offers a wider range of services than before (Islam & Hossain, 2018). Rocket is now standing on the third position with 21% market share of MFS in Bangladesh with 239,003 agents and 16 million customers all over the country.

VI. CURRENT SCENERIO AND COMPERATIVE SUMMERY OF SEPTEMBER AND OCTOBER, 2021, MFS IN BANGLADESH

Description	Amount in September, 2021	Amount in October, 2021	% Change (September to October, 2021)
No. of Banks currently providing the Services	13	13	
No. of agents	1,141,693	1,154,539	1.1%
No. of registered clients in Lac	1,064.54	1,081.15	1.6%

No. of active accounts in Lac	406.46	393.29	-3.2%
No. of total transaction	324,856,111	334,659,939	3%
Total transaction in taka (in crore BDT)	65,135.06	67,582.24	3.8%
No. of daily average transaction	10,828,537	10,795,482	-0.3%
Average daily transaction (in crore BDT)	2,171.17	2,180.07	0.4%

Source: Bangladesh Bank MFS comparative summary statement of September and October, 2021.

VII. CONCLUSION

The existent government of Bangladesh is facilitating the digitalization of the country. Along with many other factors MFS is contributing to Bangladesh's dream to be a digitalized nation. Acceptance and demand of MFS in Bangladesh are increasing day by day. People are getting friendlier with the usage of digital banking services like MFS. "Bangladesh Mobile Financial Services (MFS) Regulations, 2018" has been announced by Bangladesh Bank to control the MFS in Bangladesh. Bkash is currently leading from the front, but Nagad is a strong antagonist as well. With the flourishing number of agents and customers in 2021, it indicates the prosperous future of MFS in Bangladesh.

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