

Agent Banking for Financial Inclusion and Growth in Bangladesh

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The subject Financial Inclusion has been getting importance in the economic sector globally for many reasons. Few of those are individuals and businesses, both small and large have useful and affordable financial products to meet their day to day needs. These are delivered to every adult citizen of a country in a responsible and sustainable transactions or means. A developed country which has a wide network of financial services can provide opportunities to every citizen of the country equally through the formal banking and other financial services. This is provided by means of other operations like mobile phone and agent banking services inter alia. But this may not be so easily possible at a broader base in a developing country like Bangladesh. These services under the Financial Inclusion now-a-days are provided by a variety of operators or so to say players. These players include but are not limited to different institutions like micro-finance institutions, co-operatives, micro insurance brokers and Bankers Agents etc.

The services under Financial Inclusion are to be delivered in a responsible and social way. Especially if they are to be successful in achieving the main objective of financial inclusion for alleviating the poverty and its elimination from the society & the country.

Inclusive finance includes but is not limited to a range of banking

products and the financial services made available to a portion of population. This portion is usually locked in the conventional banking system because of its poor and low income. Consequently the inclusive finance through products of banks helps them to finance their day-to-day transaction activities & interaction in the society.

In this respect numerous micro finance initiatives around the globe aim to alleviate poverty in the developing countries for which the international business community contributed about \$ 9.4 billion to micro finance funding across the globe.

In present perspectives micro finance institutions (MFI) by granting loans to the poor are performing better across the globe. The MFIs are promoting the stake of the under privileged population by guaranteeing their economic viability. This populace does not have collateral to avail access to conventional banking as well.

Background of the Agent Banking Across the Globe and its Success in Bangladesh

The idea of agent banking has stemmed from several developing countries like Brazil, Columbia, Peru Malaysia, Kenya, India, Pakistan, Philippines. Of these countries Brazil is considered to be the pioneer of Agent Banking. According to the UN the goals of the financial inclusion are as follows:

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- i) Access at a reasonable cost for all households to a full range of financial services including savings or deposits services, payment and transfer services, credit and insurance.
- ii) Sound and safe institutions governed by clear regulations and industry performance standards.
- iii) Financial and institutional, sustainability to ensure continuity and certainty of investment.
- iv) Competition to ensure choice and affordability for clients.

In this connection the former UN Secretary General Kofi Anan pertinently observed:

“The stark reality is that most poor people in the world still lack access to sustainable

financial services whether it is savings, credit or insurance. The great challenge is to address the constraints that exclude people from participation in the financial sector. Together we can build inclusive financial sectors that help people improve their lives”.

As per study conducted on the issue it has been estimated in 2013 that 2 billion (2000 million) working age adults globally have no access to the types of formal financial services delivered by regulated regimes. This happened because of the lack of effectiveness of financial inclusion initiatives in different countries. To address this situation the nations worldwide have taken serious initiative to develop financial inclusion within their respective jurisdiction.

Kenya’s Equity Bank was able to become a profitable bank by reaching its market for deposits

via Agent Banking Network. Because of its success the Kenyan Govt. amended the Finance Act 2009, as per Kenyan Gazette Supplement, allowing banks to use banking agents to offer services on their behalf. Similarly, the Latin American countries like Columbia, Brazil, Peru, and Mexico are going with agent banking because of their successful operations. In this respect the Banco Central do Brasil (Central Bank of Brazil), reported that since the introduction of agent banking 12 million current accounts were opened with the banking agents. The total amount of transactions reached \$ 2.6 billion within the 1st three years. Likewise in Democratic Republic of Congo the Foundation for International Community Assistance (FINCA) has done so. It introduced agent banking to keep customers safe from their exposure to risks of robberies. The agent banking network consists of local merchants and shop keepers who provide basic banking services. Because of success in that country FINCA has also introduced agent banking in Tanzania and Zambia. Bangladesh is not also apart in this. It also participated in this mission to alleviate the poverty of the poor by various means of financial inclusion. Amongst these are expansion of the network of the formal banks in the rural areas through opening of certain proportion of new branches by regulatory regimes of the Bangladesh Bank (Central Bank) in this regard.

Besides, as per section 45 of the Banking company act 1991, Agent Banking has been introduced by Bangladesh Bank to provide limited scale banking and financial services to the unserved population under a valid agency agreement with the banks concerned. Ever since the formulations of Bangladesh Bank guidelines for the operation of Agent Banking in 2013 the financial services have been grooming in popularity across the country. The agent banking has been in operation from 2016 in full swing. The dawn of agent banking rose with 10 banks approved by Bangladesh Bank at the beginning. This number currently stands at 16/17 Commercial Banks in agent banking services across the country.

The fact is that as of to-day a large portion of total population of the country is still awaiting to be brought into Agent banking yet. The unexplored prospect of agent banking to serve the unbanked population of the country is yet a very wide arena.

The total number of branches of formal banks operating in

Bangladesh is close to 10,000. These are located mostly in District and Upazilla level. A vast rural population is still in starvation for agent banking services which has become popular among them. In the meantime at the end of June quarter 2018 the number of banking outlets increased to 5351 and 5791 at the end of September 2018 from 4905 at the end of March 2018 respectively.

Similarly the number of agents increased to 3588 at the end of June 2018 from 3218 at the end of March 2018. This banking mode has become more popular among common people because they can open account with Tk. 10/- only through Agent Banking. Moreover agent banking services to collect remittances from abroad have also proved acclaimed & encouraging.

Until March 2018, Tk. 2674 Cr of inward remittance was funneled through 4905 agents banking outlets. Agent banking has been gaining popularity only within a year & half from its inception. The trend of the growth of Agent banking in Bangladesh is shown in the following table:

Period	No of Accounts	Deposit in Cr. Taka
Oct-Dec 2016	5,44,536	380.68 Cr.
Jan-March 2017	7,12,499	481.38 Cr.
April-June 2017	8,72,865	651.21 Cr.
July-Sept 2017	10,38,242	922.08 Cr.
Oct-Dec 2017	12,14,367	1,399.39 Cr.
Jan-March 2018	14,68,797	1,634.36 Cr.
April-June 2018	17,77,400	2,012 Cr.
July-Sept 2018	20,28,864	2,577 Cr.

There is also a large scope of loan disbursement to the farmers of the country as they can avail the low-cost loan at 9% through the agent banking as against the present 20-25% r/i for the agricultural loans through NGOs and other agencies. In the fiscal year 2017-2018 farm loan disbursement stood at Tk. 21,394 Cr. of which 37.19% was given through NGOs at high rate of interest.

At the moment the banking sector covers only 10,000 locations through its branches. This coverage only meets the financial services needs of 14,500 out of 86,000 villages of the country. So still the unexplored market is very big.

From the foregoing analysis it can be concluded that the agent banking is a win-win event for all the parties involved in the procedure. The laurels pinned in the Agent Banking worldwide has prospered this services much more than predicted before. It is so because the agents can sell a greater variety of specialized products and services on behalf of the banks to customers in remote region/corners of the country. The customers' confidence & comfort with Agent Banking has been accredited as an ongoing but successful financial services regime. The Agent Baking network is an ongoing process now and it is further heading towards its cherished goal. It is yet to reach a major populace & here lies the prospect of such banking. However service quality needs best care.