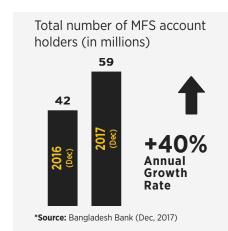
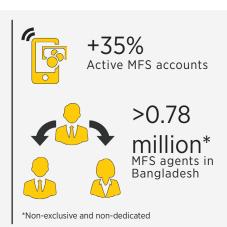
Catalysing Business Transformation

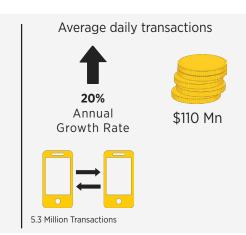
A study on Mobile Financial Services for MSEs in Bangladesh: Prospects and Challenges



A: Bangladesh remains a success story in growth in MFS among most developed mobile money markets







Cash-out remains most prevalent

MFS use-case among MSEs

Personal

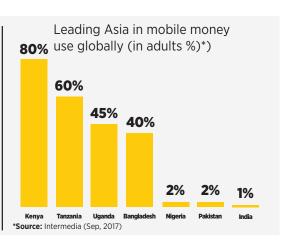
Purchase

51% Use of MFS is highest for MSEs belonging to the service sector

72% of traders, agri-owners and manufacturers belong to rural

areas. Lack of financial services invokes dependency on informal

financial providers. Samities and Money-Lenders can pave way for



B: Nearly 8 million MSEs in Bangladesh contribute to 25% of GDP. Among these, considerable number of MSEs use MFS for business purposes

P2P

Lesser business use-case for MSEs.

Deposit

P2P

MSEs do not maintain wallet balances because of unclear regulatory guidelines on B2B transaction limits and wallet balance:

94% of MSE respondents use MFS for cash-out.

94%

Among MSEs who use MFS

Use MFS for 46% MSEs*

business purposes

MSEs who made at least one B2B MSEs* transaction

> 29% MSEs who made P2P and B2B MSEs* transaction

- 2.73 million registered MSEs
- 1.26 million MSEs have potential to use
- MFS for B2B transaction
- 1.47 million MSEs lacks understanding about benefits of using MFS for B2B transaction
- MFS providers can ensure repeat transactions to enable business conduct efficient financial management
- Acceptance of MFS in complete value-chain is important eco-system actors must transact onmobile money

MSEs, who use MFS, say they do not use it for business

High risk of security/robbery/ fraud

High MFS transaction cost

Lack of awareness on MFS 29%

Insufficient MFS Transaction Limit No forseeable

20% benefit of using MFS Cash preferred 20% by customer

64%

31% 27%

Executing Agency



Implemented by



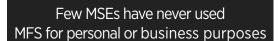
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ukaid



Challenges for Demand-side

- · Lack of understanding about transaction limits
- High tariff
- Limited use-cases and value propositions of an MFS account for MSEs



Regulatory Challenges

- No customised MFS regulation for business usage of MFS accounts
- · Non uniform USSD pricing policy and accessibility for MFS providers
- · No interoperability among MFS providers and across banks
- · No regulatory environment (sandbox) to promote innovation and incubation of new products



Challenges for Supply-side

- · Limited interest among providers to promote MFS for MSEs
- · Lack of need-based products such as digital savings/credit for MSEs
- · Lack of access to credit through MFS for MSEs

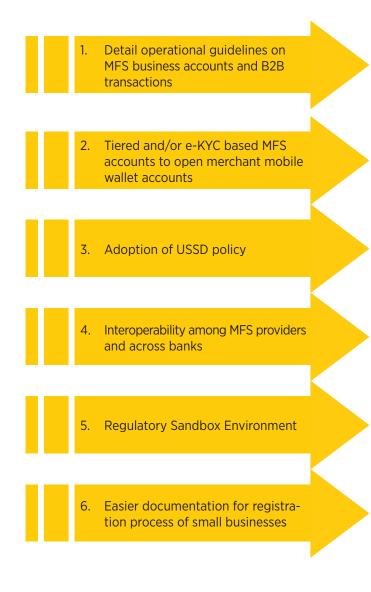


Catalysing Business Transformation

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C: Policy Recommendations and possible impacts to expedite usage of MFS Among MSEs in Bangladesh



- Ease of opening MFS business account and approximately 2.73 million registered MSEs may open MFS business account
- MFS providers will give more emphasis on B2B products and transactions
- Transactions fees may reduce
- Increase B2B transactions because of guidelines on transaction and account balance limit
- Flexibility in opening business MFS account for merchants based on their needs and requirements
- Increase in B2B transactions using Merchant accounts
- Reduce transaction fees
- Uniform session-based pricing. In India, a uniform session-based pricing reduced by 50% is helping financially excluded to uptake MFS
- Approximately 1.26 million MSEs may use MFS for business purposes
- Encourage MSEs to use MFS for business purposes through one mobile wallet (m-wallet) to other m-wallets, m-wallet to bank and bank to m-wallet
- Promote innovation and incubate new products
- Increase access to financial services of approximately 2.73 million registered MSEs

Encourage 4 million non-registered MSEs to register and use MFS for B2B transaction











