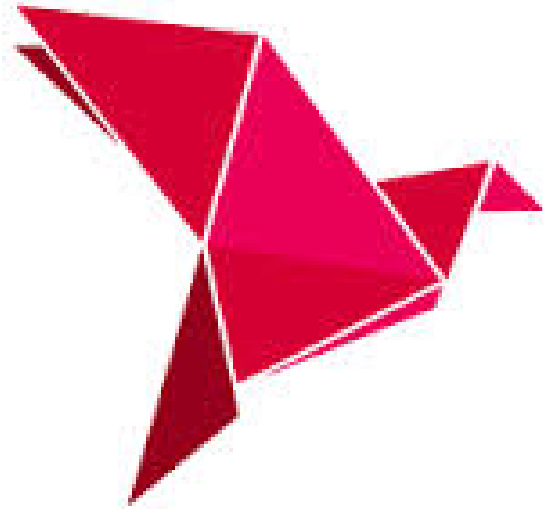# Business Model of bKash

Mohammad Azmal Huda
Chief Technology Officer
bKash Limited

Bangladesh :
Where
We
Are

Bangladesh : Facts and Figures

- 8th most populous country with 160 million people, growth rate is 1.5%

- One of the most densely populated countries in the world with around 1200 people per square km.

- Over half of population is under 25 years of age

- There is an equal male-female split.

- Approximately 50 million people live in poverty, on less than $2 per day,

- GDP has been growing at an average of 6% each year for the past 10 years.

- It is still a low income economy with a GDP per capita of around $900

- Institutional Literacy rate is around 55% which is increasing

- 300 Microfinance institutions with 24 million borrowers, around 6 millions are active

Bangladesh : Facts and Figures

- 71% of the population and 85% of the country's poor living in rural areas,

- agriculture is an important source of employment, comprising nearly 50% of the workforce and contributing 17% of the country's GDP..

- one of the worlds leading exporters of textiles and garments, as well as fish, seafood and jute.

- The country has diversified its economy through a growing industrial sector, which contributes 29% of GDP

- According to IESE business school study on venture capital and private equity country attractiveness index, Bangladesh ranked 80th out of 116 countries.

Bangladesh : Mobile Network Industry

- low income country but it is the 10th largest market worldwide in terms of unique mobile subscribers.

- First MNO started operation in 80s whereas the real industry formed around 2000

- In 2014, 2G coverage is 99.17% by population and 89.50% by area.

- 115 million mobile accounts, around 65 million unique customers, 6 operators in operation, the largest one has 41% of the market share

- in 2003 subscriber penetration was only 1%, and in ten years this grew to almost 60%

# Mobile Financial Services in Bangladesh

Bangladesh : Mode of Money Transfer

Mode of Money Transfer
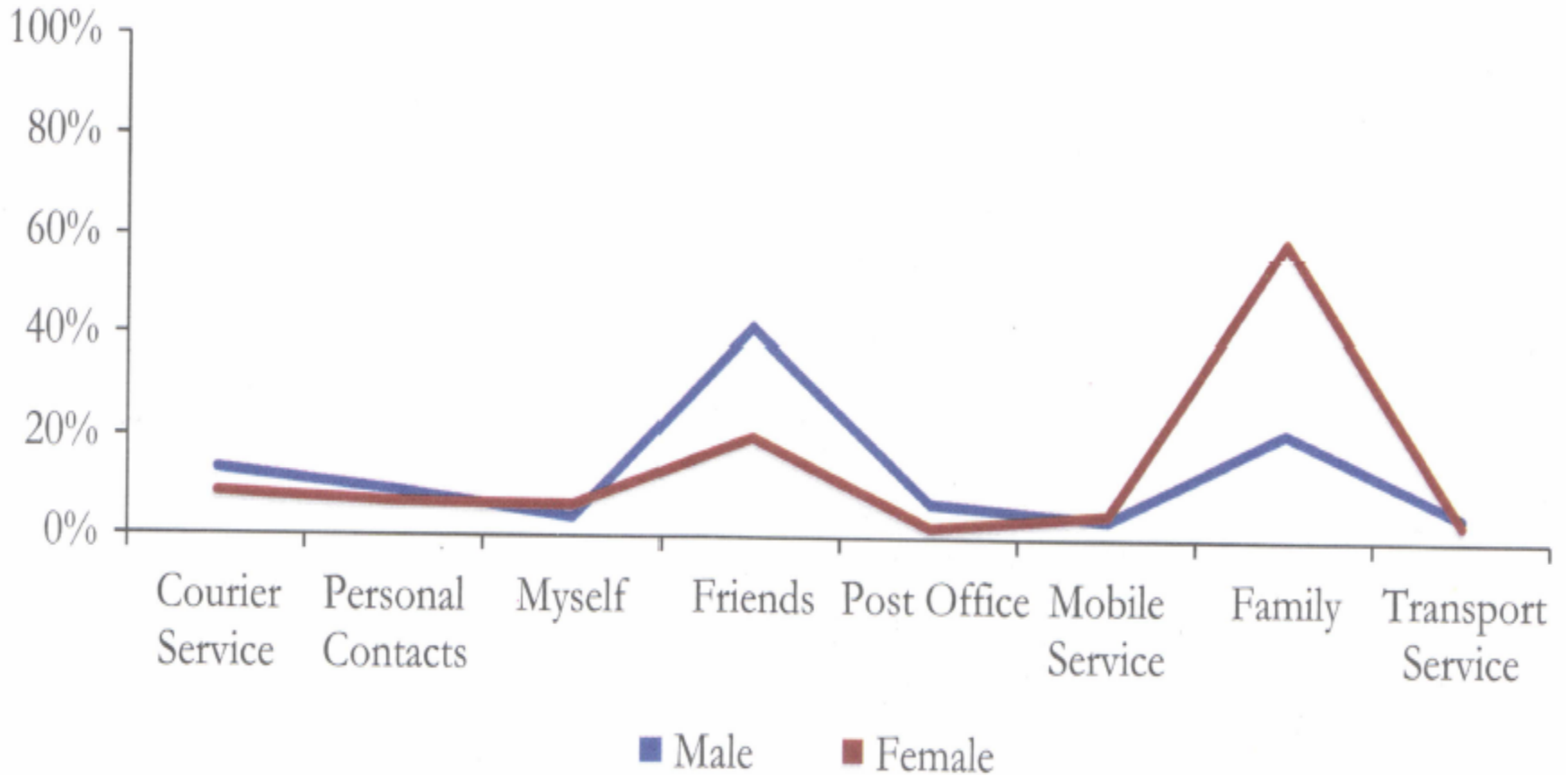
Why MFS in Bangladesh

- Agro-based livelihood
- Cash based economy, significant domestic remittance flows
- Growing urbanization for livelihood: Strong ties to rural roots, but poor physical infrastructure
- Defined regulatory structure
- Omnipresent mobile telephone network
  - 95 million+ mobile phone users
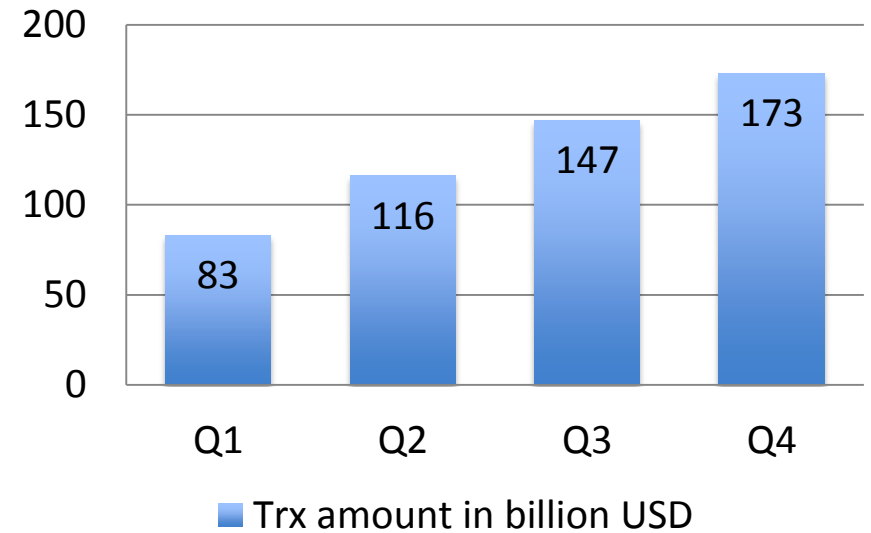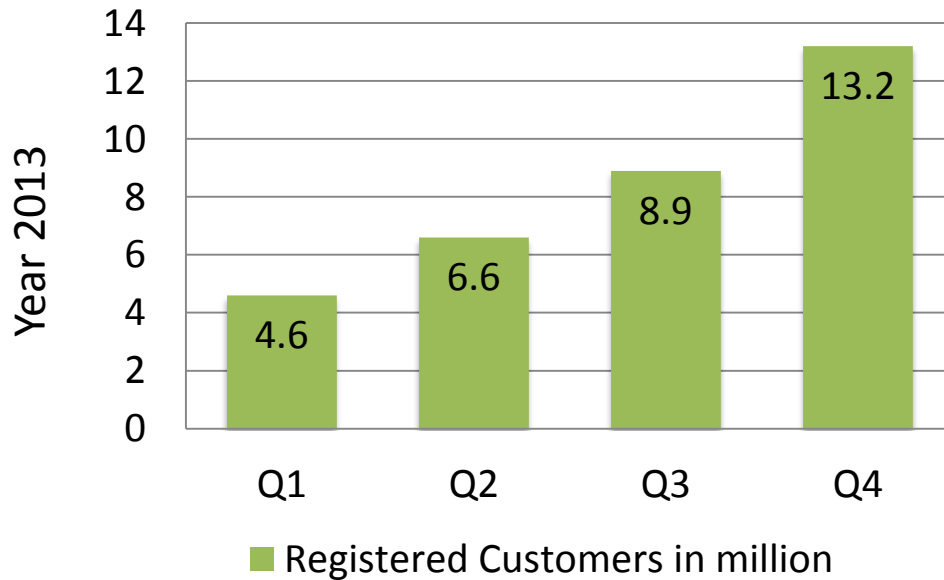 - 60 million+ of these users do not have access to formal banking
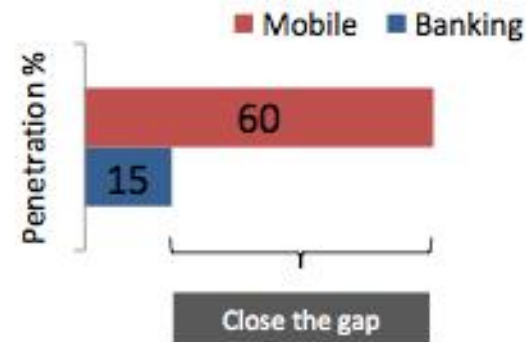
Regulatory Framework

- Bank Led Model
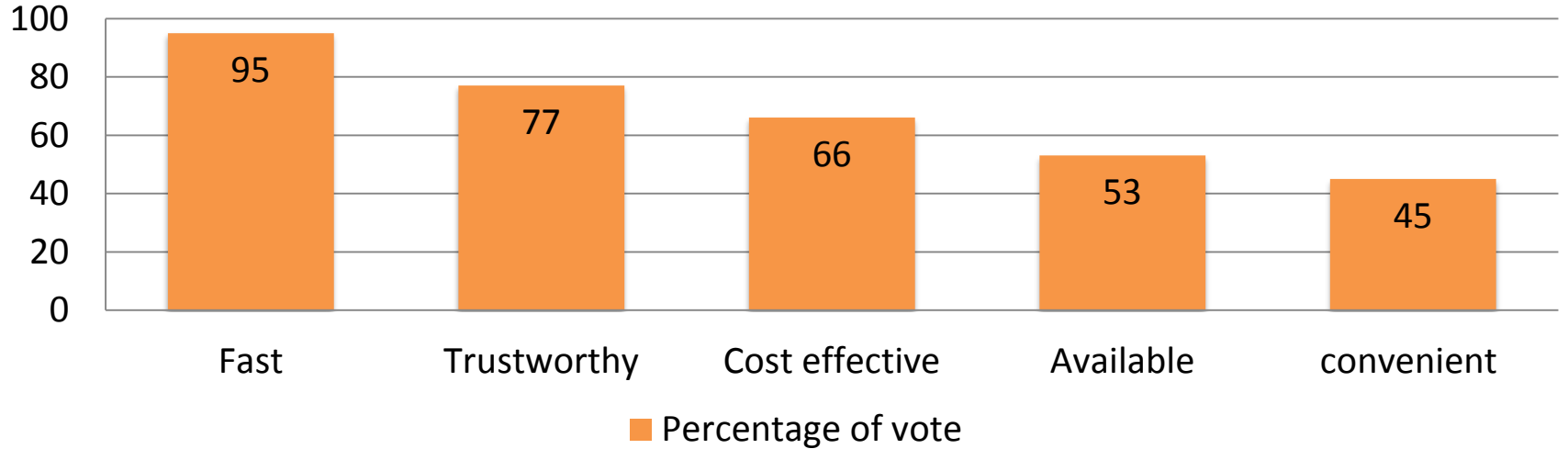
    - Financial institutions provide the service and take the compliance responsibility.

    - MNOs provide mobile connectivity.

    - Customers and agents use their own handsets.

- Regulated by the central bank

    - "Guidelines on Mobile Financial Services (MFS) for the Banks" issued in September 2011,

    28 banks got MFS license

    - and, bKash, which is a subsidiary of a bank

Why using MFS

Percentage of vote

Category	Percentage
Fast	95
Trustworthy	77
Cost effective	66
Available	53
convenient	45

Year 2013 — Registered Customers in million

Quarter	Value
Q1	4.6
Q2	6.6
Q3	8.9
Q4	13.2

Trx amount in billion USD

Quarter	Value
Q1	83
Q2	116
Q3	147
Q4	173

Description	March 2012	December 2013	June 2014
Number of agents	9,093	188,647	414,170
Number of registered accounts (million)	0.4	13.2	16.7
Number of active accounts (million)	NA	6.5	6.7
Total transactions ($, million)	$25.9	$857.4	$1,100.1

bKash

bKash Limited, a subsidiary of BRAC Bank, started as a joint venture between BRAC Bank Limited, Bangladesh and Money in Motion LLC, USA. In April 2013, International Finance Corporation (IFC), a member of the World Bank Group, became an equity partner and in April 2014, Bill & Melinda Gates Foundation became the equity investor of the company.

Mission of bKash

By providing financial services that are convenient, affordable and reliable, bKash aims to widen the net of financial inclusion. bKash wants to provide a solution for Mobile Financial Services, built on a highly scalable Mobile Money platform, allowing the people of Bangladesh to safely send and receive money via mobile devices.

bKash Services in market

Cash In

Interest against saving

Mobile Recharge

Send Money

Loan Repayments

Foreign Remittance

Cash Out

ATM Withdrawal

Salary Disbursement

Merchant Payments

Pricing structure and limitations:

Action type	Corporate accounts	Limitations	End-user (P2P)	Limitations
Opening an account	FREE		FREE	• None
Cash in	N/A		FREE	• BDT 25,000/day • 5 times/day • BDT 150,000/month • 20 times/month
Collection	1.50%*Corporate Collection Settlement Charge	No limits	N/A	• N/A
Cash out from agent**	N/A Text		1.85% charge will be automatically deducted from bKash Account.	• BDT 25,000/daily • 3 times/day • BDT 150,000/month • 10 times/month
Cash out from ATM**	2% charge will be automatically deducted from bKash Account	Between BDT 2,000 to 20,000	2% charge will be automatically deducted from bKash Account	• Between BDT 2,000 to 20,000 • 3 times/day • BDT 150,000/month • 10 times/month
Cash out from Bank Branch**	N/A		N/A	• N/A
Transfer money	Corporate Disbursement Charge: 0.50%*	Through bank order via email/hardcopy	BDT 5/transfer	• BDT 10,000/day • 20 times/day • BDT 25,000/month • 70 times/month
Merchant payment	N/A		FREE	• Unlimited
Mobile Top up	N/A		FREE	• BDT 10,000/day • BDT 1,000/time • BDT 100,000/month

Coverage profile:

Type	Number nationwide	Additional details
Subscribers (Active)	• 6,000,000+	• Country wide coverage
Agents	• 85,000+	• Country wide coverage • Own agent of bKash (3rd Party Agent)
ATMs	• 300+	• Only BRAC Bank ATM booths are applicable for cash out of bKash. Major Cities of Bangladesh is the geographic coverage.
Full service branches	• 150+	• BRAC Bank branches
Partial service offices	• N/A	• N/A
Merchants	• 1,000+	• Dhaka & CTG Based

Examples of NGOs using this service:

1. **Oxfam** is using bKash to deliver grants to their poorest beneficiaries.
2. **Plan Bangladesh** is implementing a project including a consortium of 5 international agencies funded by DFID (UKAid – development wing of UK government) in 14 unions within Banrguna and Patuakhali districts. They provide cash for work and livelihoods grants to 14,481 households in fixed amounts every 6 months. They decided to use bKash to transfer these funds in order to avoid any misappropriation and mismanagement. They have also partnered with Banglalink, which has provided free SIM cards to all beneficiaries to ensure that they have connectivity.
3. **CLP** is using bKash to issues grants to 17,000 beneficiaries.
4. **HelpAge International** is using bKash to provide aid to the poor in some of its projects.
5. **English in Action** disburses training allowances via bKash.
6. **ICDDRB** also used bKash to issue allowance to employees.

Primary values offered in market

bKash

Fast (Money travels within seconds)

Affordable (Lowest in cost specially for lower tokens)

Secure (Under regulation and compliance)

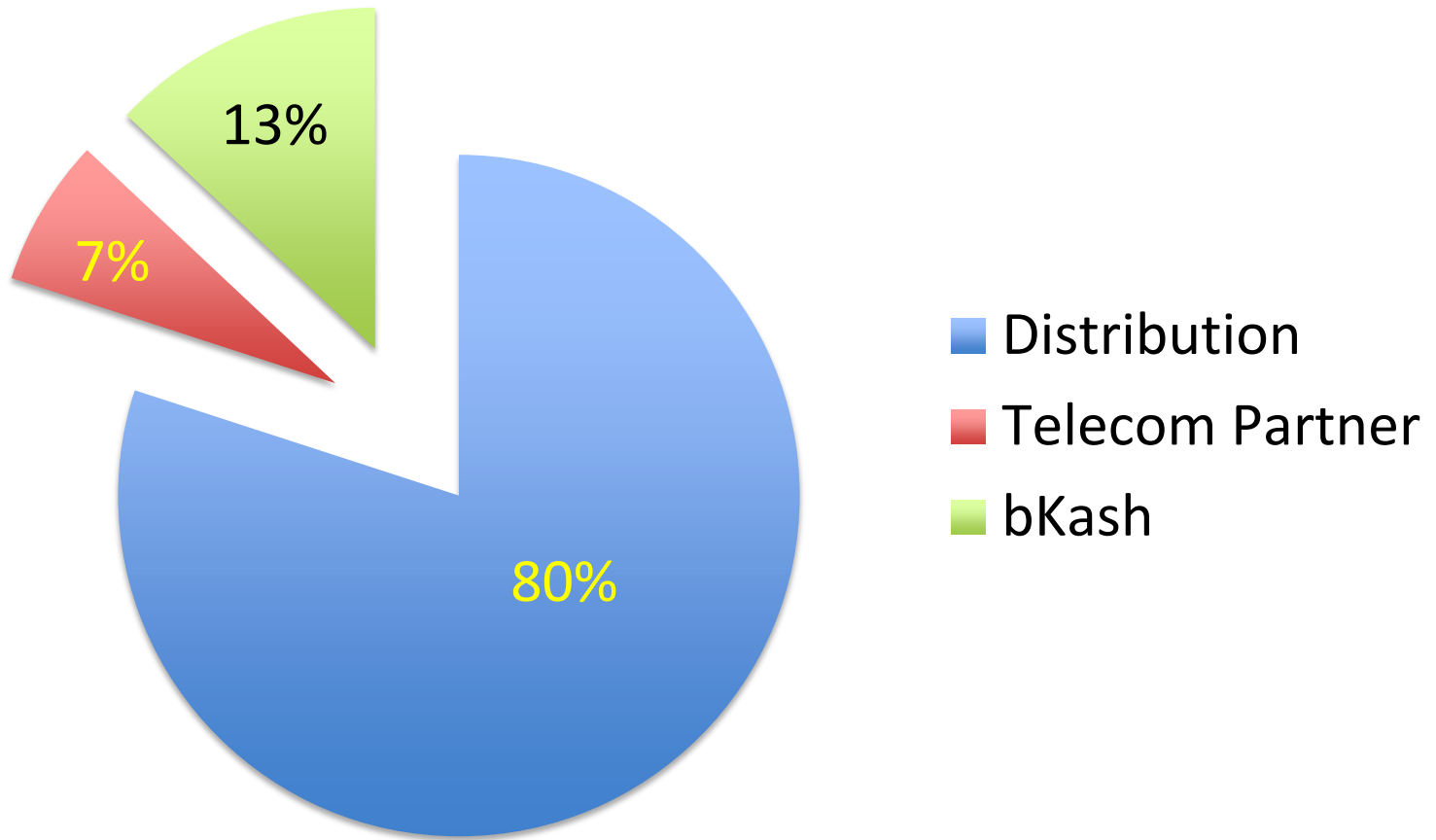**Convenient** (few steps, supported by any handset)

Nationwide (available within walking distance)
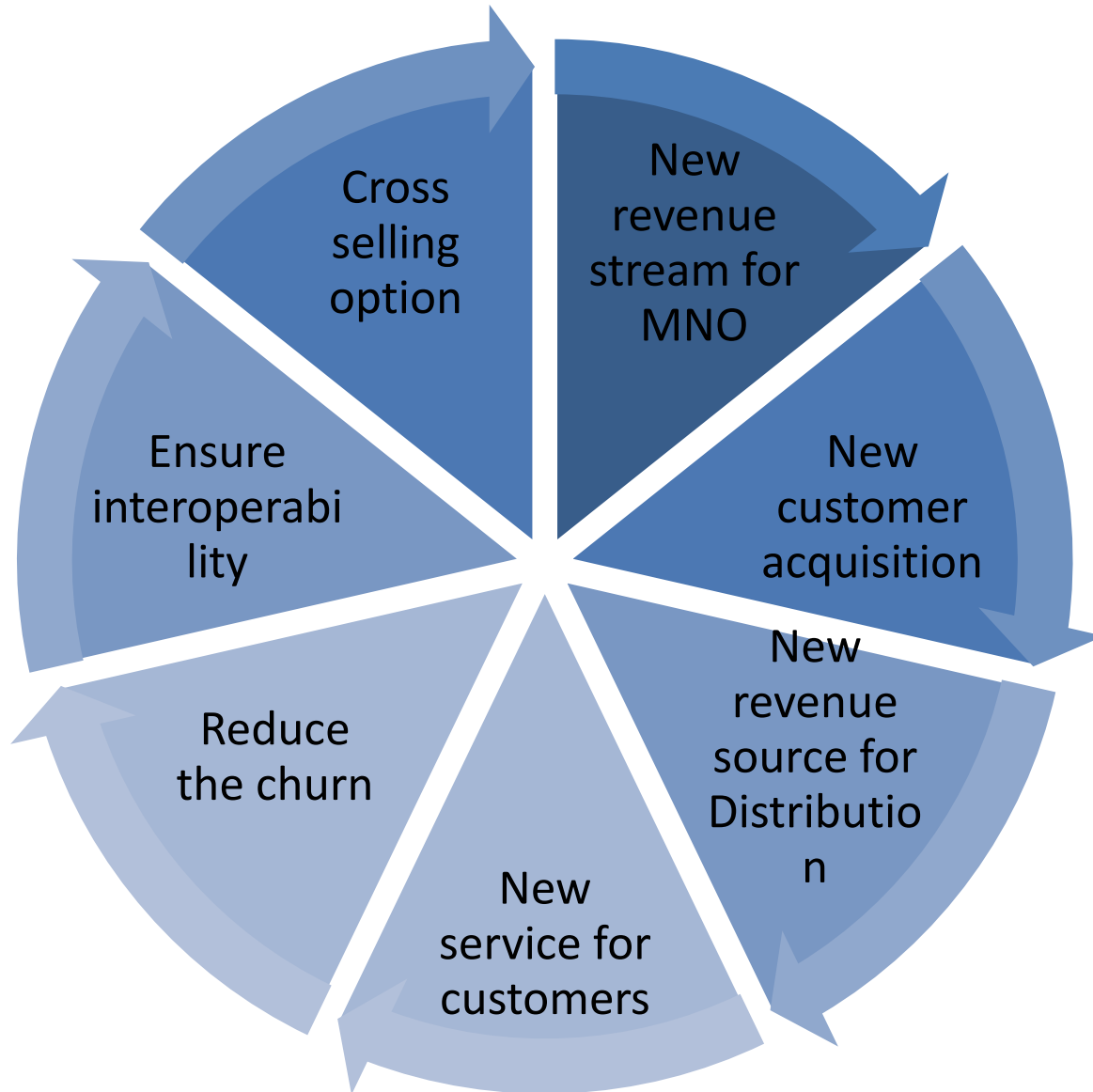
What other impacts bKash could create

- Time and cost saving

- Increased consumer right protection

- Increased sense of empowerment

- Customer satisfaction

- Increased individual/business income

- Cross selling opportunities

- Increased employment

- Increased amount and frequency of local and cross border remittance
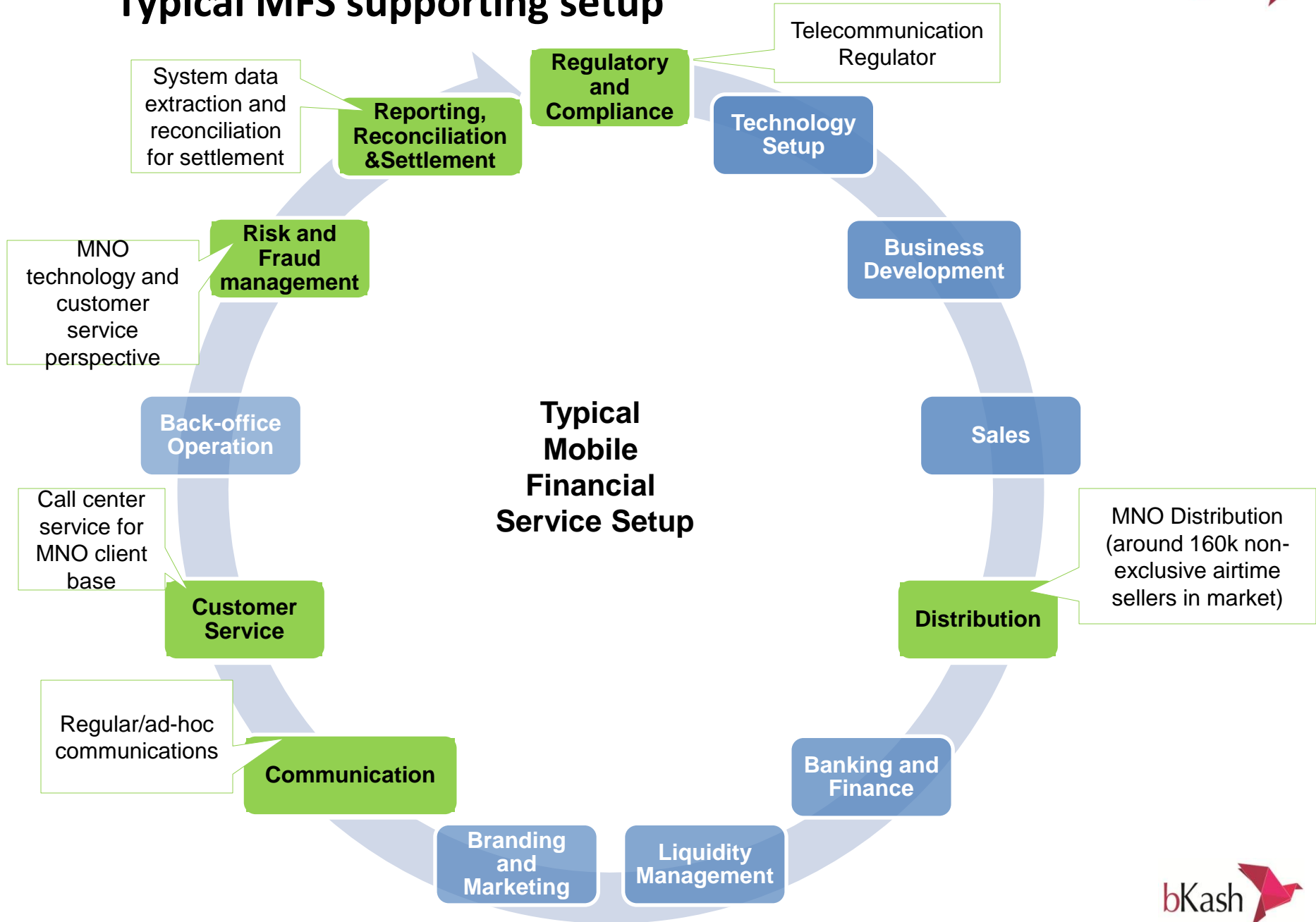
- Financial Inclusivity

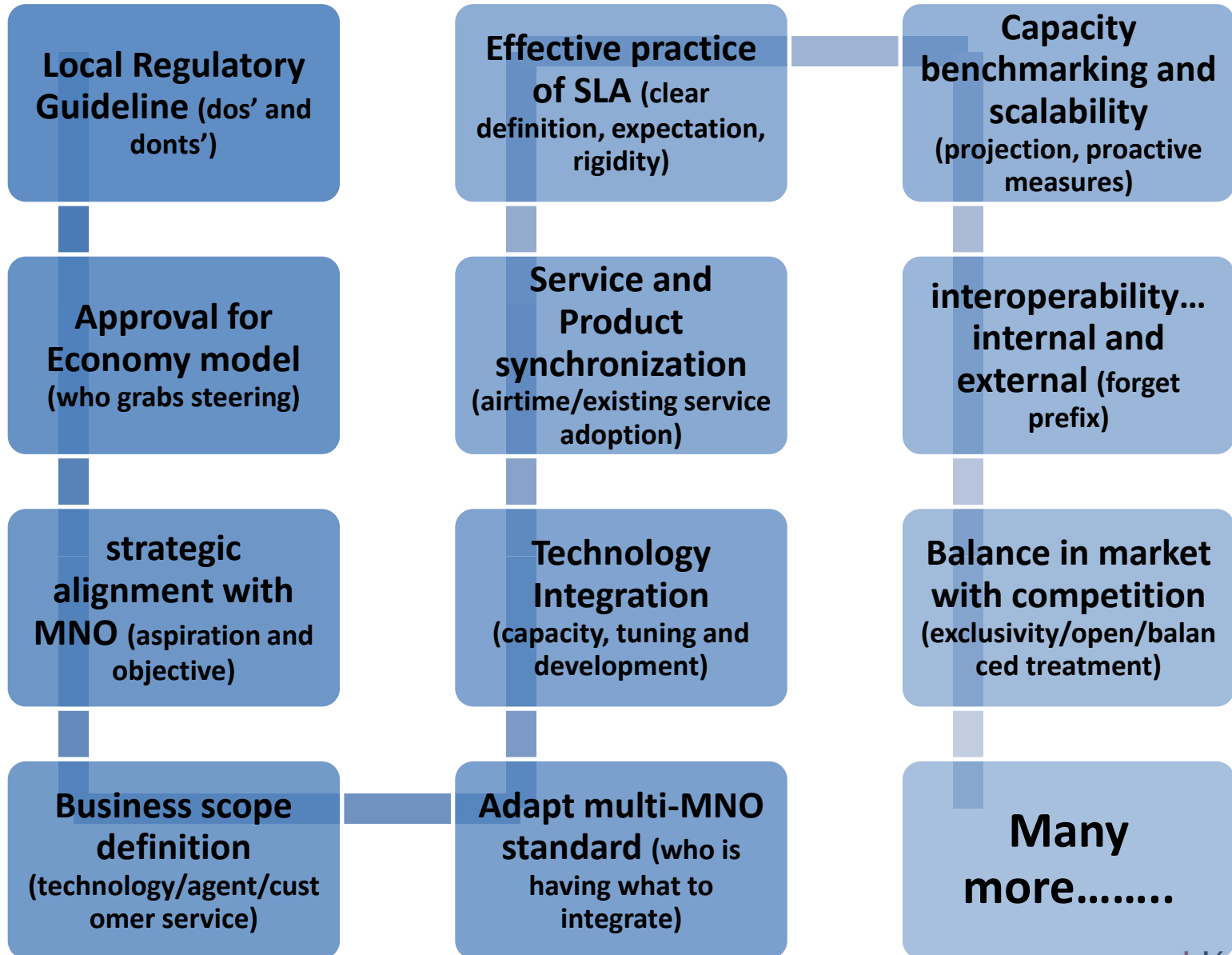# Business Model

Revenue sharing model

- Distribution — 80%
- Telecom Partner — 7%
- bKash — 13%

Other possible benefits for Telecom partners

Typical MFS supporting setup

Typical Mobile Financial Service Setup

Regulatory and Compliance
- Telecommunication Regulator

Technology Setup

Business Development

Sales

Distribution
- MNO Distribution (around 160k non-exclusive airtime sellers in market)

Banking and Finance

Liquidity Management

Branding and Marketing

Communication
- Regular/ad-hoc communications

Customer Service
- Call center service for MNO client base

Back-office Operation

Risk and Fraud management
- MNO technology and customer service perspective

Reporting, Reconciliation &Settlement
- System data extraction and reconciliation for settlement

Major challenges

Local Regulatory Guideline (dos' and donts')

Approval for Economy model (who grabs steering)

strategic alignment with MNO (aspiration and objective)

Business scope definition (technology/agent/customer service)

Effective practice of SLA (clear definition, expectation, rigidity)

Service and Product synchronization (airtime/existing service adoption)

Technology Integration (capacity, tuning and development)

Adapt multi-MNO standard (who is having what to integrate)

Capacity benchmarking and scalability (projection, proactive measures)

interoperability... internal and external (forget prefix)

Balance in market with competition (exclusivity/open/balanced treatment)

Many more........

Awareness to gain trust

bKash proudly presents
a world class 3D animation
entirely made in Bangladesh

Click to watch the video

The easiest and safest way to send or receive money instantly on your mobile, nationwide.
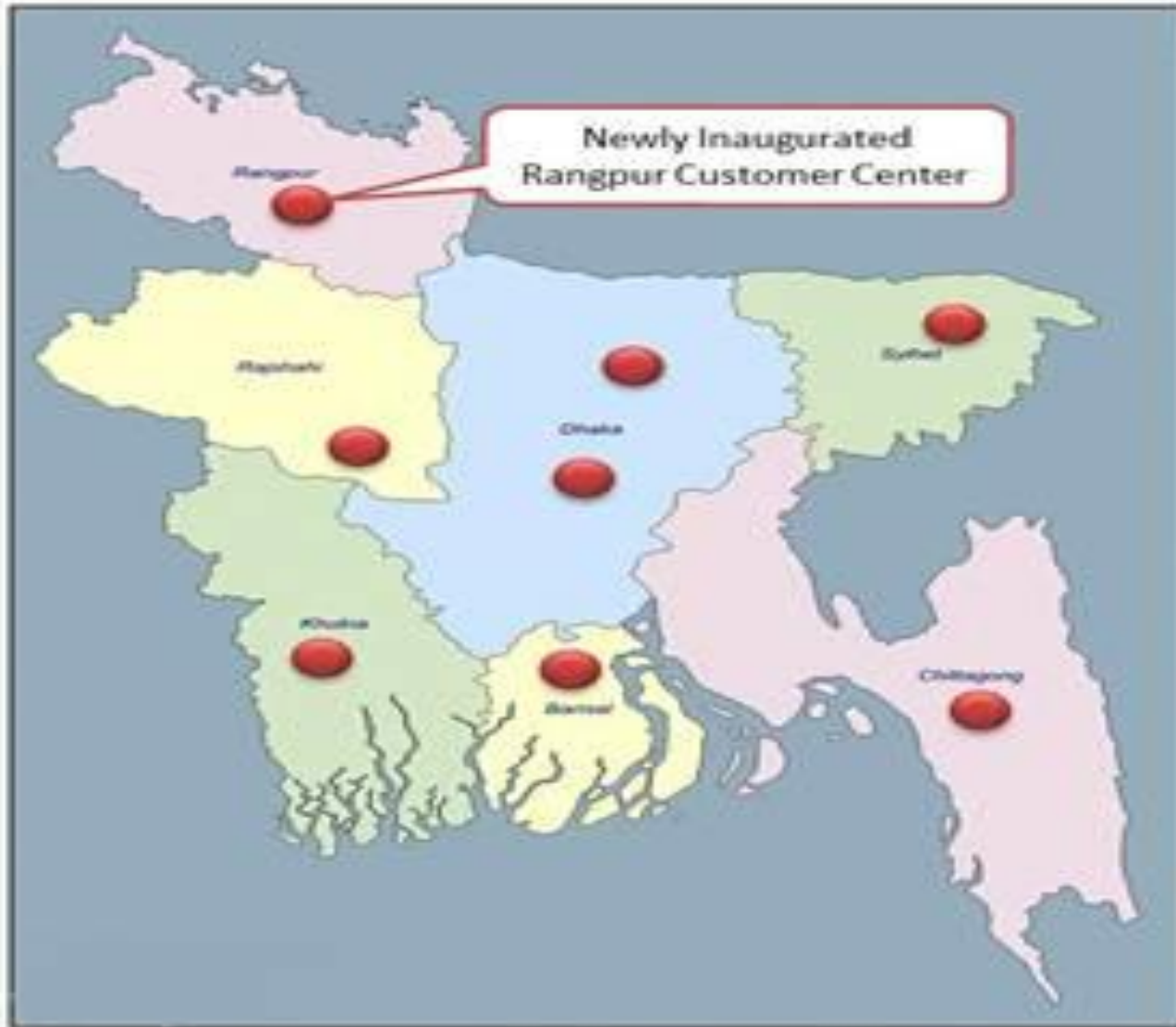
News	Calculate	Locate	View

bKash Customer Centers

bKash Stories

bKash Stories

Why should we care about telecom data

- Customers are mostly driven by social networks now a days

- Selling should be targeted in viral way (target 'right' customers)

- Use social network analysis to understand more about your customers and their communities

- Enhance existing reports, modeling tools, and methodologies with social metrics

- Test and control group methodologies no longer work as intended. Information exchange between individuals within online social network is extremely high.

- Need to understand behavior across and within communities rather than focusing just on individuals.

- Leverage (and protect against) high velocity of information exchange within online social network.

What Telco data could be helpful for other industries

- Customer demographic information
- Customer geographical positioning
- Tariff model
- Classification (closed and open) and ARPU grouping
- Usage
- Movement
- Frequency of communication
- Churn modality and prediction model

To devise solutions around

- New Service
- Extension of Service
- Alerts and Notifications
- Identity and authentication management
- Campaign design, execution and analysis
- Awareness programs

Thanks goes to

- Bangladesh Bank reports

- BTRC Reports

- IFC Reports

- Gates foundation reports

- CGAP Reports

- GSMA Reports

- Gartner publications