Business Model of bKash

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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 world’s 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 10\textsuperscript{th} 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
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

![Penetration %](chart)

- Mobile
- Banking

Close the gap
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

- Fast: 95%
- Trustworthy: 77%
- Cost effective: 66%
- Available: 53%
- Convenient: 45%

Percentage of vote

Year 2013

Registered Customers in million
- Q1: 4.6
- Q2: 6.6
- Q3: 8.9
- Q4: 13.2

Trx amount in billion USD
- Q1: 83
- Q2: 116
- Q3: 147
- Q4: 173
<table>
<thead>
<tr>
<th>Description</th>
<th>March 2012</th>
<th>December 2013</th>
<th>June 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of agents</td>
<td>9,093</td>
<td>188,647</td>
<td>414,170</td>
</tr>
<tr>
<td>Number of registered accounts (million)</td>
<td>0.4</td>
<td>13.2</td>
<td>16.7</td>
</tr>
<tr>
<td>Number of active accounts (million)</td>
<td>NA</td>
<td>6.5</td>
<td>6.7</td>
</tr>
<tr>
<td>Total transactions ($, million)</td>
<td>$25.9</td>
<td>$857.4</td>
<td>$1,100.1</td>
</tr>
</tbody>
</table>
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
- Send Money
- Cash Out
- Salary Disbursement
- Interest against saving
- Loan Repayments
- Mobile Recharge
- Foreign Remittance
- ATM Withdrawal
- Merchant Payments
<table>
<thead>
<tr>
<th>Action type</th>
<th>Corporate accounts</th>
<th>Limitations</th>
<th>End-user (P2P)</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening an account</td>
<td>FREE</td>
<td>FREE</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>Cash in</td>
<td>N/A</td>
<td>FREE</td>
<td>· BDT 25,000/day</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>· 5 times/day</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>· BDT 150,000/month</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>· 20 times/month</td>
<td></td>
</tr>
<tr>
<td>Collection</td>
<td>1.50%*Corporate</td>
<td>No limits</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Collection Settlement Charge</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash out from agent**</td>
<td>N/A Text</td>
<td>1.85% charge will be automatically deducted from bKash Account.</td>
<td>· BDT 25,000/daily</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>· 3 times/day</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>· BDT 150,000/month</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>· 10 times/month</td>
<td></td>
</tr>
<tr>
<td>Cash out from ATM**</td>
<td>2% charge will be automatically deducted from bKash Account</td>
<td>Between BDT 2,000 to 20,000</td>
<td>2% charge will be automatically deducted from bKash Account</td>
<td>· Between BDT 2,000 to 20,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>· 3 times/day</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>· BDT 150,000/month</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>· 10 times/month</td>
</tr>
<tr>
<td>Cash out from Bank Branch**</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Transfer money</td>
<td>Corporate</td>
<td>Through bank order via email/hardcopy</td>
<td>BDT 5/transfer</td>
<td>BDT 10,000/day</td>
</tr>
<tr>
<td></td>
<td>Disbursement Charge: 0.50%*</td>
<td></td>
<td></td>
<td>20 times/day</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>· BDT 25,000/month</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>· 70 times/month</td>
</tr>
<tr>
<td>Merchant payment</td>
<td>N/A</td>
<td>FREE</td>
<td>Unlimited</td>
<td></td>
</tr>
<tr>
<td>Mobile Top up</td>
<td>N/A</td>
<td>FREE</td>
<td>· BDT 10,000/day</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>· BDT 1,000/time</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>· BDT 100,000/month</td>
<td></td>
</tr>
</tbody>
</table>
### Coverage profile:

<table>
<thead>
<tr>
<th>Type</th>
<th>Number nationwide</th>
<th>Additional details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscribers (Active)</td>
<td>6,000,000+</td>
<td>Country wide coverage</td>
</tr>
</tbody>
</table>
| 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

- **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: 13%
- bKash: 7%
Other possible benefits for Telecom partners

- New revenue stream for MNO
- New customer acquisition
- New revenue source for Distribution
- New service for customers
- Reduce the churn
- Ensure interoperability
- Cross selling option

Other possible benefits for Telecom partners
Typical MFS supporting setup

- System data extraction and reconciliation for settlement
- Regulatory and Compliance
- Risk and Fraud management
- Technology Setup
- Business Development
- Sales
- Distribution
- Banking and Finance
- Branding and Marketing
- Liquidity Management
- Communication
- Customer Service
- Back-office Operation
- Reporting, Reconciliation & Settlement
- Telecommunication Regulator
- MNO Distribution (around 160k non-exclusive airtime sellers in market)

MNO technology and customer service perspective

Call center service for MNO client base

Regular/ad-hoc communications
<table>
<thead>
<tr>
<th>Major challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local Regulatory Guideline (dos’ and donts’)</strong></td>
</tr>
<tr>
<td><strong>Approval for Economy model (who grabs steering)</strong></td>
</tr>
<tr>
<td><strong>strategic alignment with MNO (aspiration and objective)</strong></td>
</tr>
<tr>
<td><strong>Business scope definition (technology/agent/customer service)</strong></td>
</tr>
<tr>
<td><strong>Effective practice of SLA (clear definition, expectation, rigidity)</strong></td>
</tr>
<tr>
<td><strong>Service and Product synchronization (airtime/existing service adoption)</strong></td>
</tr>
<tr>
<td><strong>Technology Integration (capacity, tuning and development)</strong></td>
</tr>
<tr>
<td><strong>Adapt multi-MNO standard (who is having what to integrate)</strong></td>
</tr>
<tr>
<td><strong>Capacity benchmarking and scalability (projection, proactive measures)</strong></td>
</tr>
<tr>
<td><strong>interoperability... internal and external (forget prefix)</strong></td>
</tr>
<tr>
<td><strong>Balance in market with competition (exclusivity/open/balanced treatment)</strong></td>
</tr>
<tr>
<td><strong>Many more......</strong></td>
</tr>
</tbody>
</table>
Awareness to gain trust
টাকা পাঠানো বা পাওয়ার সহজ উপায়
মোবাইলে, মুহুর্তেই

নিউ মোডার্ন ফ্রিজারেশন

ডায়ল
*247#

bKash
International Remittance

Receive money from around the world directly on your bKash Account

Open a bKash Account on your mobile today, and ask your loved ones to select bKash when sending money from overseas.*

More than 28,000 bKash Agents across Bangladesh are waiting to serve you.

For more information call BRAC Bank 24 Hour Call Center 16221 or bKash Helpline 16247

* From BRAC Bank designated Exchange Houses
এই বৈশাখে দেশী দশ-এ পেমেন্ট করুন বিকাশ-এ

এই নববর্ষে ০৮ এপ্রিল - ১৩ মে 'দেশী দশ' থেকে কেনাকাটায় বিকাশ-এ পেমেন্ট করলেই পাবেন

২০% ক্যাশব্যাক

পেমেন্ট করার পরবর্তী কমিডিভেন মধ্যে আপনার বিকাশ একাউন্টে ক্যাশব্যাক-এর টাকা পেয়ে যাবেন
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.
bKash Customer Centers

Newly Inaugurated Rangpur Customer Center
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