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bKash: Transitioning from Mobile Financial Services to Digital Microfinance in Bangladesh

Author(s): Ahmed, Jashim Uddin; Khan, Shamim Ahmed; Faroque, Anisur R.

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bKash: Transitioning from Mobile Financial Services to Digital Microfinance in Bangladesh

Abstract

The rise of digital technology has transformed the microfinance sector, leading to the emergence of digital microfinance, which improves efficiency, lowers costs, and enhances accessibility. In Bangladesh, this shift has been driven by key players like bKash, the country's leading mobile financial service (MFS) provider. bKash has used its extensive digital platform to offer services such as digital payments, savings schemes, loan repayments, and microcredit facilities. These innovations have boosted financial inclusion, particularly benefiting women and marginalized communities. The COVID-19 pandemic further accelerated the adoption of digital financial solutions, with both the government and organizations like bKash quickly adapting to maintain economic activity. During this time, bKash expanded its services to meet the rising demand for contactless transactions. The digitalization of microfinance in Bangladesh, supported by progressive government policies and technological advances, offers immense potential to enhance financial inclusion. However, challenges remain, including insufficient technological infrastructure, cybersecurity concerns, and low financial literacy. By addressing these challenges and seizing emerging opportunities, bKash is poised to strengthen its leadership in the digital microfinance space, playing a critical role in advancing economic development and poverty reduction in Bangladesh. This case study examines bKash's strategies and contributions to the country's financial inclusion efforts.

Keywords: Bangladesh, bKash, Mobile financial service (MFS), Digital microfinance, Financial inclusion, economic empowerment, Fintech, Mobile money

Introduction

Microfinance has long been recognized as a vital tool in the global effort to combat poverty and promote financial inclusion. While poverty is a concerning factor for governments worldwide, it is a greater challenge, particularly for developing and emerging economies (Arandia & Hepp, 2021). Microfinance offers a potent solution to this challenge by ensuring self-employment, fostering marginalized community empowerment, and upholding financial inclusion. Like many developing economies, Bangladesh grapples with the challenge of poverty and unemployment, and significant portions of its population are excluded from traditional banking channels. As such, for quite some time, microfinance has played a crucial

role in reducing poverty and promoting economic growth in Bangladesh (Rahman, 2023).

As an alternative to conventional banking, microfinance provides affordable financial services to a country's low-income and unbanked people (Moin & Kraiwanit, 2023). Over the years, microfinance has emerged as a lifeline for millions of Bangladeshis, empowering them with access to credit, insurance, and other essential financial services. As a result, microfinance has become an indispensable component of Bangladesh's development strategy. For a long time, microfinance activities were predominantly conducted in offline settings. However, as with many other sectors, microfinance has also reaped significant benefits with the advent of technology. This shift has ushered in the era of digital microfinance. Bangladesh has not been left behind in this digital transformation.

Digital microfinance involves integrating digital technology to improve and streamline traditional microfinance services, making it easier and faster to deliver financial support to customers (Rahman, 2023). Digitalization in microfinance enhances efficiency, lowers costs through less paperwork, and increases accessibility, transforming service delivery through improved risk assessment and broader reach (Moin & Kraiwanit, 2023; Rahman, 2023). Several researchers have highlighted the importance of digitalization of microfinance due to its positive implications. For instance, Dorfleitner et al. (2022) reported that adopting digital solutions helps a microfinance institution remain focused on their social objectives. Additionally, Mushtaq and Bruneau (2019) discovered that enhancing access to information and communication technologies (ICT) enables broader use of financial services, thereby reducing poverty and inequality and promoting economic growth.

Traditionally, microfinance was predominantly administered by non-governmental organizations (NGOs), aiming to provide financial services to underserved communities (Rahman, 2023). However, the advent of digital microfinance has broadened the landscape, introducing various new players into the market. Among these, MFS firms have emerged as key players. Integrating the mobile phone technology of MFS into the operations of mobile financial institutions (MFIs) in Bangladesh can significantly streamline processes like loan disbursement, cash management, and client verification (Asian Development Bank, [ADB], 2022). Due to their expertise in telecommunications and digital technologies, these MFS firms are in an advantageous position in the digital microfinance sector. Bangladesh has three major MFS players: bKash, Nagad, and Rocket (ADB, 2022). Of these three firms, bKash holds the lion's share of the market and significantly uplifts digital microfinance initiatives across the country.

The present case study aims to delineate how bKash, as the leading MFS in Bangladesh,

contributes to the rapid growth of digital microfinance in the country, paving the way for widespread financial inclusion. The importance of digitalizing microfinance is explained later, followed by a discussion on how the pandemic spurred digital microfinance in Bangladesh. The subsequent section presents the case of bKash, followed by a brief discussion of its background, business model, and services. This paper further thrived towards bKash simplifying payments, Microcredit and Pay Later scheme, alongside with a discussion on the informal microcredit sector of Bangladesh. The paper is concluded, routing to possible challenges and opportunities for future research.

The Importance of Digitalizing Microfinance

Digitalization of microfinance is crucial for enhancing the efficiency and reach of financial services, particularly in developing economies. Research by Moin and Kraiwanit (2023) underscores the potential benefits of digital technology in improving Bangladesh's microfinance sector. Some of these benefits include faster transactions, reduced operational costs, and broader access for rural and underbanked communities. Since MFIs typically face high transaction costs due to small-scale loans and customer transactions, digital solutions like MFS significantly reduce these costs by facilitating efficient and reliable transfers across diverse geographic and economic landscapes (ADB, 2022). Additionally, digitalization promotes greater transparency and accountability (Moin & Kraiwanit, 2023).

The benefits derived from the digitalization of microfinance can drive sustainable development, a notion supported by Pal et al. (2023) and Yang and Zhang (2020) in their studies. Furthermore, research by Wang and He (2020) highlights how digital financial services reduce the vulnerability of farmers by enhancing their risk management capabilities. Moreover, digital microfinance can also serve as a robust buffer against natural or man-made disasters. The COVID-19 pandemic is a prime example, demonstrating how digital microfinance continued to propel a country's economic activity despite lockdowns and economic slowdowns.

Pandemic Spurs Digital Microfinance

The COVID-19 pandemic posed significant challenges to all sectors, including microfinance. Microfinance institutions in Bangladesh are vulnerable to crises because they are heavily concentrated in the informal sector with low-return activities (Mujeri, 2020). However, despite underlying challenges, the pandemic facilitated the rapid adoption of digital financial solutions. Organizations like BRAC swiftly responded by distributing financial aid digitally via bKash to

over 600,000 families affected by the pandemic (Azad et al., 2020). Concurrently, the government expedited the digitalization of wage payments in the export-oriented ready-made garment industry (Azad et al., 2020). Additionally, Bangladesh Bank (Central Bank of Bangladesh) intensified its focus on financial inclusion as part of its proactive response to COVID-19, accelerating the digitalization of financial services (Rahman, 2022).

The initiatives mentioned above also impacted the microfinance sector, where the demand for digital transactions was very high due to limited mobility for in-person tasks. This shift in demand prompted widespread consumer adoption of digital wallets, marking a significant transformation in financial behaviors and enhancing financial inclusion. Recognizing the potential, leading companies like bKash intensified their efforts and expanded their services to meet the surge in demand for contactless transactions during the lockdown (Rayhan & Uddin, 2021). Thus, bKash not only accelerated digital finance during the pandemic but also paved the way for significant contributions to the digitalization of microfinance activities in the following years.

Digitalization of microfinance is pivotal in boosting productivity and growth, supporting financial inclusion, and significantly contributing to a country's economic development. Realizing the opportunity, Bangladesh is making strides in financial inclusion, driven by rapid digital technology adoption (Rahman, 2022). To address the prevailing challenges in the microfinance sector, Bangladesh Bank has embraced digitalization as a strategic solution. BRAC and ASA, two prominent microfinance institutions in Bangladesh, have adopted digital technology to enhance their standardized low-cost systems of management, savings, and credit operations (Ahmed & Tinne, 2017). This enables clients, especially in rural areas, to perform transactions via mobile banking, thereby increasing efficiency and client satisfaction (Rahman, 2023).

Case: bKash

The contribution to the digitalization of microfinance in Bangladesh extends beyond traditional microfinance institutions, with MFS firms playing a significant role. At the forefront of this movement is bKash, the leading MFS provider in Bangladesh. The subsequent sections provide a detailed discussion of bKash's background and its contributions to the digital microfinance sector in Bangladesh.

Background of bKash

bKash was launched on July 21, 2011, by its founder and CEO Kamal Quadir. Created to deliver financial services via mobile phones, bKash is a joint venture involving major stakeholders such as BRAC Bank, US-based Money in Motion LLC, International Finance Corporation of the World Bank Group, the Bill and Melinda Gates Foundation, Ant Group, and SoftBank Vision Fund. Since its inception, bKash has shown remarkable growth: from over 2 million registered users in 2012, leading to a customer base of 70 million by 2023. Figure 1 shows the annual growth of bKash's user base. Notably, more than 40 percent of its customers are females, and around 15 million users fall within the age bracket of 18-24, underscoring bKash's significant role in promoting financial inclusion across diverse demographics in Bangladesh (bKash, 2023; The Business Standard, 2023).

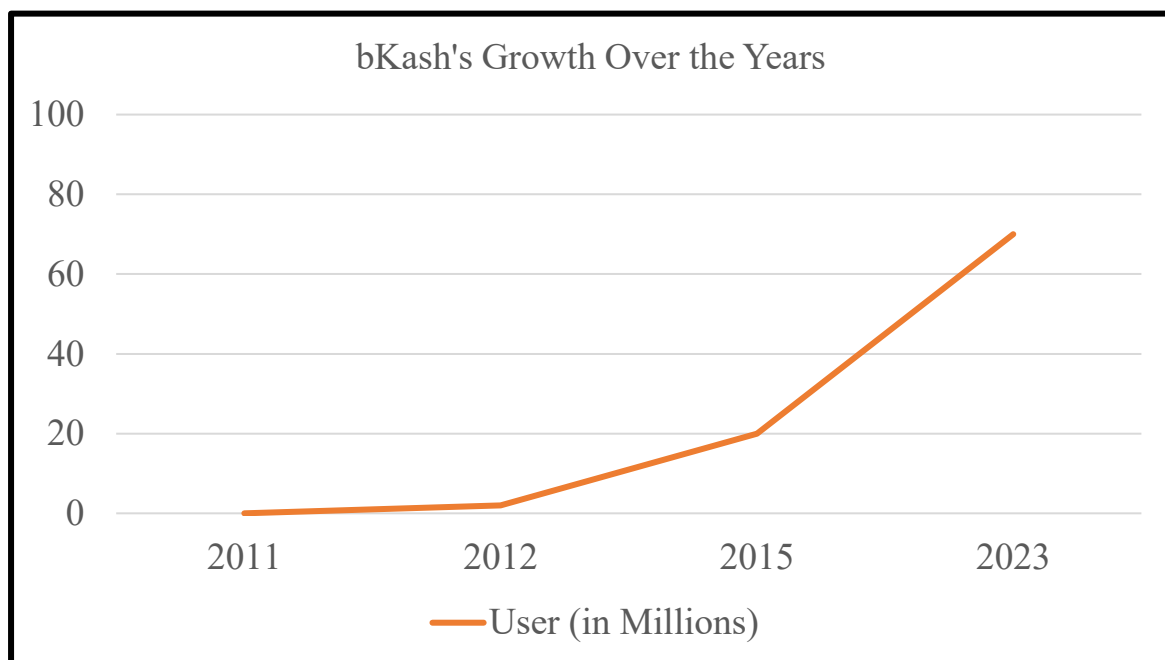


Figure 1: bKash's growth

Source: bKash Website (<https://www.bkash.com/>)

Business Model

The business model of bKash is based on offering accessible, low-cost, and secure digital financial services to the unbanked and underbanked population in Bangladesh. Here's a breakdown of its business model:

Revenue Streams

Transaction fees: bKash generates revenue primarily through fees for money transfers, bill payments, mobile top-ups, and other services. Both senders and receivers may be charged for transactions, depending on the service.

Cash-in/Cash-out fees: Customers are charged a fee when they load money (cash-in) into their bKash account through agents, and when they withdraw money (cash-out) at agent points.

Merchant payments: bKash allows customers to pay merchants using their mobile wallets. bKash earns a small percentage on each transaction made through its platform.

Corporate partnerships and B2B services: bKash offer payroll and disbursement services for corporations and NGOs. These businesses use bKash to send salaries, stipends, and subsidies to employees or beneficiaries, earning bKash additional service fees.

Interest income: bKash partners with banks to provide digital savings accounts and term deposits. The interest earned on these deposits forms an income stream, shared between bKash and its banking partners.

Distribution Network

Agent network: bKash has an extensive network of agents, often small retail shops, where users can cash-in and cash-out. This physical presence is crucial for bridging the gap between the digital and physical economies.

Banking partnerships: bKash works closely with several banks in Bangladesh to offer services like savings accounts, microloans, and remittances.

Mobile network integration: bKash leverages the widespread use of mobile phones in Bangladesh. It is integrated with major telecom operators, allowing easy access to financial services from mobile devices.

Technology Infrastructure

Mobile app: bKash has a user-friendly mobile app that provides services such as money transfers, bill payments, and savings options. The app is essential for its digital service delivery.

Unstructured Supplementary Service Data (USSD) and App-based access: Even those without smartphones can use bKash services via USSD, ensuring wide accessibility.

Blockchain and advanced security: bKash has invested in advanced security systems and is exploring blockchain technology to ensure transparency and reduce fraud in its transactions.

Product Offering

Peer-to-Peer transfers: Send and receive money between bKash users.

Utility bill payments: Payment for electricity, gas, water, and other services directly through bKash.

Mobile recharge: Top-up services for mobile phones across all telecom providers.

International remittances: Collaboration with remittance companies to allow Bangladeshi expatriates to send money home via bKash.

Savings and insurance products: Through partnerships, bKash offers digital savings accounts and micro-insurance services.

bKash's business model (as shown in Figure 2) thrives on offering inclusive, technology-driven financial services that cater to a diverse customer base, including individuals, businesses, and government agencies, all while fostering financial inclusion in the country.

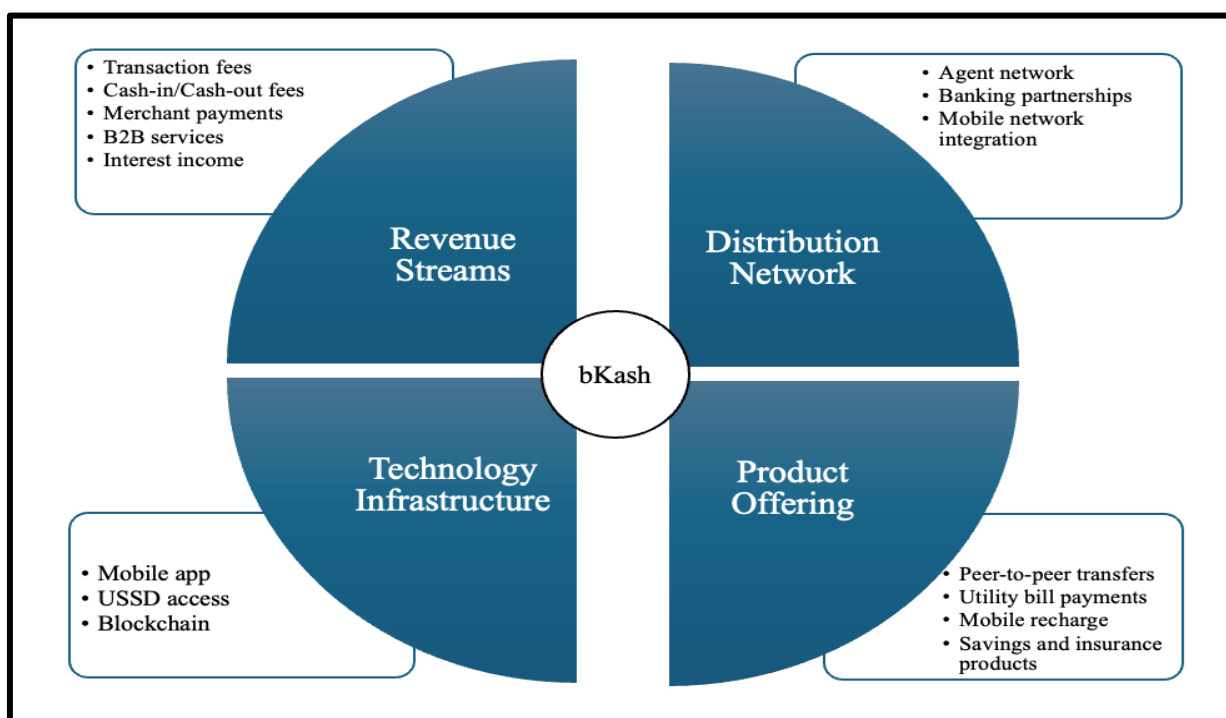


Figure 2: bKash Business Model

Source: Authors' own creation, 2024

bKash Services at a Glance

bKash initially focused on mobile money transfers but has significantly expanded its range of services over the years. Now, bKash users can recharge mobile phones, pay utility bills, make savings deposits, and donate to various causes directly through the app. Additionally, it facilitates the payment of loan installments and insurance premiums, saving users considerable time by eliminating the need to conduct these transactions in person. A major advancement is bKash's remittance transfer facility, which has positively impacted foreign remittance inflows by providing a streamlined alternative to previously used banking channels. Recently, bKash introduced a popular microcredit service, allowing bKash app users to borrow small loans from the City Bank¹. This innovation has helped integrate marginalized and unbanked populations into the formal financial system, enhancing economic inclusion. Table 1 outlines the various services offered by bKash.

Table 1: bKash Services at a Glance

Services	Brief Description
Send Money	Transfer money to another bKash user.
bKash to Bank	Allows users to deposit money to a bank account through the bKash app.
Education Fee	Users can make payments to different educational institutions.
Mobile Recharge	Allows to top-up mobile phone balance from bKash account.
Pay Bill	Different types of utility bills (e.g., electricity, telephone) payment.
Request Money	Money requests can be sent to up to ten bKash users (e.g., friends).
Donation	Allows to pay donations to different partner charitable organizations.
Payment	Making payment of purchases to eligible merchants.
Savings Scheme	Open and maintain deposit schemes with partner banks.
Remittance	Facilitates receipt of foreign remittance through authorized institutions.
Insurance	Payment of insurance premiums to partner insurance firms.
Cash Out	Money withdrawal from authorized agents and selected bank ATMs.
Loan	Provides short-term loans to the users
Microfinance	Facilitates payment of loan or savings instalment to partner MFIs.

Source: bKash official website (<https://www.bkash.com/>)

bKash: Simplifying Payments

bKash is revolutionizing digital microfinance primarily in two ways. Firstly, it allows borrowers to digitally pay their microcredit loan installments, deposit schemes, or savings installments directly to their respective microfinance institutions. This convenient process, which can be done from the comfort of their homes, also provides borrowers with digital receipts and passbooks. This method not only reduces the risks associated with carrying cash but also enhances cash management efficiency and saves considerable time for borrowers, allowing them to engage in other productive activities. Approximately 10 million customers from over 200 microfinance institutions currently use bKash to enjoy easy loan installment repayments, thus saving time and reducing costs (Dhaka Tribune, 2024). This streamlined approach has also significantly improved the microcredit repayment process, benefiting both borrowers and institutions alike. Furthermore, bKash offers its users the option to maintain savings schemes with partner banks. The service offers a convenient solution for individuals looking to save money without the need to physically visit a bank. The scheme is particularly beneficial for those with a busy work schedule or limited access to banking facilities. The schemes provide a flexible and efficient way to save money and ensure future financial security.

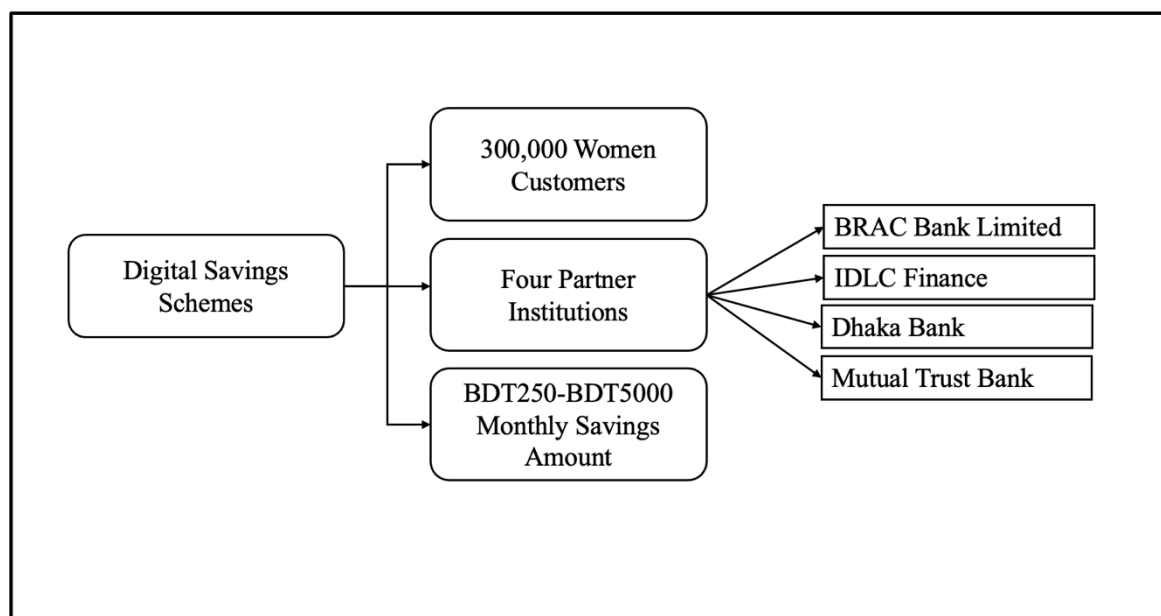


Figure 3: Key Highlights of the Digital Savings Scheme

Source: Authors' own creation, 2024

Around 300,000 women in Bangladesh have embraced the digital savings scheme offered by bKash, securing their financial future and enhancing their well-being (Dhaka Tribune, 2023).

bKash is revolutionizing financial inclusion and women empowerment in Bangladesh through its digital savings schemes. Figure 3 outlines some key features of the savings schemes. The service has become popular as it requires no paperwork or bank visits. Women are particularly increasingly using these savings for future security, education, business investments, and other personal or social needs, thus driving economic growth and enhancing their roles in financial decision-making (Dhaka Tribune, 2023). Around 1 million customers have enrolled in a savings scheme via the bKash app, with roughly 30% being repeat customers (The Business Standard, 2023). Similar to the savings service, bKash also facilitates the digital payment of insurance premiums to various partner insurance companies.

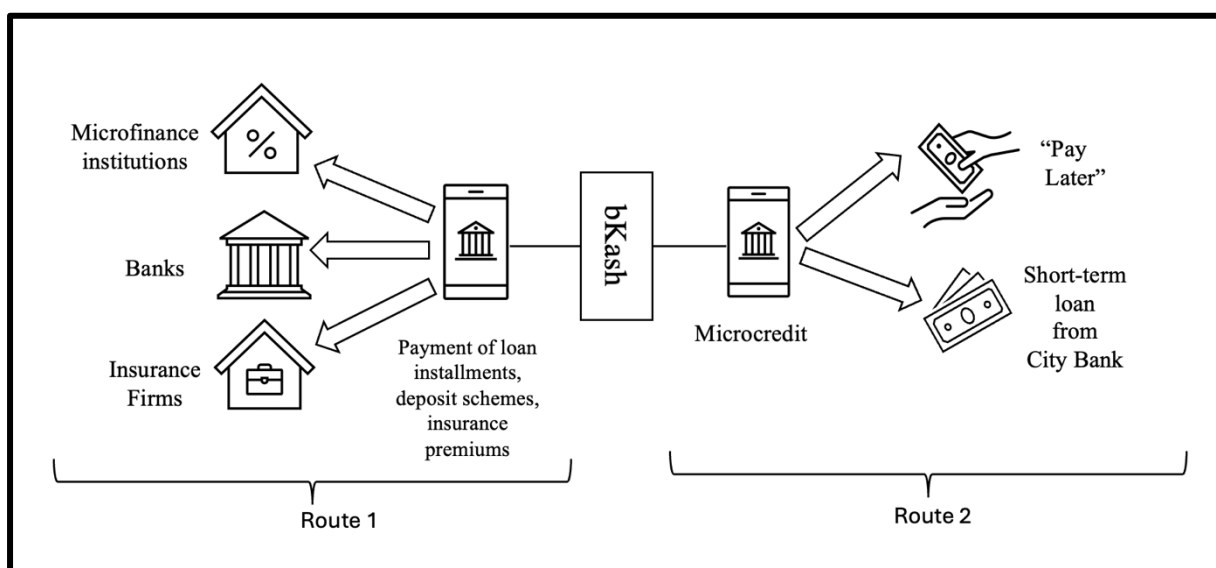


Figure 4: Two primary routes through which bKash is driving digital microfinance.

Source: Authors' own creation, 2024

bKash Digital Microcredit

Secondly, bKash has introduced a new loan facility in partnership with City Bank, streamlining the borrowing process through the bKash app. Eligible users can secure loans ranging from BDT 500 to BDT 20,000, directly credited to their bKash accounts, allowing them to withdraw funds as needed. This initiative complies with Bangladesh Bank regulations, applying a 9% annual interest rate. Designed as a three-month short-term loan, the program simplifies borrowing significantly, with features such as instant loan approval, no bank account or collateral requirement, minimal paperwork, automatic installment deductions from the account balance, and a meager processing fee (bKash, n.d.). Eligibility is determined by an artificial intelligence (AI) system that analyzes users' past transactions to assess their creditworthiness

and set borrowing limits. Currently, approximately 1.2 million bKash users qualify for this short-term loan, reflecting bKash's commitment to facilitating accessible financial solutions.

The short-term digital loan from bKash has significantly eased financial burdens, offering tailored, flexible borrowing without needing a bank account or paperwork. This has expanded financial inclusion, especially for those in rural areas or with no credit history, enabling even a farmer in a remote Bangladeshi village to secure a loan with just a few clicks on the app. This innovation empowers individuals to manage cash flow disruptions and seize timely opportunities, like a shop owner stocking up for a festival or a craftsman buying material for a surge in orders, thus fueling economic activity and enhancing community resilience.

bKash “Pay Later” Scheme

Tasneem (a pseudonym) is a university student who offers private tuition to earn pocket money and cover her monthly expenses. The money she earns from the private tuition somehow covers her expenses, but it becomes very tight towards the end of the month. However, if there is a delay in receiving her payment from private tuition, it becomes difficult for her. Occasionally, her students or their families delay the payment by a few days. It becomes challenging for her to manage her expenses during this period, especially when buying necessities. She comes from a family that is financially not well-off, and she does not want to put further pressure on her family; that is why she does not ask for money from them. Sometimes, she borrows money from her friends, but she does not feel good about it, asking for money from friends. She often wondered if there were formal options available to borrow a small amount of money or postpone payment on necessities for just a few days.

To help people like Tasneem, bKash has launched a new ‘Pay-later’ feature, offering interest-free loans for up to seven days to facilitate the immediate purchase of products and services. This feature is part of bKash's broader microcredit offerings, aimed at improving the digital microfinance landscape in Bangladesh. Customers can use this service to make purchases at over 600,000 bKash merchant outlets nationwide. The scheme allows the customers to either repay in full within seven days without interest or opt for a payment plan that splits the amount into three/six monthly installments at an annual interest rate of 9% (bKash, n.d.). This initiative significantly aids in managing short-term financial needs, providing a dignified alternative to borrowing from acquaintances or avoiding potential humiliation when buying products on credit from local stores.

These microcredit initiatives by bKash have, to some extent, disrupted the informal microcredit sector in Bangladesh, which consists of entities like local loan sharks, cooperative

associations, and unauthorized microcredit institutions. Table 2 illustrates how bKash disrupts these informal microcredit entities through its microcredit services.

Table 2: How bKash microcredit is disrupting the informal microcredit industry.

Informal Microcredit Industry	bKash Microcredit
High interest rates, varying significantly between sources.	9% interest per annum.
Not regulated by any legal framework.	Regulated by the Bangladesh Bank.
Lacks sufficient skills to assess the creditworthiness of borrowers.	Utilizes artificial intelligence (AI) to assess creditworthiness.
Sometimes requires valuable items as collateral.	No security or collateral required.
Offers no interest-free service	'Pay Later' scheme provides a seven-day interest-free loan for purchases.
Lacks a structured system for tracking payment history and outstanding amounts.	The bKash app has a structured system for borrowers to view loan-related details on the dashboard.

Source: Authors' own creation, 2024

Informal Microcredit Sector of Bangladesh and bKash

In Bangladesh, traditionally it is the informal sector that meets the needs of lower-income and marginalized communities through small loans or microcredit. These groups often lack access to formal banking facilities, making informal lending services essential for their financial activities. Obtaining loans through traditional banking channels involves extensive paperwork and rigorous background checks to assess creditworthiness. These requirements often disqualify many individuals from marginalized communities, who typically do not meet the stringent eligibility criteria for bank loans. Furthermore, members of marginalized communities often feel uncomfortable availing of traditional banking services due to their lack of familiarity with required procedures and paperwork, because of a comparatively lower literacy rate. This unfamiliarity with the banking system further discourages them from seeking financial services through formal channels.

As such, there has always been a steady demand for informal microcredit players who can lend money instantly without the procedural complexities often encountered in traditional

banking. This informal microcredit sector is predominantly driven by various informal lenders and local loan sharks, commonly referred to as “Mahajan”, which means businessman or trader. Although these informal channels offer easier access to funding that stimulates economic activity, especially in rural areas, borrowers often face excessively high interest rates. Consequently, the informal sector faces criticism for its unregulated interest rates, which can trap borrowers in a vicious cycle of debt. To address this issue, microcredit schemes from authorized agencies and financial institutions have emerged as a viable solution. Microcredit typically refers to loans that do not exceed BDT 50,000. Loans that are more than BDT 50,000 but under BDT 1 million are categorized as microenterprise loans (ADB, 2022). However, accessibility remained a significant challenge until the advent of digital microfinance, which has greatly improved access to these services. In this landscape, bKash plays a pivotal role, leveraging digital technology to enhance the availability and convenience of microfinance services for the underserved.

Navigating Challenges and Opportunities

The following section outlines some possible challenges and opportunities that bKash might encounter in the digital microfinance sector.

Challenges

Technological infrastructure: Dissemination of digital microfinance service primarily relies on two aspects: internet and smartphone. The internet infrastructure of Bangladesh, while satisfactory in urban areas, lacks adequate coverage in rural and remote parts of the country. Furthermore, smartphone penetration is also not very high in many parts of Bangladesh. To counter this challenge, bKash made its services available across multiple platforms. Apart from its app-based service that requires an internet connection, most of bKash’s service can be availed using the USSD technology (bKash, n.d.). The USSD technology does not require an internet connection and works on any mobile phone. Users can simply type *247# on their phone to access the bKash menu and choose the type of service they want.

Security risks: Online financial services are heavily prone to cybersecurity risks. There are now countless methods that attackers use to commit cybercrime. The lack of sufficient literacy and unfamiliarity with digital systems make the poor and marginalized communities vulnerable to such crimes. Reports have indicated cybercrime as one of the major challenges for Bangladesh’s financial sector, with more than half the country’s banks facing a high risk of cyber threats (Afrin, 2023). bKash, over the years, also faced cybersecurity issues, where frauds

disguised as bKash officials stole money from bKash customers. The perpetrators obtained bKash users' phone numbers from various sources. They then impersonated bKash officials to extract PIN numbers and verification codes from the customers and subsequently transferred the money from the customers' accounts to their own (Amin, 2020). In addition, other forms of fraud, such as phishing attempts and requests for money by concealing one's identity, have occurred over the years. To address these issues, bKash has launched extensive campaigns in both digital and print media to educate customers about the risks of cybercrime and fraudulent activities. For example, bKash creates advertisements and occasionally sends SMS alerts to users, informing them that bKash officials would never ask for their PIN under any circumstances.

Adapting to regulatory compliance: The regulatory guidelines regarding digital banking and microfinance initiatives, although favorable, are still in their early stages and gradually evolving. Consequently, they are prone to sudden changes based on circumstances. bKash must remain vigilant and flexible to adapt to sudden changes in regulatory requirements.

Poor financial literacy: Many potential users of digital microfinance services reside in rural areas and lack sufficient financial literacy. As such, they often fail to recognize the advantages of services like digital microcredit. Financial literacy plays a significant positive role in ensuring access to finance (Hasan et al., 2021). According to the Global Findex 2021 report, about 80% of Bangladeshi women have never opened a mobile bank account, with financial literacy being a key factor in this gender gap (The Business Standard, 2023). To ensure widespread adoption, the financial literacy rate needs to be improved, especially amongst the poor and rural area residents. To this end, Bangladesh Bank has already devised a financial literacy guideline for the banks and other financial institutions of the country (Bangladesh Bank, 2022). According to the guidelines, mobile financial institutions are recognized as key implementing partners of the program. bKash conducts educational activities and training programs to promote financial literacy, demonstrating the benefits of digital transactions and how to use various digital services (Ahmmed, 2023; Hasan, 2023).

Opportunities

Government's strategic focus: In line with the vision of *Smart Bangladesh*, policymakers in Bangladesh are implementing favorable initiatives to drive digitalization in all aspects of life, including financial activities. As a result, the policy framework in Bangladesh is highly supportive of the digitalization of financial services, presenting a significant advantage for

firms like bKash that plan to expand their digital offerings. This favorable environment allows bKash to leverage opportunities to enhance the digital microfinance sector.

Stride in AI and Blockchain Technology: Significant advancements in artificial intelligence and blockchain technology present numerous opportunities to integrate innovative products, enhance customer management, streamline operations, and implement robust security measures in digital microfinance initiatives.

Popularity of the digital microcredit schemes: bKash's current microcredit schemes have garnered a positive response from the market. An increasing number of people are availing the microcredit schemes, indicating a growing demand for such products. bKash can leverage this trend to expand its market presence and enhance its digital offerings. For example, it could increase credit limits, implement more flexible interest terms, and grow its network of partner banks.

By addressing the challenges and capitalizing on the available opportunities, bKash can strengthen its position in the digital microfinance sector and contribute significantly to the financial inclusion and economic development of Bangladesh.

Conclusion

The success of the microfinance sector is crucial for ensuring the well-being of a country. Despite significant progress in this area, there remains room for improvement, specifically in addressing the accessibility issue. Widespread digitalization would help minimize the problem of lack of service accessibility in remote parts of the country. Our work shows the importance of digitalizing microfinance services and how bKash is leading this initiative through services such as digital microcredit and 'pay-later' schemes. Furthermore, the present study also illustrates bKash's role in minimizing the dominance of loan sharks in the microcredit sector of Bangladesh. These findings suggest that bKash is contributing to improving the microfinance sector through its superior market penetration, extensive MFS network, and advanced technology, thereby enhancing the quality of life for the people of Bangladesh.

Future researchers can undertake longitudinal studies to examine the effect of digital financial inclusion on poverty alleviation and economic development. Also, future researchers can conduct experimental studies with the treatment group having access to digital microfinance. Subsequently, the effects can be compared between the treatment and control groups in terms of income generation and economic success. In addition, case studies can be conducted on individuals or small that have achieved economic success through digital microfinance.

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Endnote

ⁱ City Bank is one of the oldest and leading private commercial banks in Bangladesh, established in 1983. It has 133 branches. It offers a wide range of banking services, including retail and SME banking, corporate banking, and treasury operations. City Bank has pioneered digital banking solutions, such as the launch of the American Express card in Bangladesh. The bank operates through a network of branches, ATMs, and digital platforms, focusing on innovative financial products to serve individuals, businesses, and corporations. Its strong reputation is built on financial integrity, technological innovation, and a commitment to driving economic growth in Bangladesh.