

Report on

**“Increasing number of fraudulent activities in MFS industry and the role of Compliance Management Service in order to reduce it:
A case analysis through bKash and relevant issues”**

By

Md. Zubair Hossain

Student ID: 19304111

An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelors of Business Administration

BRAC Business School
BRAC University
October 2021

© 2021. BRAC University
All rights reserved.

Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

M. Zubair Hossain
ID: 19304111

Supervisor's Full Name & Signature:

Dr. Sang H Lee
Profess & Dean
BRAC Business School

Letter of Transmittal

Sang H Lee, PhD
Professor & Dean,
BRAC Business School
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report

Dear Sir,

With due respect, this is my pleasure to submit my internship report entitled “Increasing number of fraudulent activities in MFS industry and the role Compliance Management Service by providers: A case analysis through bKash and relevant issues” under your supervision as a part of my graduation completion program.

I seek your kind evaluation and valuable suggestion on this report. With a brief overview of bKash's compliance management methods, this study will give insights into the role of Compliance management service in reducing fraud. During the case study, I was able to get a great deal of practical experience in the MFS business, which I previously just had academic understanding of. I am thankful to Allah, you, and the internship committee for providing me with an amazing internship experience under your direction. I have given this report my all-out effort and attempted to cover all of the essential sections; I hope this report fulfills all of your expectations.

It would be kind of you if you have closer look on this report and provide your valuable advice by evaluating my performance.

Sincerely yours,

Md. Zubair Hossain
19304111
BRAC Business School
BRAC University
Date: September 28, 2021

Non-Disclosure Agreement

This agreement is made and entered into by and between bKash and Md. Zubair Hossain at BRAC University to prevent unauthorized disclosure of confidential information.

Acknowledgement

First and foremost, I am grateful to Allah for providing me with the chance and capacity to successfully finish my internship and submit my report. Without the assistance of some people, I would not have been able to complete my report. To begin, I would like to express my gratitude to my academic supervisor and co-supervisors from BRAC Business School, Dr. Sang H. Lee, Professor & Dean, and Dr. Mohammad Mujibul Haque, Professor & Associate Dean, for their kind supervisions, helpful advice, and insightful suggestions, without which this report would not have been able to meet the required standard and quality. At bKash Limited, I'd want to express my gratitude to my supervisors and coworkers. With gratitude, I would like to express my gratitude to Major A K M Monirul Karim (retd), Head of External Affairs Department, bKash Limited, for providing me with the chance to intern in his department. I'd like to express my sincere thanks to my supervisor, F.M. Tonmoy Khan, Vice President, External Affairs Department, for his unwavering support in helping me complete my internship effectively. Without his guidance and motivation, I would not have had the opportunity to work with the LEA Management team. Also, a special thanks to Md. Kamrul Islam, Assistant Manager, External Affairs Department, for acting as my mentor throughout my internship at bKash Limited and for his guidance, counsel, and encouragement, as well as for closely monitoring my activities. Finally, I'd want to express my appreciation to BRAC University, my alma mater, for preparing me to begin my career in the corporate sector with better learning outcomes from educational programs and faculty members.

Executive Summary

Within the last decade, Mobile Financial Service (MFS) has experienced phenomenal growth in our country. Nevertheless, this gigantic growth of the MFS industry in our country has also escalated the risks associated with this. Fraud, money laundering, terrorist financing and other criminal activities are taking place through this service. In order to reduce this fraudulent and related activities associated with MFS, it is necessary for every MFS provider to maintain adequate compliance management service. Despite this, many MFS providers in our nation are failing to deliver a robust compliance service in order to comply with regulatory requirements. This case study focuses on the role of Compliance Management Service (CMS) and impacts of fraudulent/criminal activities in the MFS platform. While investigating the real-life scenario of bKash limited who are doing great in CMS under the strict adherence to regulators and exploring MFS platform nationally-internationally, the research will aim to give an idea of effective management practice for CMS as well as strategic planning for providers in order to reduce threats. This case study will also provide potential for further research process in order to identify or determine effective compliance solutions for MFS in national and international purposes.

Table of Contents

Declaration.....	I
Letter of Transmittal.....	II
Non-Disclosure Agreement	III
Acknowledgement.....	IV
Executive Summary	V
List of Tables	IX
List of Figures	X
List of Acronyms.....	XI
Chapter 1:	1
Overview of the Internship	1
1.1 Student Information	2
1.2 Internship Information	2
Period, Company Name, Department/Division, Address:	2
Internship Company Supervisor’s Information:	2
Job Scope:	2
1.3 Internship Outcomes	3
1.3.1 My Contribution to the company:	3
1.3.2 Benefits to the student:	4
1.3.3 Problems faced during the internship period:	5
1.3.4 Recommendations:	6
Chapter 2	7
Organization Part: Overview, Operations & Strategic Audit	7
2.1 Introduction	8
2.1.1 Objectives:	8
2.1.2 Methodology:	8
2.1.3 Scope:	8
2.1.4 Limitations:	9
2.1.5 Significance:	9
2.2 Overview of the Company	10
2.2.1 MFS industry in Bangladesh:	10
2.2.2 Background of bKash Limited:	10
2.2.3 Success of bKash limited:	11
2.2.4 Key factors behind bKash’s success	12
2.2.5 Mission	12
2.2.6 Vision	13
2.2.7 Product & Services	13

2.2.8	Corporate Divisions & Departments	14
2.3	Management Practices	16
2.3.1	Organizational Hierarchy	16
2.3.2	Focus of the management team.....	18
2.3.3	Human resource planning process of Bkash	18
2.4	Marketing Practices	19
2.4.1	Marketing Strategies	19
2.4.2	Marketing Mix (4p's)	19
2.4.3	Marketing Channels:	20
2.4.4	Product development team.....	20
2.4.5	Creative team	21
2.5	Financial Performance and Accounting Practices	21
2.5.1	Financial Performance	21
2.5.1.1	Horizontal analysis of financial statement	21
2.5.1.2	DuPont Framework	24
2.5.2	Accounting Practices	24
2.5.2.1	Finance Income.....	25
2.5.2.2	Income Tax	25
2.5.2.3	Statement of Cash Flows	25
2.5.2.4	Depreciation.....	26
2.6	Operations Management and Information System Practices.....	26
2.7	Industry and Competitive Analysis.....	27
2.7.1	Porter's Five Force Model.....	27
2.7.2	SWOT Analysis	29
2.8	Summary and Conclusion	30
2.9	Recommendations.....	31
Chapter 3	33
Case Study	33
	“Increasing number of fraudulent activities in MFS industry and the role Compliance Management Service by providers: A case analysis through bKash and relevant issues”	33
A.	Introduction	34
B.	Background.....	35
i.	An overview of Mobile Financial Service and bKash Limited:	35
ii.	Overview of the Case:	38
iii.	Problem Statement:.....	38
iv.	Compliance for MFS in Bangladesh:.....	39
v.	Effective CMS practice by bKash:	39
C.	Evaluation of The Case.....	45

i.	With the robust growth of MFS industry, fraudulent and criminal activities through this platform has also increased, particularly in the aftermath of the Covid-19 pandemic.	45
ii.	CMS practice in our country's financial sectors, as well as MFS providers, is inefficient and lacks a creative approach, which is also a major issue for threats to grow.....	48
iii.	Despite being forbidden by providers and authorities, over-the-counter (OTC) transactions continue to occur, increasing fraudulent concerns such as money laundering. ..	50
□	Impacts of increasing fraudulent & criminal activities, compliance risk over MFS platforms	52
□	Factors behind defaults of MFS platform	53
D.	List of Questions Central to the Case:.....	56
E.	Solutions.....	57
F.	Recommendations & Conclusion	59
	References.....	61
	Appendix	64

List of Tables

Table 1: 10 years of bKash at a glance.....	11
Table 2: Horizontal Analysis of Income Statement	22
Table 3: Horizontal Analysis of Financial Position	23
Table 4: DuPont Analysis.....	24
Table 5: MFS industry data	35
Table 6: Fraud Cases Summary by CID.....	45
Table 7: Questions central to the case.....	57

List of Figures

Figure 1:: Products & Services By bKash.....	13
Figure 2: Corporate Divisions of bKash	14
Figure 3: Functional Hierarchy of bKash.....	17
Figure 4: Organizational Hierarchy of bKash	17
Figure 5: MFS market share by providers.....	36
Figure 6: Customer base of bKash.....	37
Figure 7: Revenue vs Profit of bKash	37
Figure 8: ECAD Division.....	40
Figure 9: Management Team of ECAD Division	40
Figure 10: External Affairs Department.....	41
Figure 11: AML/CFT Department.....	43
Figure 12: Queries received by SST team of bKash, (Before after pandemic scenario)	46
Figure 13: bKash Customer Care Queries.....	47
Figure 14: Helix Institute’s survey on agents	47
Figure 15: Intermedia Survey (2016).....	50
Figure 16: Women using MFS	51
Figure 17: Unawareness of fraud.....	54

List of Acronyms

MFS = Mobile Financial Service

CMS = Compliance Management Service

ECAD = External & Corporate Affairs Division

LEA = Law Enforcement Agency/Agent

MNO = Mobile Network Operators

BFIU = Bangladesh Financial Intelligence Unit

PSD = Payment Systems Department

ML = Money Laundering

AML = Anti Money Laundering

TF = Terrorist Financing

CFT = Combating the Financing of Terrorism

CAMLCO = Chief Anti Money Laundering Compliance Officer

OTP = One-time-password

OTC = Over-the-counter

Chapter 1:

Overview of the Internship



1.1 Student Information

Name	Md. Zubair Hossain
Id	19304111
Program	Bachelor of Business Administration
Major	Finance & Marketing

1.2 Internship Information

Period, Company Name, Department/Division, Address:

Period	6th June 2021 - 5th September, 2021
Company Name	bKash Limited
Division	External & Corporate Affairs (ECAD)
Department	External Affairs
Address	Shadhinata Tower, 1, Bir Shreshtha Shaheed Jahangir Gate, Dhaka Cantonment, Dhaka 1206, Bangladesh.

Internship Company Supervisor's Information:

Name	F. M. Tonmoy Khan
Position	Vice President

Job Scope:

On the verge of completing my under-graduation program, I had the opportunity to pursue my internship in bKash Limited. bKash is currently serving as country's top MFS company with around 80% market share. During my internship period, I was assigned in the External & Corporate Affairs Division's (ECAD) External Affairs Department. Vice President F. M. Tonmoy Khan oversees the LEA Management Team under External Affairs, which I worked with. LEA Management Team is responsible for communicating, rapport building, handling fraudulent cases and providing support to LEAs not only including Bangladesh Police but also RAB, DB, PBI, APBN, SSF, NSI, SPBN etc. As an intern, the duties that I was given were quite distinctive. My primary role as an intern was to prepare and manage relevant database as per the need of the department in order to function smoothly. Apart from that, I was allocated

a variety of day-to-day responsibilities based on the department's needs. Helping my supervisors and seniors with their everyday tasks and responsibilities was a significant part of job role. However, it's worth noting that my responsibilities and tasks made me feel like an employee rather than an intern at the company.

Furthermore, apart from the work responsibilities and activities, the internship allowed me to learn about the operations of the entire ECAD division. At bKash Limited, I gained experience and a better understanding of the corporate world and business environment by properly achieving the objectives of my internship.

1.3 Internship Outcomes

1.3.1 My Contribution to the company:

During my internship, I was assigned the following assignments and responsibilities.

- **Preparing LEA stakeholder database:** As mentioned earlier about the LEA management team's affairs, it has to deal LEAs in order to proceed the legal dealing and building rapport. In order to that, it is essential for the department to have a close look over the LEA workforce by tracking and monitoring law enforcement agent's name, designation, previous postings and contact details. Its main idea is to gather LEA credentials from open sources or a variety of government sources (online) and enter them into the database. Another important task is to keep them updated on a regular basis, since numerous postings occur from time to time.
- **Database entry of incident reporting:** Being a financial service provider, many frequent of hijacking, snatching, robbery and stealing take place with the channel partners of bKash such as agents, distributors etc. These incidents are being reported by the commercial division of the company to the external affairs team and higher authority. LEA management team maintains a database to keep track and monitor these incidents. Some parts of my duty includes to input and update this database file. Inputs included date, time, amount, address, agent/distributor's info, brief description of the incident, actions taken against it and current status of the incident.
- **Preparing checklists:** External affairs also keeps a track of cases containing all fraudulent and illegal acts that had been reported by court order or other reliable sources. I was given the task of compiling a list of those cases which included an overview of the instances, including the amount of money involved and the incidents that occurred.

- **Analyzing LEA interaction log file:** The team maintains a log interaction file in which all interactions and dealings with law enforcement officials are documented. While working as an intern, part of my responsibilities included analyzing the log file for inconsistencies, contact number analysis, status of the purported bKash account, and making adjustments and corrections.
- **Assisting supervisors preparing court order responses:** My allocated team's most essential duty is to assist LEAs by giving relevant information of suspicious or fraudulent account holders via written documents. My participation as an intern to bKash Limited included assisting my supervisors and senior fellows with the preparation of court order answers.

1.3.2 Benefits to the student:

bKash Limited has provided me a great deal as an intern. I got the opportunity to nurture myself with proper grooming before starting my corporate career as a business graduate. Along with the development of soft skills, I managed to gather some knowledge of technical and functional aspects of business. All those beneficial aspects are summarized below:

- **Compliance management for business:** We learned about four fundamental business principles during our undergraduate studies: finance, accounting, marketing, and human resource management. We barely learn about adequate theoretical understanding of compliance and how it works in the business. I explored the in-depth elements of compliance and regulation in business after joining the External Affairs Department of bKash as an intern. I learnt the necessity of regulation and compliance management for a financial service provider as a finance student.
- **Corporate culture:** With the internship program, bKash Limited prepared me for a corporate career by offering a healthy and solid corporate culture. A basic grasp of the corporate office atmosphere, work, and behavioral ethics has improved my future job prospects.
- **Interpersonal & Communication skills:** At bKash, I was able to connect with individuals both inside and outside the LEA management team because of the cooperative and pleasant environment. It was important to correctly communicate and grasp supervisor's instructions while carrying out everyday tasks and responsibilities. Moreover, main task of my team is to deal and interact with LEAs along with rapport building. With all of this positive nature, it helped me both to brush up on and enhance

my communication skills and to correctly interpret instructions and do my responsibilities in a timely and effective manner.

- **Analytical skills:** From making entries of incidents, analyzing log files, preparing checklists to setting up proper data presentation, all of these required analytical ability. My internship job role allowed me to enhance my analytical skills by frequently performing abovementioned tasks.
- **Technical skill:** I had to expand my knowledge and improve my productivity in Microsoft Excel software due to the diversity of duties I was assigned. My internship responsibilities were all spreadsheet-based. This greatly aided me in honing my Excel abilities. Furthermore, in addition to the physical office program, the work from home atmosphere created by the pandemic closure strengthened my mindset toward remote working methods, which will have a significant influence on the future of the digital era.

1.3.3 Problems faced during the internship period:

The working environment in bKash is surrounded with positive influences for employees with great comfort. As an intern, it was a smooth and effective experience for me to perform my duties and responsibilities. However, I have to face some small challenges during my internship tenure.

- I need to visit many websites while gathering data from open sources for the LEA stakeholder database. I encountered difficulties since my internet connection was restricted and limited. In that situation, I had to use the browser on my phone to search and manually enter data from the phone to the laptop, which was time consuming in certain circumstances.
- While working on the laptop given by bKash, I encountered some technical issues. The lack of an updated Windows framework caused the computer to often slow and hang. By causing distractions, it had a negative impact on my working processes and productivity.
- For almost a month, the lack of physical communication caused by the closure of Covid-19 affected the environment of my intern period. Assigning duties to me required physical participation in some situations, thus working from home created a communication gap between me and my supervisors. Which, to some measure, effected my appropriate flourishing while seeking internship.

1.3.4 Recommendations:

bKash is more than enough for ensuring a proper nurturing environment for interns before entering into the corporate world. Breaking the traditional stereotypes of internship, it has provided every intern the opportunity to learn and grow with their assignments and tasks. Still for the welfare of my internship organization, I would like to provide some small recommendations which might add more value to their proposition.

- A detailed orientation session for all of the same batch interns may be arranged to make the start of their journey more pleasant. Some people may find it challenging to adjust to a completely new setting with unfamiliar processes on the first day.
- To make the working atmosphere more comfortable for interns, proper seating arrangements for interns might be created near to their supervisors.
- Within the office building, there may be a cafeteria or refreshment service where employees could have light snacks to eat in between their small breaks. This can boost the productivity level as employees do not have to make far distance for having a quick bite.



Chapter 2

Organization Part: Overview, Operations & Strategic Audit



a BRAC Bank company

2.1 Introduction

2.1.1 Objectives:

The main objective of this section of the report is to learn about and discuss the principals and operations of bKash Limited, as well as to obtain a basic understanding of corporate world along with the functioning of an MFS provider. There are also some specific objectives which includes:

- To find out the functions of main divisions/departments of the organization.
- Identify operational strategies and services provided by the company.
- Discuss management and marketing practices along with financial performance.
- Analyze industry and competitive advantage as well as strength and weaknesses.

2.1.2 Methodology:

For this portion of the report, methodology refers to the rationale of this analysis. It entails identifying and describing sources, as well as acquisition and procession of information for analysis. There are two main sources from where the required data was collected:

- **Primary Research:** As an intern at bKash Limited, I physically got the opportunity to observe the functioning and insights of bKash as an MFS provider. Also, interviewing employees with whom I worked and from other departments assisted me in gaining some organizational insights and practices. This aided me in gaining sufficient knowledge to create an analysis.
- **Secondary Research:** Through bKash's official website, various publications and reports, newspaper articles, information about the overview of bKash Limited was gathered. These secondary sources also helped me to have an idea about the state of the MFS industry and competitors of bKash. Information from previous internship reports over the organization also added value to prepare me the report.

2.1.3 Scope:

This study will provide an overview of bKash as an MFS provider in Bangladesh. It will include a brief description about the company's activities, principles, business models, organizational structure, departmental hierarchy, and procedures. With an evaluation of sustainability and growth factor of bKash, the study also presents the company's position in the market while competing with other industry rivals. This section too will highlight the methods and strategies used by this company to reduce risks and maintain appropriate regulation. Also, all of bKash's

provided services are thoroughly described so that consumers have a clear understanding of what they may expect.

2.1.4 Limitations:

While preparing the report I faced some limitations which are as follows:

- As bKash is a financial service provider, it has to maintain confidentiality while disclosing information to a public platform. Therefore, most of the material in the study is based on secondary sources, as well as information obtained through interviews with company officials.
- bKash converted the official system to be remote and operated from home due to the occurrence of pandemic closure while I was doing my internship. As a result, I felt obligated to have a full-fledged communication with the officials in order to collect data. Otherwise, the report might have been more organized and meaningful if it had been written.
- Being intern in a certain department made it difficult for me to gather efficient and proper information about each and every department as well as overall eco-system of bKash. However, I did my best to provide as much important information as possible in order for the report to be valuable.

2.1.5 Significance:

The primary objective of this study is to get experience in a real-world working setting and to gain practical understanding of the whole MFS provider process in our country. This section of the study will help one to understand how bKash Limited being the market leader and most popular Mobile Financial Service provider is operating in a booming market right now. It will highlight bKash's rapid growth and success history of containing strong potentials and sustainability. The whole industry situation, which comprises bKash Limited with all its market rivals, is presented to give an overview of the current MFS market. This study will be beneficial to students who wish to start their careers in the MFS industry. It will also be beneficial for any other potential or current MFS firm to do a thorough study of the significant issues in order to become more competitive in the industry.

2.2 Overview of the Company

2.2.1 MFS industry in Bangladesh:

Despite the lack of definitive data on the number of unbanked people in Bangladesh, various studies suggest that more than 40% of the population is currently outside of the formal financial services (Uddin, 2020). Bangladesh Bank has adopted several financial inclusion strategies spanning all segments of society in order to ensure inclusionary growth in line with the government's comprehensive development plan. Bangladesh Bank implemented off-branch mobile financial services (MFS) in 2011 in order to promote financial inclusion in the context of a huge mobile phone network with numerous users, as well as robust digitization of the payment system and information technology. Currently, MFS is offered by 15 banks out of 28 licensed operators and qualified banks in the country, with over 1.1 million agents (Bangladesh Bank, 2021). According to Bangladesh Bank's MFS comparative summary statement, total number of registered accounts is 102,714,548 (till July'21) with an average of daily transaction Tk. 2.3 billion (monthly basis- May'21). MFS has established itself as a significant player in the industry. By utilizing the service's low-cost feature and availability, it is acting as one of the key drivers of financial inclusion in Bangladesh.

2.2.2 Background of bKash Limited:

bKash is a safe, easy, and low-cost mobile payment solution that serves the vast majority of Bangladeshis, the majority of whom do not have bank accounts. BRAC Bank and Money in Motion LLC, a firm located in the United States, partnered to form bKash in 2010. bKash started its official journey at 21st July, 2011. The CEO of bKash Limited is Kamal Quadir. When they decided to offer mobile banking services to the country in the mid-2000s, Kamal Quadir and his brother Iqbal Quadir were the key authors behind it. They locked BRAC's owner Sir Fazle Hasan Abed, KCMG to be an official partner and launching platform of bKash through BRAC Bank. In 2013, World Bank Group's IFC invested in the firm, followed by the Bill and Melinda Gates Foundation a year after. Ant Financial (Ali Pay), one of Alibaba Group's subsidiaries became a partner of bKash by making the largest foreign investment at the year of 2018. bKash Limited is a subsidiary of BRAC Bank Limited, however it is a separate MFS firm regulated by Bangladesh Bank and not a BRAC Bank Limited side business. bKash Limited has set a lofty goal for itself: to ensure that the general public of Bangladesh has access to a wider range of formal financial service services. Around 70% people of Bangladesh comes from rural areas where gateways to formal banking service is limited and

crucial. A large number of individuals migrate to Dhaka and other major cities from all across the nation for livelihood purpose, leaving their families behind. They are confronted with the task of getting money to their family as quickly as possible. bKash came with the appropriate solution at the right time by identifying consumer pain points and implementing the government's objective of financial inclusion in the country. At that time, less than 15% of Bangladeshis were connected to the official banking system, but more than 68 percent had phones. bKash was created with the sole purpose of utilizing these devices and communication infrastructure to provide safe monetary services to Bangladesh's rural population.

2.2.3 Success of bKash limited:

Within 10 years of its inception, bKash acquired around 55 million registered customers with more than 50% active accounts (Prothom Alo, 2021). It shows that bKash accounts for half of all registered customers in MFS industry and in terms of transaction volume, it has a market share of 80% among 14 other MFS providers in operation. bKash is also Bangladesh's largest MFS, with almost 300,000 agents spread across the country's urban and rural areas, and a growing trade network of around 50,000 merchants and 300 distributors.



Ownership	BRAC Bank, Money in Motion LLC, IFC, Bill & Melinda Gates Foundation, Ant Financial (Alibaba Group)
License Approved	12 April, 2010
Official Launch	21 July, 2011
Customers	55 Million (Approx.)
Agent	300,000 (Approx.)
Distributors	300 (Approx.)
Merchants	50,000 (Approx.)
Achievements	<ul style="list-style-type: none"> • 23rd out of 50 companies in the world in Fortune Magazine's annual list, "Change the World in 2017." • Best Brand of Bangladesh in 2019 & 2020. • Named Bangladesh's No. 1 Mobile Financial Services Brand in the MFS category for four consecutive years right now.

Table 1: 10 years of bKash at a glance

bKash has now collaborating with of Bangladesh's GSM operators to provide and expand its service. Users may establish a bKash account using a Grameenphone, Robi, Banglalink, or Teletalk number, with their phone number acting as their account number. Banks and foreign remittance businesses are increasingly collaborating with bKash. It has inked partnerships with a number of banks, including Sonali Bank, Bangladesh's largest state-owned commercial bank, and 15 others, to leverage their countrywide network of banks to offer bKash distributors with receipts, payments, and other services. In addition, bKash partnered with Standard Chartered Bank to develop Straight2Bank wallets in Bangladesh, as well as Western Union and MasterCard to offer international remittance services. bKash was ranked 23rd among the top 50 businesses that changed the world in 2017 according to Fortune Magazine's annual list, "Change the World in 2017." bKash has been named the Best Brand of Bangladesh for the second consecutive year in a consumer poll conducted by the Bangladesh Brand Forum in 2019 and 2020. For the fourth year in a row, bKash has been named Bangladesh's No. 1 Mobile Financial Services Brand in the MFS category (bKash Company Profile, 2020).

2.2.4 Key factors behind bKash's success

bKash gathered a large number of well-known international equity investors under the leadership of a creative and energetic team with a thorough grasp of both the business and technology. bKash provides clients with a simple, easy-to-use technology that works with all mobile carriers and has a low service fee. A large distribution network, a well-trained team of distributors, and aggressive marketing to rural consumers are all important factors in bKash's success (Chen & Rasmussen, 2014). So, three key factors of bKash's success can be identified:

- ❖ **Convenience**
- ❖ **Affordability**
- ❖ **Reliance**

2.2.5 Mission

The major goal of bKash is to make financial services more accessible to the people of Bangladesh. It has a specific goal of focusing on low-income individuals across the country by offering dependable, convenient, and inexpensive services. It is also working hard and with all of its might to encourage people to use digital money by providing payment system solutions to various shops and businesses, therefore establishing a new standard for decreasing financial service costs.

2.2.6 Vision

The ultimate goal of bKash is to provide individuals in Bangladesh with greater access to a variety of financial services. bKash also being the Bangladesh's MFS market leader, aims to provide consumers with quick, low-cost, and secure financial services.

2.2.7 Product & Services

By owning a cell phone with a wireless network, bKash customers may access a range of financial services. Customers can use a range of services after creating a bKash account with the aid of an agent via the bKash app, including:

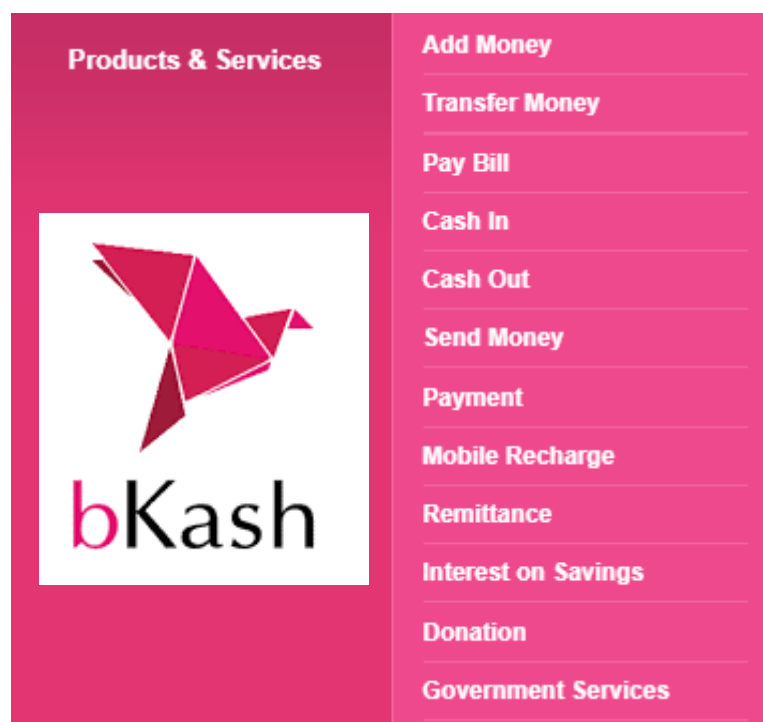


Figure 1:: Products & Services By bKash

- **Cash-in:** By going to a bKash agent, one can recharge their bKash account by providing required amount to the agent.
- **Cash-out:** By paying a slight cash-out charge, one can withdraw cash from bKash agent or BRAC Bank ATM.
- **Send Money:** A user can transfer money from one bKash account to another bKash account by bearing a low charge.
- **Make payment:** A user can make payments to more than 47000 merchants registered around the nation.

- **Add money:** A user can easily add money to personal bKash account from personal card or bank account.
- **Mobile recharge:** User can recharge their own mobile phone or any other person's mobile phone of the required amount.
- **Buy tickets:** User is able to buy air, bus, launch, train and movie tickets right from the app.
- **Pay Bill:** User can pay bill of different types such as credit card, education, electricity, gas, internet etc.
- **Transfer Money:** User can instantly transfer money from bKash account to bank account.
- **Avail Insurance plans:** User can buy health and life insurance plans of several entities to secure the future of their loved ones from bKash app.
- **Remittance:** People living abroad can send money to bKash account in Bangladesh through authorized and enlisted foreign banks, Money Transfer Organization (MTO) and Money Exchange Houses.
- **Donation:** User can also donate to some organizations directly from the bKash app.

2.2.8 Corporate Divisions & Departments

bKash is one of the top local companies who maintains high standard of organization structure following international standards. It ensures that all of its corporate divisions are in sync. Every business division includes numerous departments, each with its own set of tasks, and divisions are further split based on the job's intricacy. The organization's outstanding collaboration is shown in the smooth organizational expansion of bKash, which is maintained by corporate divisions maintaining corporate offices in multiple places at the same time.

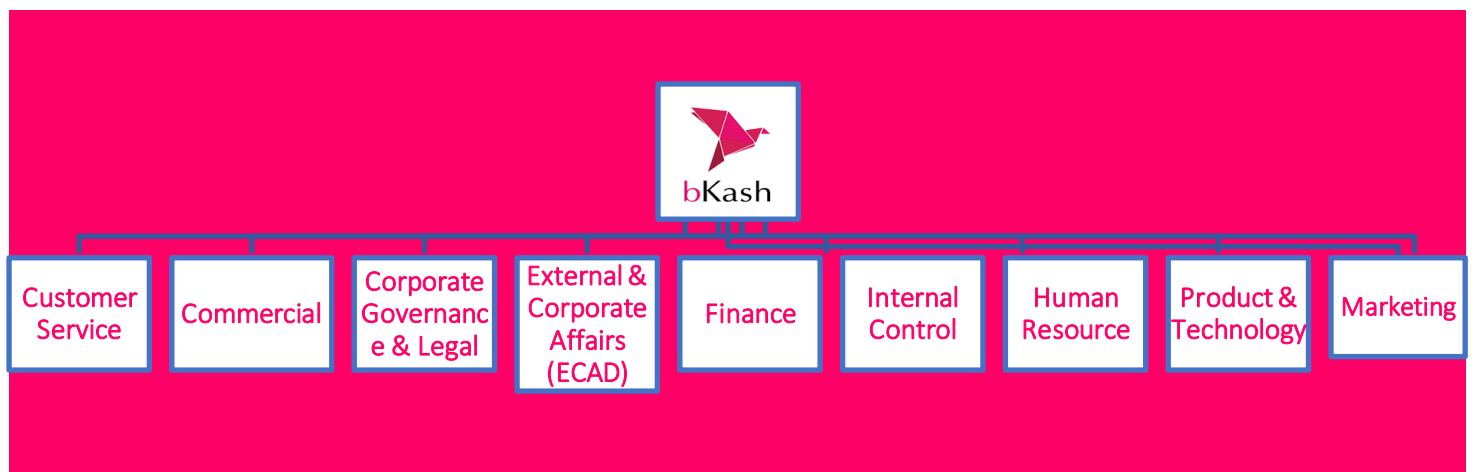


Figure 2: Corporate Divisions of bKash

Customer Service: Any query or issues of customers initiates with the process of Customer Service Team (CST). Customers are given first consideration by bKash. They work around the clock to ensure that the clients' needs are met. Customers can get any type of support just dialing 16247 from their phone.

Commercial: bKash's commercial division is the team which ties up bKash to its distributors by monitoring territories and areas under distributors all over the country. It is focused with identifying untapped markets, exploring untapped areas of operation, and identifying opportunities for the firm to grow and thrive. It also covers unusual cases and incidents that occur on a regular basis across the country.

Corporate Governance & Legal: The bKash's activities are regulated by the Corporate Governance & Legal division, which follows established norms and regulations. Corporate law is in charge of bKash's foundation and operations, while corporate administration is in charge of adjusting the interface between the company's many partners.

External & Corporate Affairs (ECAD): The External and Corporate Affairs Division is one of bKash Limited's major divisions. ECAD is in charge of all external communication and administration problems, such as regulatory work, anti-money laundering activities, administrative and corporate affairs, and so on. ECAD began its operations on the critical task of organizing and coordinating bKash interests primarily with regulatory agencies, with a primary focus on the Bangladesh Bank and later BFIU. ECAD is highly focused on the Compliance Management Service along with combating fraud, ML/TF issues to reduce operational, reputational and financial risks of bKash.

Finance: The Finance & Accounts Division of bKash Limited is a difficult division since it oversees the financial operations of a mobile financial service provider such as bKash. The accounting and finance department is in charge of all of the company's accounts as well as all financial transactions. Accounts payable and receivable tracking, monthly and yearly revenue tracking, and so forth. Managing payrolls, reporting, and documenting financial transactions, among other things.

Internal Control: The internal control division of bKash's mission is to protect the company and help it achieve its goals. Internal controls help to reduce risks and safeguard assets by ensuring record accuracy, increasing operational efficiency, and encouraging adherence to policies, rules, and laws. It also serves to protect the bKash's financial and accounting data, encourage accountability, and combat fraud.

Human Resource: The human resource management division of bKash Limited is in charge of recruiting, screening, and assessing workers, as well as remuneration, training, and employee benefits. Organizational development, employer branding & talent acquisition etc. are some of the departments and team of bKash Limited for maintaining a well structure of HRD.

Product & Technology: bKash is a FinTech company providing solutions with mobile payments and transactions. So, product & technology division is the most important division in the company. The technology department consisting of networking team, engineers, hardware experts, support team and data scientists who are responsible for maintaining a smooth networking and computer function system within the organization. On the other hand, bKash's product whether it's app or USD based service is out an out a software based technological product which closely monitored and continuously upgraded by the product team.

Marketing: Public relations, close branding, service marketing, order generation, digital advertisement, content development, client relationship monitoring, database management, and other responsibilities are all part of the marketing department's responsibilities. With the efforts of bKash's marketing team, it's been possible now as a well-known brand whose quick and widespread success can be attributed to easy-to-use services, a secure and dependable solution, a wide range of service scenarios and ecosystems, and a socially responsible brand culture.

2.3 Management Practices

bKash Limited's tremendous success within a short time is solely dependent on the management team and their high standard practices of ethics, talent, skills etc.. Components of bKash's management practices are briefly discussed below:

2.3.1 Organizational Hierarchy

Maintaining a well-structured organizational hierarchy is always the most crucial factor in the operations of each functional department of an organization. bKash has implemented a global standard of organizational and functional hierarchy. Every bKash division includes numerous divisions, each of which is responsible for achieving certain organizational goals. The head of the division is at the top of the divisional hierarchy, while the heads of departments, who report directly to the divisional head, are in charge of the departments. Several officials work and report at the same time under the direction of the department head.

Functional hierarchy:



Figure 3: Functional Hierarchy of bKash

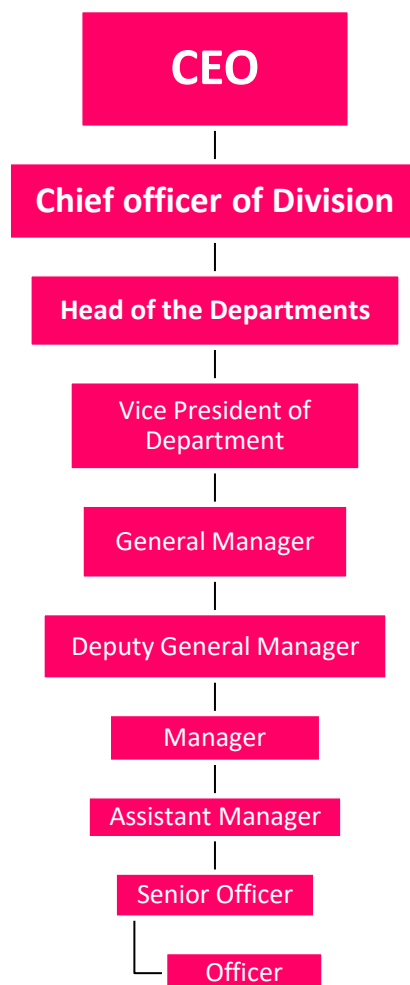


Figure 4: Organizational Hierarchy of bKash

2.3.2 Focus of the management team

In an interview bKash's CECAO and CAMLCO Major General (retd,) Sheikh Md. Monirul Islam provided an insight of the current focus of the board of the directors and management team. On the board of directors of bKash, each investor has a representative. Every three months, the board of directors meets to assess recent and current performance and to plan future initiatives. One thing that bKash founder and CEO Kamal Quadir emphasizes to everyone in the firm on behalf of the investors is that none of the bKash investors are seeking for rapid return. It is clearly encouraging to know that the investors place a premium on the quality of service provided by bKash, ensuring a long-term beneficial influence on society.

The success of the bKash management team was dependent on the appropriate sort of investment, emulating the corporate good practices of well-known investors, and employing the finest available individuals who matched the company's specific human resource needs.

2.3.3 Human resource planning process of Bkash

Recruitment & selection process: The bKash Human Resource Department is well-organized and capable of managing staff recruiting and training sessions. Recruiting qualified and skilled people is the most difficult task for any HR department. Candidates who apply for a job with bKash must go through a number of steps. Following recruiting, decreasing staff turnover is a major problem for businesses.

Compensation system: The bKash employee remuneration plan is extremely appealing. The work atmosphere and corporate culture of bKash are both conducive to productive work for every employee. Employees strive to advance their careers, and career advancement is completely dependent on continual skill and knowledge improvement.

Training and development initiatives: Employees' passion with progress may be satisfied through interactive and insightful training sessions. Many communication gaps and disagreements between officers and supervisors may be handled via interactive training sessions, which can bring a team closer together. The HRD at bKash has established numerous Employee Relation Programs (ERP) to help employees maintain healthy and supportive relationships with one another. Furthermore, management has implemented an excellent Performance Management System (PMS) to analyze staff requirements and concerns.

Employee Benefits: bKash has a competitive pay and benefits package, which enables the company retain its professionalism and recruit qualified individuals to join the team. The fact

that bKash has established itself as the top employment brand in the business is evidenced not only by the pay but also by other advantageous benefits. The following are the salary and pay perks given by bKash management:

- Short-term employee benefits
- Provident Fund
- Gratuity
- Worker's Profit Participation Fund (WPPF)
- Paid annual and casual leaves
- Health insurance for employees and their family
- Performance appraisal: The quarterly assessment policy is used to identify performance gaps, and via this appraisal, workers learn about their shortcomings and areas where they need to improve.

2.4 Marketing Practices

2.4.1 Marketing Strategies

The business concepts by which the firm tries to develop this customer value and form these lucrative connections with customers and channel partners of bKash are the marketing strategies of bKash. bKash promotes their services in the most effective manner possible to ensure that their client base is as large as possible, and they make every effort to meet every household. The activities of marketing department are based on maintaining relations with the public, branding directly, product and service marketing, lead and demand generation, social media and digital promotion, content making, managing customer relationships, managing the database etc. bKash marketing scenario is portrayed underneath.

2.4.2 Marketing Mix (4p's)

Product: bKash's main product is centered through:

- USSD
- Mobile App
- Financial Service

However, product offerings has been analyzed in previous section.

Price: bKash does not charge for cash in. it only charges for cash out which is 0.9250 per 50-taka cash out. There will be no charge for sending money up to 100 Tk. to any number using

the bKash App or USSD. If the monthly transaction is between 15,000.01 Tk. and 25,000 Tk., a 5 Tk. charge will be applied each transaction for Send money to any number excluding Priyo numbers. If the monthly transaction exceeds 25,000 Tk., a 10 Tk. charge will be applied each transaction for sending money to any number other than Priyo numbers. There are other charges for utility bill payments.

Place: bKash has over 80,000 operators across the nation who are prepared to provide their administrations to anybody who wishes to utilize them. They too have a customer benefit line to help buyers with any questions or issues they may have. Dhaka, Mymensingh, Sylhet, Chittagong, Khulna, and Bogra all have Bkash customer service offices.

Promotion: bKash regularly collaborates with businesses on promotional initiatives, particularly during the holidays. Its real-time cash back service is powered by Huawei's Mobile Money platform, which offers customers a small discount when they pay certain merchants using bKash. One of the foremost pivotal perspectives of bKash's marketing strategy is this. bKash will meet its marketing goals by combining above- and below-the-line advertising tactics. bKash's above-the-line marketing opportunities include broadcast, TV commercials, and print advertisements. Hoardings, events, and direct message promotions are examples of below-the-line promotion solutions. In addition to these, whereas planning the promotional procedure bKash considers a few critical variables counting unique selling propositions, creating the message considering AIDA, coordinate offering or high-profile publicizing, target advertise information, sifting out the limited time alternative and considering budget constraints and successful allotment.

2.4.3 Marketing Channels:

- Agents
- Distributors
- Merchants
- Mobile Network Operators (MNO)

2.4.4 Product development team

The main objective of the product development team is to carry out diverse surveys, basic examination of the studies, and value-added benefit advancement of the items. Conducting these surveys makes a difference bKash to find out their position within the showcase, client behavior, and dependability toward their items, unused scopes and taken a toll examination of the administrations given by them. The product development team carries out these studies

online or offline. All the reports generated by the chief of the group specifically labor under the showcasing executive of the division.

2.4.5 Creative team

The creative team comes up with the plans of the items and administrations, TVC scripts, blurbs, trim plans, choice of bulletin colors and plans, online substance creation, site substance administration, and improving data structure of the site to appear up upgraded data within the primary location. All the inventive showcasing methodologies of bKash come up through this department.

2.5 Financial Performance and Accounting Practices

2.5.1 Financial Performance

Financial performance analysis is a thorough examination of a company's financial accounts in order to determine its financial health. This report's goal is to examine bKash Limited's financial performance via a comprehensive examination of its financial statements, as well as to determine why the firm has performed as it has, in the hopes of assisting the company in making more successful financial decisions in the future.

When it comes to compiling financial statements, bKash Limited, like BRAC Bank and its other businesses, adheres to the Bangladesh Financial Reporting Standards (BFRS) and the Companies Act 1994 requirements. The following financial statements are prepared by bKash every year:

- Statement of profit or loss and other comprehensive income.
- Statement of financial position.
- Statement of changes in equity
- Statement of cash flows

2.5.1.1 Horizontal analysis of financial statement

Horizontal analysis is a technique for examining a company's financial records throughout time. It's generally shown as a percentage increase over the same line item the previous year. Users of financial statements can quickly detect trends and developmental stages using horizontal analysis. Horizontal analysis of bKash's income statement from 2016-2020 is presented below:

bKash Limited					
Horizontal Income Statement for years ended in last 5 years					
<u>Account Title</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Gross Revenue	100%	118%	157%	174%	190%
Less: VAT	100%	118%	143%	164%	180%
Net Revenue	100%	118%	159%	176%	191%
Less: Cost of Services	100%	116%	144%	170%	172%
Gross Operating Profit for the year	100%	127%	225%	201%	272%
Add: Other Income	100%	124%	-	-	-
Donor Grants	100%	91%	-	-	-
Less: Operating and Administrative Expenses	100%	126%	165%	202%	249%
Marketing and Promotional Expenses	100%	125%	224%	261%	313%
Utilisation of Grant Funds	100%	91%	-	-	-
Operating Income	100%	127%	20%	-224%	-176%
Add: Net Finance Income	-	-	100%	181%	112%
Less: Contribution to WPPF	100%	127%	95%	-	-
Profit before Income Tax	100%	127%	90%	-102%	-103%
Less: Income Tax Expense	100%	129%	151%	-4%	16%
Net Profit after Income Tax	100%	126%	53%	-162%	-174%
Other Comprehensive Income/(expenses)	100%	-	38%	-	272%
Total Comprehensive Income	100%	146%	55%	-187%	-243%

Table 2: Horizontal Analysis of Income Statement

Insights of horizontal income statement analysis: If we look at the analysis, we can easily notice that revenue of bKash Limited almost doubled since 2016 but its net profit is on declining trend from 2018 and came down to more than 50%. For the past several years, bKash has made a profit, but it has not been on the same size as it might be due to increased expenditures spent due to new investment in a specific year. Since 2018, bKash has made significant expenditures to expand its product and service offerings. bKash has launched its payment gateway, which allows for the settlement of transactions such as purchases, utility payments, and ridesharing. With a larger number of use cases, more individuals will rely on our services, increasing our user base. Several banks have partnered with bKash to offer iBanking. It takes a substantial amount of money to make consumer convenience a reality. As a result of bKash's high investment expenditures, its balance sheet has shown reduced profit or even a loss since 2018.

bKash Limited					
Horizontal Statement of Financial Position as at end of last 5 years					
<u>Account Title</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>ASSETS</u>					
<u>Non-Current Assets</u>					
Property, plant and equipment	100%	108%	104%	221%	323%
Intangible assets	100%	172%	203%	327%	396%
Total Non-Current Assets	100%	126%	131%	276%	414%
<u>Current Assets</u>					
Operational and other receivables	100%	194%	294%	747%	532%
Advances, deposits and prepayments	100%	106%	113%	302%	241%
Advance income tax	100%	151%	166%	116%	273%
Airtime balance	100%	146%	70%	114%	160%
Restricted cash and cash equivalents	100%	126%	132%	4%	4%
Cash and cash equivalents	100%	62%	126%	511%	856%
Total Current Assets	100%	127%	131%	217%	272%
Total Assets	100%	127%	131%	220%	279%
<u>EQUITY</u>					
<u>Shareholders' Equity</u>					
Ordinary shares	100%	100%	100%	100%	100%
Share premium	100%	100%	100%	61%	60%
Retained earnings	100%	217%	267%	107%	-74%
Total Shareholders' Equity	100%	119%	127%	418%	375%
<u>Non-Current Liabilities</u>					
Deferred tax liabilities		100%	37%		
Employee benefits	100%	38%	69%		
Other non-current liabilities	100%	100%	100%	100%	100%
Total Non-Current Liabilities	100%	58%	41%	162%	420%
<u>Current Liabilities</u>					
Customer deposits	100%	130%	143%	281%	428%
Other deposits	100%	117%	108%		
Operational and other payables	100%	152%	97%	163%	188%
Grant funds	100%	88%	92%	8%	
Accrued expenses	100%	145%	146%	173%	484%
Provision for tax	100%	176%	217%	289%	291%
Total Current Liabilities	100%	128%	133%	198%	267%
Total Liabilities	100%	128%	132%	197%	268%
Total Equity and Liabilities	100%	127%	132%	220%	279%

Table 3: Horizontal Analysis of Financial Position

Insights of horizontal financial position analysis: From table 3, we can see that total asset and shareholder’s equity have experienced a continuous growth in last 5 years as bKash witnessed increase in customer, service offerings and revenue. At the same time current and non-current liabilities also increased with more cash inflows of customers. Retained earnings seems to be decreasing and even negative in last year due to bKash’s huge strategic investment policy which is even incurring lose for the company for last two years.

2.5.1.2 DuPont Framework

The DuPont analysis, pioneered by the DuPont Corporation, is a methodology for assessing fundamental financial performance. DuPont analysis is a strategy for dissecting the many determinants of return on equity (ROE). The breakdown of ROE allows investors to focus on specific important financial measures to discover strengths and shortcomings. DuPont analysis prepared from financial statements of bKash Limited is presented below:

bKash Limited				
DuPont Analysis				
<u>Account Title</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Profit Margin	3%	1%	-3%	-3%
Asset Turnover	0.59	0.51	0.50	0.43
Financial Leverage	9.05	4.01	4.80	6.62
ROE	16%	2%	-6%	-9%

Table 4: DuPont Analysis

Insights of analysis: Since 2018, the trend of ROE has been declining due to an increase in operating costs, resulting in net losses. It was 16 percent in 2017 and has dramatically decreased to -9 percent by the end of 2020. Financial leverage, on the other hand, is on the decline, with a higher level than in prior years. It was notable when it dropped to 4% in 2018 from 9% of the previous year. However, it began to rise again in 2019 as bKash plans to spend more in the development of services, resulting in higher operating costs and the usage of debt to fund assets.

2.5.2 Accounting Practices

The Company has consistently applied the following accounting policies to all periods presented in these financial statements. Certain comparative amounts in the statement of financial position and statement of profit or loss and other comprehensive income have been reclassified/represented during the current year for better presentation.

2.5.2.1 Finance Income

Interest on bank deposits accounts for the majority of finance income. Finance income is reported on an accrual basis, net of finance costs. Interest expenditure on leases is reported at amortized cost in the Company's finance cost.

2.5.2.2 Income Tax

Current and deferred taxes are included in income tax expense. Except to the degree that it pertains to items recognized immediately in equity or in OCI (other comprehensive income), it is recorded in profit or loss.

- **Current tax:** The projected tax due or receivable on taxable income or loss for the year, as well as any adjustments to tax payable or receivable in prior years, are included in current tax. It is calculated using tax rates that were adopted or substantially enacted at the time of the reporting. According to Finance Act 2020 and Income Tax Ordinance 1984, the Company files its tax return as a private limited company, and as a result, the relevant tax rate for the Company is presently 35 percent.
- **Deferred tax:** Deferred tax is recorded when there are transitory discrepancies between the financial reporting carrying amounts of assets and liabilities and the amounts utilized for taxes.

2.5.2.3 Statement of Cash Flows

- The cash flow statement was generated using the IAS 7: Statement of Cash Flows under the Direct Method.
- Cash equivalents are short-term, highly liquid assets that can be converted into known quantities of cash quickly and have a low risk of losing value.
- The entity's primary revenue-generating operations, as well as any other activities that are not investing or financing activities, are referred to as operating activities.
- Investing activities involve the purchase and sale of long-term assets and other investments that are not included in cash equivalents.
- Financing operations are those that cause the quantity and mix of the entity's contributed equity and borrowings to change.
- Cash equivalents are investments that are kept for the goal of satisfying short-term cash commitments, are easily convertible to known quantities of cash, and have a low risk of changing in value.

2.5.2.4 Depreciation

Depreciation is a technique of writing off the cost of property, plant, and equipment minus their estimated residual values over their anticipated useful lifetimes using the straight-line approach, and it is typically recorded in profit or loss. Depreciation is charged from the month after the month of capitalization for the addition of property, plant, and equipment, and full month depreciation is charged in the month of disposal. The estimated useful lives for property, plant and equipment have kept normally 5 years for most cases.

2.6 Operations Management and Information System Practices

The operations of bKash Limited are similar to operations of a banking institution. However, the main difference on the core activity is bKash is fully focused on digital financial service which correlates to FinTech industry. bKash's operation mainly lies between three components:

- **Manual USSD based service:** Customers can easily avail bKash features just dialing *247# from any MNO of the country.
- **App based service:** bKash has also started operating through bKash app which is available on Google Play Store from where every customer can simply download and use the full-fledged smart features of bKash. Opening an account has also become easier through bKash app.
- **Customer Service:** There is a 24/7 support for customers through hotline number 16247. Customer can call anytime inquire about any issue through customer care service of bKash.

Apart from that, key factors of information system practices done by bKash Limited are as follows:

- Keeping financial institutions and SIM card providers in touch on a regular basis.
- Taking care of client transaction data and confirmation messages for ensuring the transaction's details are documented.
- Managing sensitive client data and ensuring the protection of consumer data. Here, KYC and e-KYC comprises consumer database management.
- Maintaining customer relationship management software and data management software.

- Transaction statement monitoring and recordings for special cases and minimizing threats.
- Authenticating users and minimizing fraud and financial threats.

2.7 Industry and Competitive Analysis

Though bKash Limited is the market leader in the current MFS industry of Bangladesh, still they have a number of competitors in the present market, and an increasing number of existing institutions are launching MFS. Porter's Five Forces Model and SWOT analysis have been provided below to assess the company's industry and competitive environment:

2.7.1 Porter's Five Force Model

The Porter Five Forces model can be utilized by any concerned stakeholder or director team of bKash to examine how the Porter Five Forces affect productivity and to devise a plan for gaining a competitive advantage and long-term profit in the MFS business.

Threat of New Entrants (Moderate)

Regardless of the fact that bKash, along with many other well-established MFS such as Nagad and Rocket, controls the majority of the market share, there are a few additional reasons that might contribute to the market's barrier of entry. New entrants may have difficulty decreasing their operating costs straight once, which might be a deal breaker for consumers who are already getting low-cost services. On the other hand, there are 28 licensed and qualified banks in the country right now who have the potential to tap into the MFS industry. With covid-19 pandemic new norm of cashless financial transaction has gained popularity. So, to be competitive in the industry, banks will definitely look forward to enter into the industry utilizing their existing traditional customer base. Overall, MFS industry currently having a moderate barrier for new movers to enter.

Threat of Substitutes (Moderate)

Though leading MFS businesses such as bKash have firmly grasped the financial sector by offering similar banking system services while saving clients significant time and total cost prices, conventional banking is not moving in the opposite direction. It is still one of the most trusted and widely utilized ways, particularly among metropolitan people. However, MFS providers specially bKash is trying hard to make people get used to the payment service provided by them while making purchases. It is also having a significant growing trend in

competition with payment card solutions provided by banks. As a result, the alternatives in the MFS business are now fairly mild.

Buyer Power (Moderate)

MFS firms primarily serve business and individual clients. Corporate customers utilize mobile financial services to conduct business-to-business transactions, pay staff salaries, and so on, gaining the advantages of low cost and efficiency. Even, nowadays making payment through bKash is being popularized over several online and physical platforms such as ridesharing service, food delivery sites, online payment, chain shop payment, shopping payment etc. without any cost for customers. Moreover, consumers in metropolitan areas have a variety of alternatives available to them, whether it's a variety of MFS providers or banks and ATMs around every corner. Consumers in rural regions, on the other hand, are not so fortunate. They have a restricted number of MFS providers and almost none for banks. On the other hand, switching power of buyers towards other providers in MFS industry is high as there are some established competitors of bKash in the market. bKash, Nagad, Rocket, and other firms provide comparable services with various transaction rates, but the benefits and expenses of utilizing bKash are higher than those of other rivals due to their agent coverage in rural regions. As a result, buyers' negotiating power is limited.

Supplier Power (High)

The MFS business relies heavily on mobile network carriers and IT corporations as suppliers. MFS firms are unable to operate without the operators' wireless networks. Companies in the MFS sector form MNO partnerships with operators. MFS providers' ability to offer to such a diverse variety of consumers across the country is aided by their partnerships with these MNOs. On the hand, to conduct the MFS activities smoothly, specialized IT assistance and a well-structured IT infrastructure are required. As a result, specialist IT providers have a lot of clout in the business. Overall, suppliers in the business have a lot of bargaining leverage.

Competitive Rivalry (High)

Banks and other financial organizations can offer mobile financial services, thus there is no monopoly in the market. Mobile Financial Services have a lot of room to develop, but in order to do so, they require cutting-edge technology. With the growth digitization factors, MFS product solutions will also grow and will have many turning points. After bKash, Rocket (Dutch Bangla Bank) and Nagad (Bangladesh Post Office) are on the peak with growing

number of customers and distributors. Even, newcomers like Upay from United Commercial Bank and TAP by Trust Bank is seeking attentions of the existing and potential MFS customers. A big number of untapped markets by MFS in the country is another key fact of the MFS industry to be more competitive for providers. MFS providers will definitely try to focus on that fact. However, bKash maintains its market leadership by providing new services to its clients in every manner imaginable. Following a thorough examination of the industry, it can be concluded that current rivals are fiercely competitive.

2.7.2 SWOT Analysis

SWOT analysis is a framework for analyzing and assessing an organization's internal strengths and weaknesses as well as external threats and opportunities. This approach is frequently used by managers to uncover important insights about their organizations. SWOT analysis of bKash is given below:

Strengths

- In the country, bKash is the most popular MFS provider.
- bKash has a nationwide distribution network.
- They were backed up by cutting-edge technology of Huawei and Ant Financial.
- bKash is backed up by a large number of investors.
- The company's reputation is solid.
- bKash has a strong ability to maintain compliance and regulatory policies set out by the Central Bank, as well as a dedicated department for this purpose.
- bKash has a solid corporate culture and successful business prospectus, which earned them awards in national and international platforms.

Weaknesses

- Transaction expenses and service fees are both rather expensive than some of the competitors.
- Transactions are limited on a daily basis.
- The settlement of customer complaints is time consuming.

Opportunities

- Customers are becoming more aware of internet purchasing as a result of the epidemic, and they want a payment gateway.

- bKash can expand its company internationally despite having a fantastic portfolio of foreign investors.
- bKash has a huge pool of potential customers.
- Innovating, creating, and expanding the product range on a regular basis.
- People nowadays are more fascinated towards contactless payments.

Threats

- Rising corporate taxes and imposed charges
- Competition in the industry is deepening.
- Various sorts of illegal activity, such as fraud, spoof calls, hacking, and money laundering, occur on a regular basis.
- The arrival of others who provide greater service.

2.8 Summary and Conclusion

bKash Limited has undeniably led the path for digital finance and FinTech industry in Bangladesh, not to mention it made a significant contribution to the country's economy and people. There is still a lot that bKash can accomplish in an industry that is always developing, and with advancements in technology constantly bringing in new options and increasing potential. From the very beginning of the business, bKash has established a strong brand image. bKash's marketing and creative teams are always working to improve their marketing tactics and promotional activities in order to leave a favorable impression on customers. Other divisions, such as Product & Technology team is on continuous innovation for topmost product solution, External Affairs is working simultaneously with Bangladesh Bank to implement rules and regulations along with minimizing threats, Finance division is making intensive investment initiatives to expand the service facility, and Supply Chain, are also contributing to the company's success. bKash offers the finest distribution and service channel in the industry compared to its competitors. The bKash agent network is extremely beneficial for providing financial services while also ensuring that they are available in every region of the country. Traditional banking transaction services have been expanded by bKash merchant payments, which allow customers to make payments from their bKash accounts. Despite the fact that bKash has grown to become the largest MFS platform, it should be more mindful of criminal and fraudulent misuse. Criminals and fraudsters like this platform since it is convenient and inexpensive. But we can all see the potential of bKash through which it will eventually be able to extend their business globally.

2.9 Recommendations

bKash Limited's activities and functions are well-organized and well-equipped with the required resources. The method they follow is high standard, and it is truly generating a favorable impact on bKash consumers. However, as an intern, I'd want to provide some suggestions that might help the company's general operations:

- **Updated Website:** The official website of bKash Limited lacks proper highlights on the overall company profile rather than other popular websites. Being a star performer of the industry and country, it must maintain an organized website that can add value to their worldwide impressions.
- **Digitization of manual KYC:** Where the new era of e-KYC has supplanted manual KYC inputs when creating an account, there must be a mechanism in place to digitize manual KYC inputs for the organization's benefit. It can create a strong consumer database platform for bKash for smoothening the function of minimizing threats and risks.
- **Compensation for victims:** While bKash should take severe action against fraudsters based on consumer concerns, it should also look after the deceived victims. Following the discovery of genuine fraud, bKash may reward the victim whose funds cannot be recovered, as well as others, as a show of appreciation for going through the procedure and waiting patiently for a resolution. Customers who have been the victims of fraudulent actions may be eligible for discounts, cashback rewards, or a complimentary service.
- **Database Team for External Affairs:** While working in the external affairs, I noticed the importance of a separate team who might solely work on database management, update and analysis. External Affairs deals with a lot of data sets which are very crucial and sensitive for the company. Regular employees from different teams maintains database in a scattered manner which results in struggle for the time of data requirement. Which also distracts employee from their duties and slows the productivity. bKash can incorporate a database controlling team or employee who will manage and the database of External Affairs, from where employees and organization can easily pursue required information.
- **Common room facility:** Being such a large organization who makes a multinational company feeling being a local company, must have some recreational facilities for their

employees. It will enhance coordination between teams and employees along with boosting productivity and performance.

Chapter 3

Case Study

“Increasing number of fraudulent activities in MFS industry and the role Compliance Management Service by providers: A case analysis through bKash and relevant issues”



A. Introduction

Within the last decade, Digital Financial Service (DFS) also known as Mobile Financial Service (MFS) has experienced phenomenal growth in our country. Because it greatly lowers the necessity for human touch in retail and financial transactions, the present Covid-19 epidemic has amplified the benefits of extending MFS in the country as well as the whole world. Nevertheless, this gigantic growth of the MFS industry in our country has also escalated the risks associated with this. Fraud, money laundering, terrorist financing and other criminal activities are taking place through this service. Apart from fraud, money launderers and terrorist financiers are devising more complex and sophisticated methods and employing new technologies in order to launder money and finance terrorism. With the ease of cross border financial transactions, money laundering and terrorist financing (ML/TF) has become easier to transfer money from one country to another using this digital platform. With this in mind, Bangladesh Bank and the Bangladesh Financial Intelligence Unit (BFIU) have jointly published guidelines that must be followed by all MFS providers in Bangladesh. To maintain a smooth and sound operation of the MFS sector in Bangladesh by minimizing fraud and ML/TF threats, it is necessary for MFS providers to maintain adequate compliance management service. Despite this, many MFS providers in our nation are failing to deliver a robust compliance service in order to comply with regulatory requirements. However, as we discussed earlier, the market leader of MFS industry in Bangladesh with their healthy business model has been strictly obliged by the rules and regulations imposed by regulators. Not only that, bKash's approach towards compliance management is highly appreciated and they are collaborating with regulators in order to ensure a safe and secure financial service with utmost satisfaction. This has enabled bKash Limited to retain and grow their customer base along with successes.

There is something providers may do with their management systems to safeguard consumers from fraud while also erecting hurdles for fraudsters through the deployment of strict monitoring and punitive actions. So that it can retain a consumer base that trusts them and is satisfied with what they do. This case study focuses on the role of Compliance Management Service (CMS) and impacts of fraudulent/criminal activities in the MFS platform. It will also focus on how a proper CMS can reduce fraudulent activities and related risks, which our nation lacks except for a few providers, notably bKash. Moreover, this case study also addresses some issues which are creating barriers from the provider's end and disrupting the smooth operation of MFS service in Bangladesh. To begin, as the MFS sector has grown, so has the number of

fraudulent and illegal crimes through this platform, particularly in the aftermath of the Covid-19 pandemic. Second, the CMS practice in our country's financial sectors, as well as MFS providers, is inefficient and lacks a creative approach, which is also a major issue for threats to grow. Finally, despite being forbidden by providers and authorities, over-the-counter (OTC) transactions continue to occur, increasing fraudulent concerns such as money laundering. With numerous challenging elements functioning as loopholes behind the concerns, these issues are having a detrimental influence on the MFS platform and providers. It is impossible to completely eliminate fraud and associated concerns at the provider level, but they may be reduced to a manageable level with efficient CMS procedures in cooperation with regulators. While investigating the real-life scenario of bKash limited who are doing great in CMS under the strict adherence to regulators and exploring MFS platform globally, the research will aim to give an idea of effective management practice for CMS as well as strategic planning for providers in order to reduce threats.

B. Background

i. An overview of Mobile Financial Service and bKash Limited:

The worldwide trend toward a cashless economy has been hastened by the new coronavirus. The spread of e-commerce and the convenience of contactless payment alternatives, along with the dread of virus-infected paper money, has increased the breadth of digital transactions (Islam (retd), 2021). For that being the case, nations who already have a strong market potential is highly felicitated through it. Bangladesh is one of these countries which is an emerging powerhouse in the fintech industry of south Asia. Around 55% people (90 million) of the total population is under the cellular network subscription (GSMA, 2021), which has led Bangladesh to rise in this mobile based digital financial service which is generally known as Mobile Financial Service (MFS) in the country. Currently, there are 15 banks who are providing the

Mobile Financial Services (MFS) comparative summary statement of April, 2021 and May, 2021			
<i>Description</i>	<i>Amount in April, 2021</i>	<i>Amount in May, 2021</i>	<i>Growth (April to May)</i>
No. of Banks currently providing the Services	15	15	
No. of agents	1,061,128	1,101,002	3.80%
No. of registered clients in Lac	964.76	995.88	3.20%
No. of active accounts in Lac*	367.49	396.5	7.90%
No. of total transaction	304,978,609	346,701,611	13.70%
Total transaction in taka(in crore BDT)	63,478.85	71,246.88	12.20%
No. of daily average transaction	10,165,954	11,183,923	10%
Average daily transaction (in crore BDT)	2,115.96	2,298.29	8.60%

Table 5: MFS industry data

service with a customer base of around 110 million (Bangladesh Bank, 2021). According to Bangladesh Bank data, in May 2021, mobile financial services transactions reached Tk 712,470 million. Due to ease of access and collaborative effort put in place by regulators and service providers, rising number of consumers, companies, and government organizations in Bangladesh are turning to this channel for financial services. bKash, which is owned by BRAC Bank, is Bangladesh's market leader in the mobile financial services area with 48% market share followed by Nagad (28%) and DBBL (21%) as of December, 2019 (The Business Standard, 2020). Since its inception in 2011, bKash has maintained significant dominance,

MARKET SHARE OF (MFS) MOBILE FINANCIAL SERVICE IN BANGLADESH

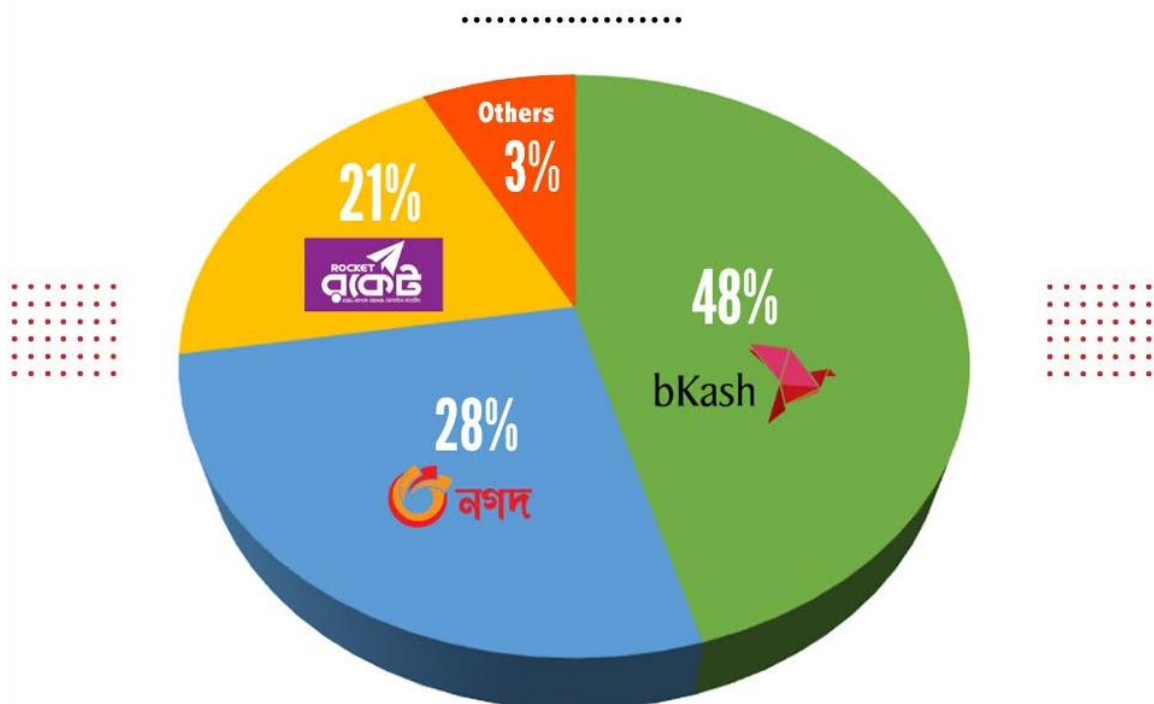


Figure 5: MFS market share by providers

Source: The Business Standard

garnering approximately 85% of the total active consumers in the mobile financial services (MFS) industry by 2020 (Alo, 2021). It has effectively transformed the MFS industry in Bangladesh and now creating a landmark for the payment services by making financial services available and cheap to the people from all walks of life.

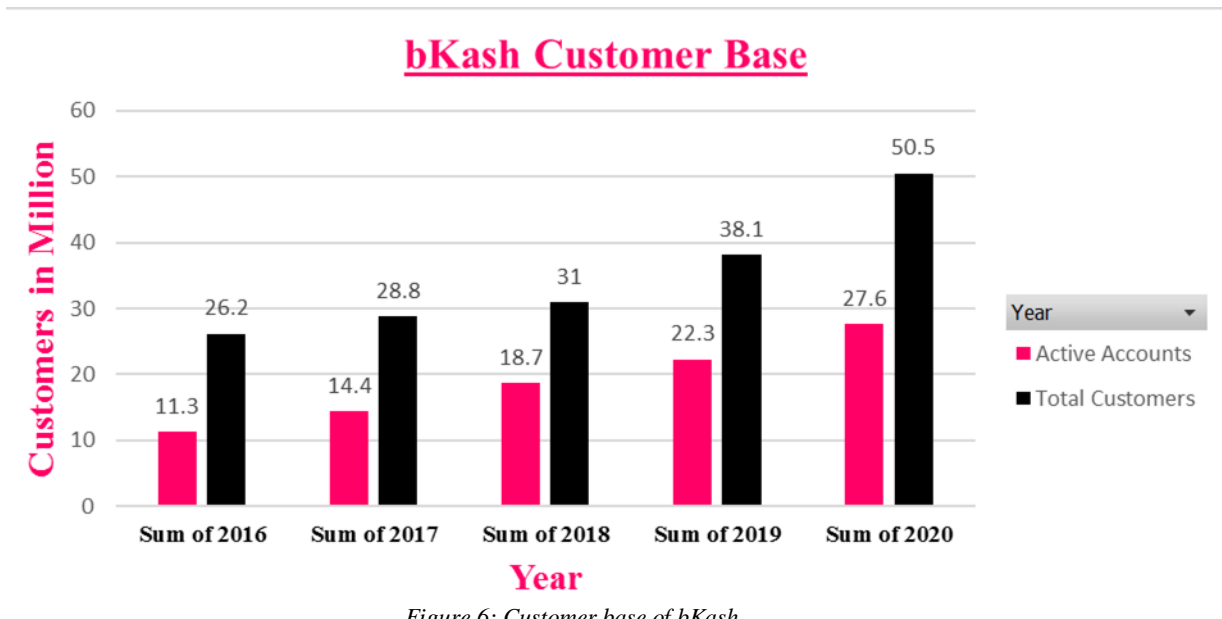


Figure 6: Customer base of bKash

Source: BRAC Bank Annual Report

In figure 5, we can see the continuous growth of customer acquisition of bKash Limited in last 5 years. bKash currently has 54.5 million customers with more than 50% active ones and approximately 300,000 agents over the country, bKash CEO Kamal Quadir revealed in an interview with Prothom Alo on 10 years of bKash. He was also asked that the gross revenue of the company seeing notable growth but still company is occurring losses since last two consecutive years. Every successful company needs sustainable growth with proper investment

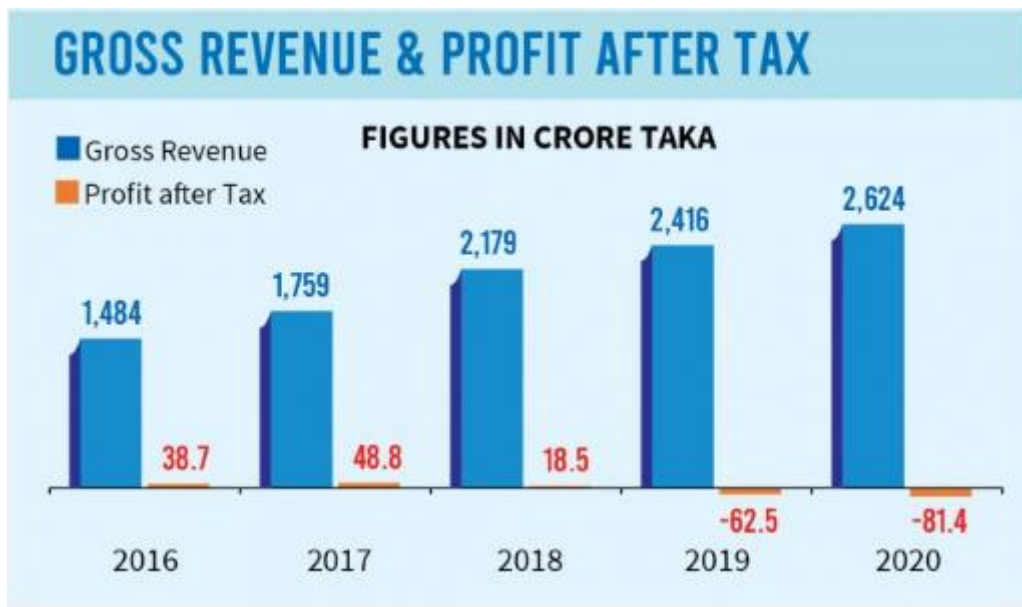


Figure 7: Revenue vs Profit of bKash

Source: The Business Standard, 2021

for the development of the company. bKash is making huge strategic investments since last two years for introducing its new products and services, Quadir answered.

ii. Overview of the Case:

The development of this case study to put importance towards CMS in reducing frauds, was primarily based on physical investigation while completing a three-month internship at bKash Limited's ECAD division. To form the case study, in-depth interviews were conducted with the Major A K M Monirul Karim (retd.), Head of External Affairs, F. M. Tonmoy Khan, Vice President and Md. Kamrul Islam, Assistant Manager of External Affairs. Apart from that, the compliance standard solutions are heavily influenced by Mr. Major General (retd.) Sheikh Md. Monirul Islam, bKash Limited's Chief External & Corporate Affairs Officer (CECAO) and Chief Anti Money Laundering Compliance Officer's (CAMLCO) vision and strategies in ensuring the healthiest and strengthened compliance standard by bKash as an MFS provider in Bangladesh. The case study includes the detailed strategic approaches of bKash through ECAD division while analyzing how it is setting examples by providing standard compliance practices amongst MFS in Bangladesh. Apart from that, secondary studies from global perspectives has also been conducted to give the case a solid foundation.

iii. Problem Statement:

Rasel Miah, a small trader from Vanga, Faridpur, received a call from an unknown number claiming to be a bKash customer service representative. He informed Rasel that the bKash authority was updating his account and for that an OTP (one-time password) will be given to his phone number, which he should provide with them or his account would be blocked. Rasel Miah is an uneducated, naive individual who readily believed them and shared the OTP. After a short while, he discovers that he has lost all of the funds in his bKash account and realized that phone call was a spam from a fraudster. Many people like Rasel Miah is being targeted by these fraudsters and losing their money over the MFS platform. One of the primary reasons that MFS clients are defrauded is lack of technology expertise and formal education. With the help of technological vulnerability many fraudsters, criminals are embezzling money from customers, which is a regular incident in Bangladesh. Not only uneducated people and trader like Rasel Miah, poor - affluent, educated-illiterate, people from all walks of life are falling into the traps according Rapid Action Battalion (RAB) of Bangladesh (Chowdhury, 2021).

iv. Compliance for MFS in Bangladesh:

With a view to provide a legislative framework to create an appropriate and competitive environment for the provision of cost-effective and easily accessible MFS, Bangladesh Bank has published MFS guidelines. This guideline includes the ownership structure, product/service offerings, business model and an overview of compliance regarding AML/CFT (Anti Money Laundering and Combating the financing of Terrorism), KYC (Know Your Customer) to be strictly followed by licensed MFS providers. Bangladesh Financial Intelligence Unit (BFIU) has also published an in-depth guideline about AML/CFT and KYC compliance management in order to dispel fraudulent and criminal activities within MFS. Payment Systems Department (PSD) of Bangladesh mainly regulates the MFS providers. Currently, Bangladesh Mobile Financial Service Regulation 2018 and BFIU Circular 20 are the two main protocols that govern the standard regulations of compliance for the MFS industry. The success of the top MFS supplier, bKash, has been built on strict attention to regulatory compliance (Islam, 2021). To be more precise, with their innovative and analytical approach to regulatory standards, bKash is establishing an appropriate standard compliance management service among all other MFS suppliers, which can be an ideal management practice to be adopted by them. Not only that, bKash also plays an important role in assisting the country's Law Enforcement Agencies (LEA) by providing them with essential information and assistance on any fraud or criminal activity that occurs within or via the use of this digital service system.

v. Effective CMS practice by bKash:

“bKash is maintaining the high standard of CMS practice amongst all other MFS providers in Bangladesh,” told by Mr. Karim, Head of External Affairs, when asked about the current condition of CMS in bKash. bKash made the appropriate sort of investment, followed the corporate best practices of well-known investors, and hired the best available individuals who matched the company's specific human resource needs. Specially, to provide special attention over maintaining a well-organized CMS, bKash created a separate division named ECAD division which is now the most important strategic division of the company. ECAD is in charge of all external communication and administration problems, such as regulatory work, anti-money laundering efforts, administrative and corporate affairs, and so on. ECAD began its capacity on the critical task of organizing and coordinating bKash interests primarily with regulatory agencies, with a focus on the Bangladesh Bank. The Bangladesh Bank's mandatory requirement is that Mobile Financial Service providers evaluate Money Laundering and Terrorist Financing risks. There are currently four departments of ECAD.

CMS related works are mainly handled by External Affairs, AML/CFT & Regulatory & Corporate Affairs.



Figure 8: ECAD Division

The Department of External Affairs deals with a wide range of illegal and fraudulent actions that occur as a result of bKash mismanagement. This department assists law enforcement agencies in preventing criminal activity and trying to return money stolen via fraudulent operations to the rightful owner. The Department of Anti-Money Laundering and Counter-Terrorist Financing (AML & CFT) deals with all money laundering and terrorism financing concerns and works to avoid them. Maintaining relationships with external stakeholders, notably Bangladesh Bank, is the responsibility of the Regulatory & Corporate Affairs Department. Figure 9, portrays the in charge of all departments.

bKash	
External & Corporate Affairs Division	
Major General Sheikh Md. Monirul Islam (retd.) Chief External & Corporate Affairs Officer (CECAO & CAMLCO)	
Head of External Affairs	Major A K M Monirul Karim (retd.)
Head of AML/CFT (DCAMLCO)	Captain Saber Sharif (retd.)
Head of Regulatory & Corporate Affairs	Major Humayun Kabir (retd.)
Head of Administration	Major MD. Najmul Ahsan (retd.)

Figure 9: Management Team of ECAD Division

So, the management structure of bKash is filled with high profile military personals, to ensure that security and rules and regulations are strictly followed.

Mr. Khan, Vice President of External Affairs put an emphasis over the matter that Bangladesh Bank or BFIU has provided MFS providers some guidelines over the management practices

but the functioning of bKash’s External Affairs and AML/CFT departments is completely designed by strategic innovations of the high-profile leaders. External Affairs and AML/CFT departments are the key participator of managing frauds, ML/TF risk and communicating with external stakeholders like LEAs, regulators etc.

External Affairs

External Affairs is in charge of dealing with all types of illegal and fraudulent actions that arise from the misuse of bKash and communicating with the external stakeholders. External Affairs is divided into three teams, each under the direction of the department's head which are LEA Management, Fraud & Dispute Management (FDM) & External Affairs Operations (EA-Ops).

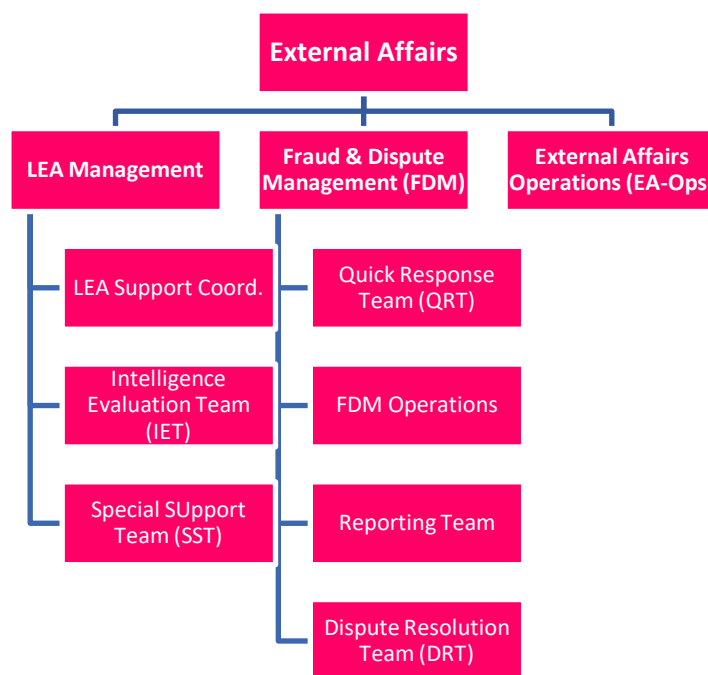


Figure 10: External Affairs Department

LEA Management: LEA Management Team (LMT) is basically the bridge between bKash and different LEA’s of the country such as BD Police, Criminal Investigation Department (CID), Detective Branch (DB), RAB, Special Security Force (SSF), National Security Intelligence (NSI) etc. LMT is responsible for communicating, providing case investigation related supports, providing information through court orders, internal investigation of suspicious accounts etc. LMT consists of three wings. Key responsibilities of these wings are briefly explained in the upcoming paragraphs.

LEA support Coord.:

- Investigating situations where bKash was utilized as a payment gateway to find flaws and provide solutions to minimize recurrence in the future.
- Security Instructions should be issued to bKash channel partners (Distributors / Agents) on a regular basis.
- Ensure that the service guideline for special government agencies is strictly followed for compliance issues (NSI, DGFI, BTRC etc.)
- Bringing concerns to the attention of the Fraud & Dispute Management (FDM) and coordinating possible outcomes.
- Ensure that the needed documents are submitted to LEA in accordance with the Court Order.

Intelligence Evaluation Team (IET):

- Internal investigation of suspicious accounts reported by LEAs.
- Investigating suspicious account's quality of KYC with compliance guidelines.
- Investigation through internal database of fraudulent and criminal activities.
- Preparing initial basis of Suspicious Transaction Report (STR) and Suspicious Activity Report (SAR)

Special Support Team (SST):

- Assist in the resolution of bKash-related queries to LEAs in accordance with the established internal process.
- Supervise the function of law enforcement agencies to ensure that they are available 24 hours a day, 7 days a week, to respond to court orders, and to maintain good relations with them.
- Maintain relationships with law enforcement agencies around the country, including CID, Special Branch, RAB, NSI, DGFI, and NTMC.
- Assist with legal issues that are of interest to law enforcement agencies.
- To ensure a seamless business environment, develop and maintain good relationships with LEAs.

Fraud & Dispute Management (FDM): FDM is responsible for dealing with fraud and mistaken issues reported to bKash customer care team by customers end. Key functions of FDM team with different specified teams are discussed below:

- Analyzing reported accounts for mitigating fraud risk.

- Transaction analysis of alleged accounts to establish the cash flow of fraud occurrences that have been recorded.
- Generating reports to return the embezzled amount.
- Preparing Acknowledgement Due (AD) letters and bond papers for customers in order to return or receive the involved amount.
- Providing suggestion on punitive actions to be taken on fraudulent accounts.

External Affairs Operations (EA-Ops): The LEA Management and FDM rely on this team for all operational support. EA-Ops also develops a variety of procedures, databases, and tools to aid in the optimization of operations.

AML/CFT Department

AML/CFT is another significant department of the ECAD division. Head of this department is also the Deputy CAMLCO of the company. This department's major responsibility is to keep track of all bKash ML/TF hazards and make the appropriate decisions to mitigate such risks.

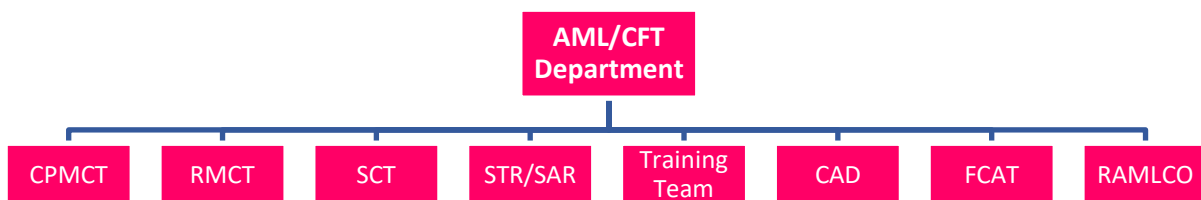


Figure 11: AML/CFT Department

The operations of AML/CFT department mainly aligns bKash with regulatory guidelines of BFIU Circular'20 of maintaining a proper AML/CFT compliance activities with the appointment of CAMLCO and DCAMLCO officers. This department consists of 8 different teams which are presented below:

Compliance Process Monitoring & Control Team (CPCMT): This group collaborates with customer service, double-checks their work, provides comments, and creates ideas for future progress in compliance.

Compliance Analysis & Documentation (CAD) Team: This team is in charge of all of the department's paperwork and records, as well as working directly with Bangladesh Bank.

Field Compliance Assessment Team (FCAT): This group works on the ground, assessing concerns with odd transactions using primary sources such as monitoring agents.

Regional Anti Money Laundering Compliance Officer (RAMLCO): This compliance officers are the in charge of specific divisions in various areas who follow up on compliance concerns and difficulties originating from bKash channel partners through regional challenges.

Risk Monitoring & Controlling Team (RMCT): This team keeps an eye on things, identifies hazards that might come from utilizing bKash services, and devises strategies to reduce such risks.

Strategic Compliance Team (SCT): This group examines the potential hazards that may develop as a result of new strategies being implemented and devises strategies to mitigate such risks.

STR/SAR Team: This team investigates odd transactions and activity utilizing bKash services, then files complaints and takes appropriate action.

Training Team: This team provides training to channel partners of bKash such as agents, distributors, and merchants in accordance with the Bangladesh Financial Intelligence Unit's standards (BFIU).

External campaigns done by bKash to mitigate fraud and increase awareness:

bKash Limited is not only building internal process of CMS efficiently but it also taking appropriate steps to mitigate frauds through external campaigns such as training programs, workshops, awareness campaigns for customers etc. As we discussed earlier bKash is frequently providing trainings to its newly joined agents about financial regulation oversight of AML/CFT issues. Apart from that it is arranging workshops time to time in different districts of the country on “Prevention of MFS Abuse” towards LEAs. Recently, a few days back a session was held by bKash for Chattogram law enforcement officers to raise knowledge about how to prevent mobile financial services abuses (The Business Standard, 2021). It also arranges several awareness campaigns for customers on different media platform like social media campaign, TVC advertisement, digital advertisement etc. bKash actively interacts with different LEAs of the country time to time in order to maintain a good business environment wit the help of regulators and helping regulators dealing with MFS related crimes.

“The CMS set up of bKash limited through the activities of ECAD division specially from External Affairs and AML/CFT departments are executed maintaining global standards of approaches which is setting examples for other MFS providers,” Major Karim summarized the overall scenario of CMS done by bKash.

C. Evaluation of The Case

While MFS has made our life easier with the ease of transaction, it has also imposed some unprecedented risks that did not exist in the traditional financial services. So, it is not only important for the providers to maintain regulatory guidelines while conducting business but also to mitigate some external threats in order to reduce financial and dispute risks. While exploring this case some key concurrent issues regarding the risks and CMS has been addressed. A brief discussion of these issues, impacts and reasons behind these issues are identified which is presented in the upcoming paragraphs.

- i. **With the robust growth of MFS industry, fraudulent and criminal activities through this platform has also increased, particularly in the aftermath of the Covid-19 pandemic.**

Mobile Financial Services (MFS), like other financial services, involve risks and obstacles in their deployment (Mudiri, 2013). Fraud, Money Laundering (ML), Terrorist Financing (TF) and mistaken transactions are the main hindrances on the successful execution of MFS's mission and visions. Money laundering and terrorist funding activities continue to cling toward financial system flaws, and mobile money treats criminals with another route to leverage (Whisker & Lokanan, 2019). We've seen misuse of MFS from a variety of perspectives over the last few years, and the pattern is fast emerging in nature in Bangladesh (Rahman, 2018). Through MFS, receiving a fraud call or harassment is a fairly regular concern in Bangladesh, and there is also the possibility of being attacked and kidnapped (Ahmed et al., 2020).

Mr. Islam, Assistant Manager, said when asked about bKash Limited's post-pandemic fraud issues, "MFS is one of the services that was not affected by the pandemic in Bangladesh, rather it has experienced growths with the number of customers, agents, transacted amounts, and it is also necessary to mention that financial crimes through MFS." According to BD Police, mobile banking-related frauds account for one-third of all online crimes in the nation, and such misleading crimes have increased as a result of the Covid-19 pandemic (Chowdhury, 2021).

Mobile Banking Fraud related cases summary after pandemic (May 9 - October25, 2021)	
Cyber Police Centre of CID received filed cases	185 cases
Total queries receiving	12,000-15,000 / Day
Provided Instant Solutions over phone	12,560

Table 6: Fraud Cases Summary by CID

Source: The Business Standard

When CID began handling complaints via a Facebook page and a 24-hour helpline, the scenario of receiving complaints have changed drastically which can be identified in table 6. bKash Limited’s SST team also reported that, they are receiving more queries about account investigation or information related from LEAs after pandemic which can be seen in figure12 that the amount has increased by 40% within 1.5 years. These queries involved issue like fraud scams, stealing issues, kidnapping issues, harassment issues, agent murder case, agent robbery issue and so on.

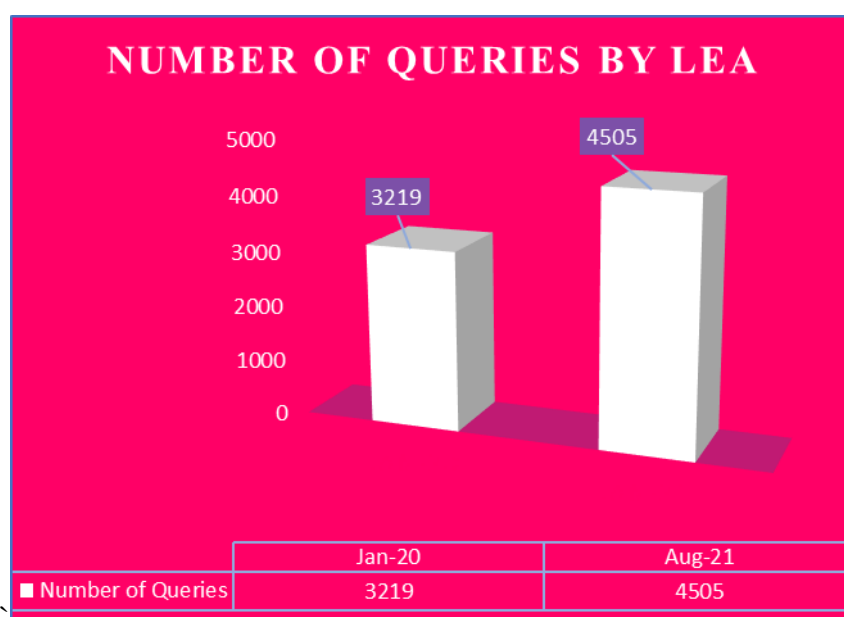


Figure 12: Queries received by SST team of bKash, (Before after pandemic scenario)

It is also needed to understand what are prevailing fraud types in our country right now. In the interview process with bKash professionals some key fraud types are identified:

- **Customer and Agent Centered Frauds:** This type of frauds or scams are being performed by one consumer to another or consumer towards agents or merchants. Several scenarios of this type of fraud are presented below:
 - Fraudsters sometimes establish a good relation with agents and get unauthorized access of agent’s transaction registry and steal the customer details, later they try to defraud them.
 - Fraudulent customers also defraud agents of cash or electronic money.
 - Fraudster are cloning customers’ sim card number and stealing sensitive information like access PINs, OTP etc. and embezzle the e-money.

- False promotions, phishing, or social media schemes, such as fraudsters imitating providers and informing consumers that they have won a prize in a contest and that they must transfer money to the fraudster's phone number to collect it.
- Fake phone calls to customers in the name of account updating and restoration also a popular way for fraudsters to defraud money of customers by getting access to PIN numbers and OTPs.

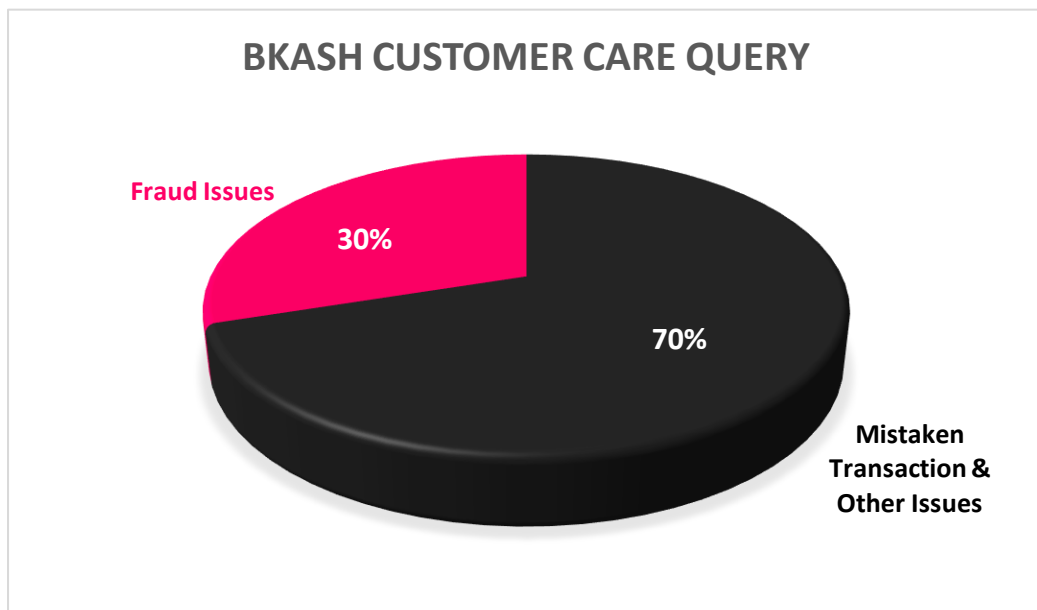
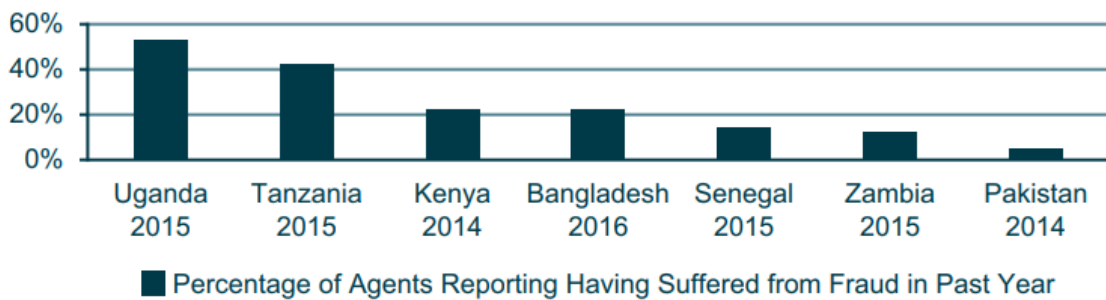


Figure 13: bKash Customer Care Queries

According to last six month’s bKash customer care interaction summary presented in figure 13, out of 140,000 queries received by the team, 30% of amounts to be related with fraud issues. According to the Agent Network Accelerator Surveys conducted by the Helix Institute of Digital Finance (see Figure 14), 23% of mobile money agents in Bangladesh reported fraud in 2016 (Bersudskaya & Kuijpers, 2016).

Figure 1. Agents Reporting Having Suffered from Fraud in Past Year



Source: Bersudskaya and Kuijpers 2016.

Figure 14: Helix Institute’s survey on agents

- **Merchant Related Frauds:** Fraudulent actions performed via a business partner's network are referred to as merchant related frauds. Employees of the merchants may be involved in fraudulent actions towards consumers or its own organization.
- **Frauds within MFS providers:** Fraud among providers is also an issue. Internal fraud has resulted in large losses for MFS providers, as well as putting users' accounts at risk and raising questions about the system's financial integrity. This is generally done by employees of the organization with unauthorized access. However, bKash has not faced issues like this till now.
- **Abduction, robbery, snatching, stealing:** The channel partners of MFS like agents and distributors are countering several illegal incidents. Agents and distributors hold cash amount of digital money from MFS transactions. Agents and distributors are frequently being victims of robbery, abduction, hijacking, snatching etc. at the time of holding cash amounts. Even, sometimes agents and distributor officers are the fraudsters who steal the money posing a serious threat towards MFS provider and its operational activities.
- **Money Laundering & Terrorist Financing Issues:** Because fraud is a prerequisite for money laundering, a discussion of fraud risks and controls should be included in any discussion of money laundering and associated criminal activity prevention. With the ease of transaction and even with cross border transaction options, in recent years, the MFS platform has been heavily exploited by ML/TF operations.0000

ii. CMS practice in our country's financial sectors, as well as MFS providers, is inefficient and lacks a creative approach, which is also a major issue for threats to grow.

In Bangladesh, however, regulatory agencies have a shaky structure based on shaky legal basis. Appointments that are well regarded but lack professional experience weaken regulatory authority even further. Due to frequent extra-regulatory actions, which also mock the law, this ubiquitous flaw undermines the market (Khan, 2021). According to M. Shamsuzzaman (2015), former AMD of Islami Bank Bangladesh Limited, Even though Bangladesh just elevated from gray to green zone in the APG (Asia Pacific Group) standard, Bangladesh still fall short of the global banking compliance requirement. Banks of Bangladesh are making every effort to get there. Though MFS industry in Bangladesh follows a bank led model, major participators of this industry such as Mobile Network Operators (MNO), agents, distributors, merchants and even employees of the providers lack the knowledge financial terms and regulations. In this

circumstance, including MNOs and non-financial organizations in financial services will exacerbate the compliance problem due to their lack of experience with financial transaction services. Customers' susceptibility grows exponentially in the absence of a robust Fraud Management process at the MFS provider's end (Islam, 2021). Bangladesh's MFS industry is under strict supervision of international watchdogs like Financial Action Task Force (FATF) and APG due to having international transactions and global mobile money affiliation of the country. Bangladesh has taken measures to identify and analyze digital finance threats, however it is unclear if this has included an evaluation of the ML/TF risks posed by digital platform of banking (Asia Pacific Group, 2020). Latest report of APG (2021) suggests that, Bangladesh will be monitored more closely and will continue to report to the APG on its progress in strengthening its anti-money laundering and counter-terrorist financing efforts. Though Bangladesh Bank and BFIU have released MFS guidelines and AML/CFT compliance measures for MFS providers in the country it lacks several tactics to deal and mitigate fraud, ML/TF risks. Bangladesh Bank in their 'MFS Guidelines' indicated that, with the exception of technical hazards, which are the responsibility of the transaction platform provider, MFS providers are responsible for managing all risks connected with their MFS services. Apart from saying that liquidity, fraud, and terrorism are among the risks to be minimized, the laws do not define what actions should be taken to do so, instead leaving it up to the providers to decide (Parvez et al., 2015). According Bangladesh Bank guidelines, MFS suppliers must make sure that adequate grievance resolution methods are accessible and that consumers are aware of them. They are permitted to seek conflict resolution assistance from agents and partners. The term 'compliance' is a broad sector in the financial industry for financial service providers like MFS. Apart from adherence to maintain regulatory compliance it has an additional responsibility to preserve client confidence and give answers to any issues that arise at their end due to fraud, erroneous transactions, technological difficulties, and so on for ensuring proper compliance service, which is highly maintained by bKash's customer care team and FDM.

Though Bangladesh Bank is dependent on MFS providers for holding the core responsibility of managing compliance tactics to reduce risks, most of the providers are failing to ensure a healthy compliance management service. Even some of the providers are reported for non-compliance whether in terms of license issue, operational facts or maintaining regulatory guidelines of Bangladesh bank. "Nagad," an MFS provider in the country, is a textbook example of such bizarre noncompliance (Khan, 2021).

iii. Despite being forbidden by providers and authorities, over-the-counter (OTC) transactions continue to occur, increasing fraudulent concerns such as money laundering.

OTC transactions are basically unrecorded or unverified transactions that take place among customers. It is a regular process in our country over the MFS platform. In MFS platform, when a user doesn't have their own account and instead depends on the agent's account, it's an OTC transaction. If the user wishes to transfer funds, she will provide cash to the agent, who will be requested to perform the transaction on her behalf using the agent's account. Agents or providers do not have any formal record of those transactions from whom the money is coming or to whom the money is provided. 85% of total transactions are taking place through OTC with neither the sender nor the receiver using their own wallets increasing financing criminal activities risk (The Daily Star, 2015). According to the intermedia survey (2016) presented in

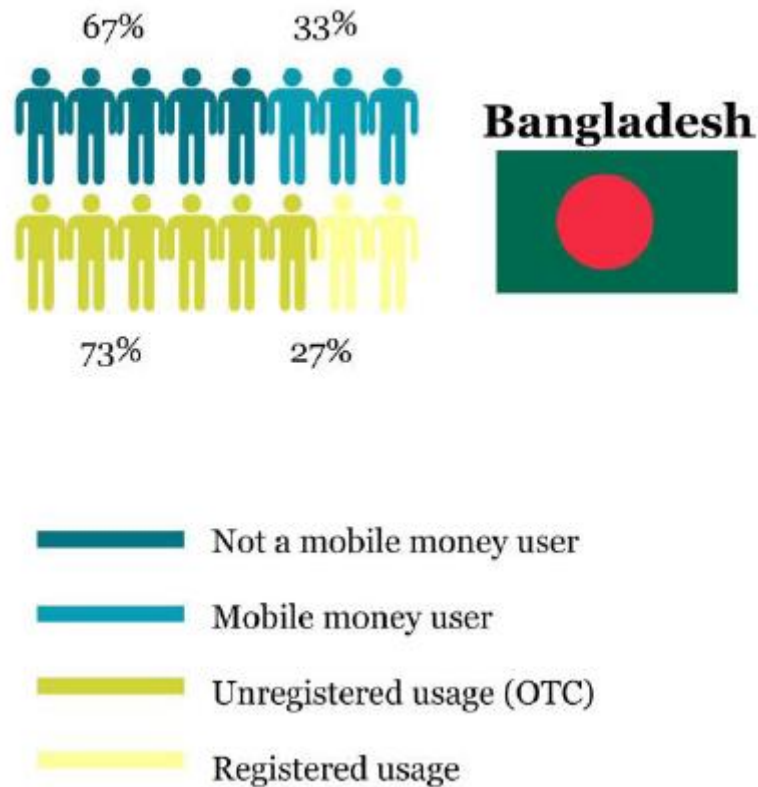


Figure 15: Intermedia Survey (2016)

Source: International Telecommunication Union (ITU), 2016

focus group technical report (2016) of International Telecommunication Union (ITU), 73% MFS transaction usage is done through OTC in Bangladesh presented in figure 15. It also

represents only 33% people of the country is registered users. So, unregistered users are getting it easier in some cases to execute transaction in OTC platform rather than being registered.

There are three types of OTC transactions that are taking place.

Agent to Agent (A2A): For this type of transactions both the receiver and sender do not have registered accounts and go to agents to transfer money. Agents personal number are being used here for transferring money from one to another.

Agent to Person (A2P): In this type of transactions the sender is not registered but receiver is. Sender sends from agent’s personal account and registered receiver receive it from another end.

Person to Agent (P2A): It is opposite to A2P where sender is registered but user is not.

All of these transaction does not hold any formal description from where the money is coming or where it is going. Money laundering and terrorism funding can be facilitated by informal OTC transactions in which the originator, receiver, or both are unknown (Singh & Wright, 2016).

Women mostly prefers OTC Transaction:

According to International Finance Corporation (IFC) (2018), because only 6% of adult women have registered for MFS, the vast majority of female users utilize it for over-the-counter (OTC) transactions. The study by the United Nations Capital Development Fund (UNCDF) (2019) revealed that, there are total 31% of total adult women across the country is using MFS. Among them 20% are unregistered which means they use OTC platform for transacting money.



Figure 16: Women using MFS

Source: United Nations Capital Development Fund (UNCDF), 2019

❖ **Impacts of increasing fraudulent & criminal activities, compliance risk over MFS platforms**

“Many customers do not have the background knowledge of fraudulent activities and by whom it is done. They simply blame us over the queries that we defrauded them and threatens us about filing police cases with. Which ultimately results in customer dissatisfaction over us and our customer base shrinks.” said by Mr. Islam. Defaults are not only limited to MFS platform but also towards every financial sector. Nonetheless, because mobile financial services are one of the most promising ways to expand financial inclusion and bring financial services to the masses, defaults and challenges in this area has far-reaching consequences. Fraud in MFS is regarded as the operational risk which results in financial risk and reputational risk. Components of those risk factors are discussed below:

- **Brand image:** Users will refrain from pursuing any brand’s products if the organization's service is impacted by defaults. MFS is also affecting by these fraudulent/criminal activities performed through this channel.
- **Credibility:** If defaults seems continuous to a customer, the service's credibility will be seriously harmed. Customers will refrain from using the services for fear of losing money due to fraud. Due to a scam within the company, the trust of a prominent East African MNO's MFS business has been seriously harmed (Muduri, 2013).
- **Growth:** Consumers always look forward towards a safe financial services platform, where they can rely on to deliver services quickly and effectively. MFS due to its affordability and convenience, easily captured a huge number of customers under their umbrella. Because of the risk of fraud and money loss in many cases, the growth of MFS industry and provider both might be hindered if customer turns away from service.
- **Innovation & Development:** Defaults have a negative impact on the innovation of MFS as well. To make a sustainable approach, MFS providers needs to connect with other systems or networks apart from just transactions service. Because the whole ecosystem is concerned about the defaults that may accompany innovation, providers will be less eager to take chances and develop around MFS services. It will also discourage potential investors to invest on the development of the platform.

- **Profitability:** As we have seen examples of OTC transactions, it is serious threat towards the profitability of a company rather it increases operational costs. P2P service earns revenue for providers. In OTC, agents are keeping the extra amount of cash out whereas they are not even performing that making an ultimate loss for the company.

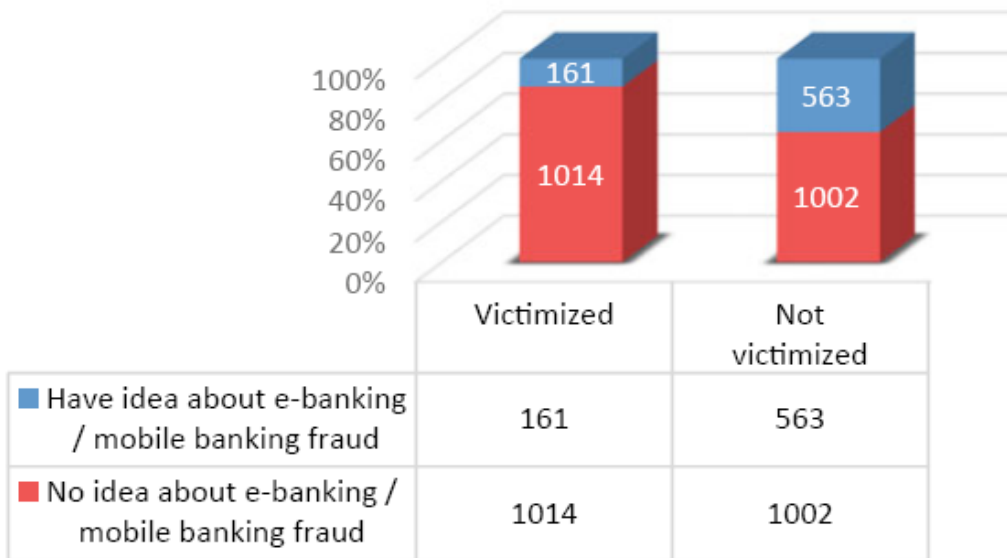
❖ **Factors behind defaults of MFS platform**

The MFS industry is vulnerable to fraud and acts as a conduit for ML/TF activities. Before effective solutions can be implemented for reducing the risk with a better framework of Compliance Management Service, the risk factors that make MFS platform prone to fraud and money laundering, as well as the numerous fraud typologies that accompany them, must be investigated. Because these all factors are the reason where the loophole of the service lies, whether it is fraudulent activities or compliance crisis. The risks factors associated with MFS itself is analyzed below:

- **Product offering:** While MFS's rapidity, adaptability, and reliability make it a popular service in the economy of Bangladesh, the same features also make it a popular route for more and faster-executing frauds and scams. While maintaining MFS account a customer does not requires any income proof or description about the money from where it is coming. So, it makes the service vulnerable towards frauds and scams like ML/TF issues while transacting amounts.
- **Distribution Channel & Service System:** While providing service, MFS providers' distribution channels have several defaults or gaps. MFS's e-money system's major cash holders are agents and distribution sales officers. As we stated previously in issue 1, numerous fraudulent events have grown as a result of them. MFS is facing numerous risks of distribution defaults, in addition to the simplicity of reaching out to a growing number of consumers and significant distribution advantages.
- **Compliance:** Building appropriate infrastructure and mechanisms for efficient agent supervision and monitoring of compliance breaches, especially in rural areas, is difficult for providers with extensive agent networks (Buku & Mazer, 2017). Bangladesh, a country with a large number of unbanked, illiterate, and/or rural populations who lack proper national identification regimes, finds it difficult to maintain proper in field compliance practices. Because of frontline KYC checks are

frequently performed by agents rather than branch staff, MFS providers fails to ensure know your customer (KYC) due diligence and track fraudulent transactions.

- Unaware or Naive Customer:** The availability of mobile phones, as well as the amount to which new and inexperienced consumers are entering the market through this channel, pose a danger. Furthermore, a large portion of MFS's client base is made up of people from rural areas who are mainly illiterate and naïve. Many of the customers do not even know about fraudulent activities. This is a significant danger since they are more prone to being scammed by scammers. A study survey of 3270 respondents who used e money system revealed that (see Figure 17), e-banking and mobile banking fraud are unknown to 76% of individuals. Furthermore, their



- Have idea about e-banking / mobile banking fraud
- No idea about e-banking / mobile banking fraud

statistics reveal that 86.3 percent of e-banking or mobile banking fraud victims had no prior knowledge of the scam (Nuha et al., 2021)

- Regulations:** As MFS is still infant in countries like Bangladesh, it lacks a proper regulatory framework for service providers and customer behavior. Though Bangladesh Bank has imposed many certification issues while opening an account in MFS platform though NID verifications, rapid over the counter accounts opened in the initial stage also exists which cannot be tracked if they are involved to any fraudulent or criminal activity. As a result of an insufficient regulatory framework,

it also allows unlicensed money transfer agencies such as “Hundi” business or unregulated money transfer products to proliferate by facilitating fraud, money laundering, and other illegal activities.

- **Technology:** With the rise of digitization and technology, rise of different type of technological crimes such as hacking, phishing etc. also goes hand with hand. Every technology has its own backdrops if proper security is not maintained. MFS platform is vulnerable towards this kind of technological risks while dealing with electronic money.

D. List of Questions Central to the Case:

While researching for the report's specific issue and the concentrated case study on bKash, some key questions regarding the case evolved which is presented below:

Context	Major Area/ Discipline	Specific Theory	Broad based /Focused	Question
Compliance Management Service is a crucial factor for every MFS provider. bKash being the market leader in MFS industry is providing high standard of CMS practices.	Management, Marketing & Finance	i. Financial Regulation ii. Compliance Management Service (CMS)	Focused	<ol style="list-style-type: none"> 1. What is the role of compliance in MFS platform? 2. What is the current compliance management practice and condition of MFS in Bangladesh? 3. How bKash, as an MFS provider and market leader providing high standard of compliance? 4. How bKash's CMS is providing supports towards LEA's of the country with dealing with fraudulent & criminal activities? 5. How bKash and all other MFS providers can improve CMS practice?
The MFS industry is vulnerable to fraud and acts as a conduit for ML/TF activities.	Management, Marketing & Finance	i. Customer Due diligence ii. AML/CFT compliance	Focused	<ol style="list-style-type: none"> 1. What are the type of fraudulent & illegal activity is taking place centering MFS industry? 2. What is the trend of these defaults in the industry? 3. What are the impacts of those defaults over MFS industry? 4. What are the reasons behind defaults which create obstacle to ensure fault free MFS platform? 5. What is approach of AML/CFT department of bKash limited which seems to be high standard?

Table 7: Questions central to the case

E. Solutions

As our case study focuses on the concern of increasing fraudulent/criminal activities (operational risk) on MFS platform and role of CMS to reduce it, strict adherence to regulating guidelines of Bangladesh Bank and BFIU is must. Then MFS providers have to come up with their own strategies and establish efficient and effective management practices. In regards to that, bKash's strategies can be followed as they are doing good amongst all others collaborating with the regulators and following global standards. Finance, technology and marketing department has also some contribution to mitigate risks and financial losses ultimately. Considering all of these things, some solutions for different departments of the MFS providers have been proposed below:

Finance:

- Measuring financial risk factors arising from operational risks and its effect on the company's overall financial performance in quarterly basis.
- Risk control and mitigation costs such as training, campaigns, technology, employee recruitment, recovery process etc. should also be measured and compared with cost of the risks in order to measure its effectiveness. It will lead admin team to take appropriate approaches.
- Fraud guarantee insurance scheme can be provided to customers if fraud can be detected. When fraud is discovered, the firm will repay or compensate the harmed consumer, as well as perform their own investigation. For this, an MFS provider can purchase fraud protection insurance from a third-party insurance company. It will transfer the fraud risk to them. Any fraud is reported to the insurance provider as soon as it is discovered, and the consumer is compensated through them. (Roy, 2021)

Management:

- bKash and all other MFS provider must establish a separate compliance research and development (R&D) team who will continuously research these fraud related issues, its patterns, approaches, loopholes and provide strategic development solutions. Here, they must try to maintain national and international (such as FATF) regulatory guidelines.
- One of the problems of MFS is with the service system of the channel partners. Field Compliance Assessment Team (FCAT) of bKash is trying hard maintain compliance

monitoring over these channel partners. The efficiency of FCAT has to be increased more with their activities and have to circulate strict fraud and related issues guidelines time to time. Increased monitoring will demotivate fraudsters from doing crimes.

- MFS providers must have to build proper interaction phases with external stakeholders like LEAs, National Telecommunication Monitoring Centre (NTMC), MNOs etc. in order to MFS platforms from fraudsters and operate business more smoothly.

Marketing:

- Mr. Khan, VP of EA from bKash Limited sees communication gap with the customers and MFS providers as a big reason for customers becoming as victims and their dissatisfaction over provider. To remove this, bKash and other MFS providers need to ensure that every agents and related channel partners must aware customers about frauds and other issues before opening account. As agents cannot be trusted, bKash customer care team can later reach to each customer with the awareness message.
- According to Mr. Islam from bKash, “Fraud issues are also being solved and recovery rate of embezzled amounts with the actions of bKash team has also been increased. But only media coverage of fraud issues are highlighted, not solving ones. Also, other MFS providers must also arrange awareness campaigns, workshops and training program for channel partners and LEAs.” So, media exposure of these solving part should also be highlighted to create a trustworthy environment for customers. Also, bKash is the only MFS provider who has been seen arranging awareness campaigns for stakeholders. As lack of knowledge of fraud and ML/TF issues are one of the main causes of customers for being victim and LEAs for not properly managing these cases for lack of knowledge about online financial crimes, every MFS platform must incorporate this arrangement of awareness campaigns for stakeholders to strengthen the regulation oversight.

Technology & Information System:

- The whole MFS platform should maintain an integrated network platform which will contain sanctioned or fraud suspicious NID or mobile numbers. As customers have options to open one account per provider, fraudsters can misuse this opportunity. Integrated suspicious list will alert MFS providers and will allow them to monitor those accounts more if have similarities.

- Automated customer dispute resolution forms can be prepared linking with transaction data such as KYC terms, involved amount etc. to speed up the recovery or reimbursement process done by the providers. In case of bKash, it is done by FDM of External Affairs, who can incorporate this process.

F. Recommendations & Conclusion

Implementing appropriate CMS practices, as well as enhanced regulation, would not only reduce the occurrence of fraud cases, but will also help the MFS industry and providers to develop and make profit. Interoperability with easily exchangeable information amongst MFS providers is now must for MFS platform. As discussed earlier about integration of MFS platform through a common database network which is also a part of this. Bangladesh Bank is already working on the issue since it will not only allow regulators to keep a tight eye on the market, but it will also lower the cost of transferring money from one wallet to another for customers. MFS platforms must work on the process of creating a more innovative approach for opening accounts such as fingerprint verification process. Fingerprint verifications needed to be matched with NID card database of customers. It will reduce fake and fraud account creation. bKash and other MFS providers must integrate all of their departments and divisions function with CMS division. This will enhance each and every employee's knowledge about compliance and increase effectiveness of working against any perceived risk in any process of the business procedure.

Bangladesh government's idea over financial inclusion to the people of our country is highly escalated though the MFS platform. However, the MFS industry is still immature in our country. The compliance management practices in accordance with regulatory guidelines imposed by regulators of financial industry in Bangladesh, is still very low amongst the MFS providers. As a result, the growth and motive of financial inclusion of Bangladeshi government with MFS is hindered. Because there is a dearth of financial and technical literacy in this rapidly developing stage business, teaching people about these problems can help to prevent fraudulent actions (Yesmin et al., 2019). Yesmin et al. (2019) also identified that, bKash is collaborating with regulators and other MFS providers to launch awareness campaigns for the greater benefit of the MFS business, collaborating with law enforcement agencies (LEA) to identify and prosecute crimes, and arranging training sessions with agents to better assist clients, applying all viable option through compliance management service in order to reduce risks. bKash is

working hard and long from their end to prevent any customers from being harassed or victimized, as solving customers' pain and making convenience of transaction were one of the key facts of bKash's introduction. Along with that, bKash is also trying to make the system as dependable and quick as possible with continuous innovative approaches.

With its investigation of bKash Limited and the MFS industry's concomitant challenges, this case study has attempted to highlight the importance of compliance management in reducing risks and providing some essential solutions for keeping a healthy management practice. As MFS providers deal with such a large number of clients and transaction volume which is increasing day by day, it is important that they be attentive about ML/TF threats, cybersecurity, and, most importantly, customer money protection. MFS providers must focus on compliance infrastructure, capacity-building, and rigorous adherence to regulatory directions and standards in order to achieve this. This case study also provided potential for further research process in order to identify or determine effective compliance solutions for MFS in national and international purposes.

References

Uddin, A. (2020). *Rising number of accounts takes banks closer to people*. The Daily Star. Retrieved 18 September 2021, from <https://www.thedailystar.net/business/news/rising-accounts-take-banks-closer-people-1992309>.

Company Profile - bKash. (2020). Retrieved from bKash Limited: <https://www.bkash.com/about/company-profile>.

Chen, G., & Rasmussen, S. (2014). *bKash Bangladesh: A Fast Start for Mobile Financial Services*. CGAP.

Islam (retd), M., 2021. *Mobile financial services: Strengthen compliance with anti-money laundering, anti-terror financing measures*. The Daily Star Retrieved 1 September 2021, from <https://www.thedailystar.net/mobile-financial-services-strengthen-compliance-anti-money-laundering-anti-terror-financing-measures-2029925>

GSMA. (2021). *Achieving mobile-enabled digital inclusion in Bangladesh (p. 28)*. GSMA. Retrieved from <https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2021/03/Achieving-mobile-enabled-digital-inclusion-in-Bangladesh.pdf>

Bangladesh Bank. (2021). *Mobile Financial Services (MFS) comparative summary statement of April, 2021 and May, 2021*. www.bb.org.bd. Retrieved 1 September 2021, from <https://www.bb.org.bd/fnansys/paymentsys/mfsdata.php>.

Alo, J. (2021). *When loss brings strength for bKash*. *The Business Standard*. Retrieved 2 September 2021, from <https://www.tbsnews.net/economy/when-loss-brings-strength-bkash-253990>.

Islam, S. (2021). *Regulatory oversight in MFS industry*. The Financial Express. Retrieved 3 September 2021, from <https://thefinancialexpress.com.bd/views/regulatory-oversight-in-mfs-industry-1612534358>.

Bank, B. (2012). *Mobile financial services in Bangladesh: An overview of market development*. Bangladesh Bank Policy Paper, 1-28

Mudiri, J. L. (2013). *Fraud in mobile financial services*. Rapport technique, MicroSave, 30.

Whisker, J., & Lokanan, M. E. (2019). *Anti-money laundering and counter-terrorist financing threats posed by mobile money*. Journal of Money Laundering Control.

Annan, F. (2017). *Fraud on Mobile Financial Markets: Evidence from a Pilot Audit Study*. Available at SSRN 3049376.

Mercy Buku and Rafe Mazer. 2017. *Fraud in Mobile Financial Services: Protecting Consumers, Providers, and the System. Technical Report*. CGAP. <http://www.cgap.org/publications/fraud-mobile-financial-services>.

Chen, G., & Rasmussen, S. (2014). *bkash Bangladesh: A fast start for mobile financial services*.

Rahman, D. T. (2018). *Regulations for mobile financial service in Bangladesh*.

Ahmed, M., Imtiaz, M., & Kauser, A. A. (2020). *A Comparative Study of Mobile Banking in Specific Parts of Bangladesh*. International Journal of Science and Business, IJSAB International, 4(6), 129-139.

Chowdhury, J. M. (2020). *Verification processes undertaken by mobile financial services (bKash) during pandemic situation in order to know their customers*.

Parvez, J., Islam, A., & Woodard, J. (2015). *Mobile Financial Services in Bangladesh*. USAID, mSTAR and fhi360.

Yesmin, S., Paul, T. A., & Uddin, M. M. (2019). *bKash: Revolutionizing mobile financial services in Bangladesh?. In Business and Management Practices in South Asia* (pp. 125-148). Palgrave Macmillan, Singapore.

Adnan, M. (2020). *How bKash Changed Bangladesh*.

Asia Pacific Group. (2020). *BANGLADESH: 4TH ENHANCED FOLLOW-UP REPORT 2020* (p. 9). Asia Pacific Group. Retrieved from <http://www.apgml.org/includes/handlers/get-document.ashx?d=454db351-d75d-499c-ae9-0ad328c68195>

Khan, A. (2021). *BSEC and Nagad: Zero intolerance of noncompliance for zero-coupon bond*. The Daily Star. Retrieved 23 September 2021, from <https://www.thedailystar.net/business/economy/stock/news/zero-intolerance-noncompliance-zero-coupon-bond-2165646>.

Chowdhury, Z. (2021). *Why mobile banking frauds rising in pandemic*. The Business Standard. Retrieved 26 September 2021, from <https://www.tbsnews.net/bangladesh/crime/why-mobile-banking-frauds-rising-pandemic-164065>.

Bersudskaya, Vera, and Dorieke Kuijpers. 2016. "Agent Network Accelerator Survey: Uganda Country Report 2015." Helix. Retrieved from <http://www.helix-institute.com/data-and-insights/agent-networkaccelerator-survey-uganda-country-report-2015>

Singh, A., & Wright, G. A. (2016). *Over the counter transactions: A threat to or a facilitator for digital finance ecosystems*. Focus Group Technical Report, International Telecommunication Union.

The Daily Star. (2015). *Regulatory Guidelines for Mobile Financial Services (MFS) in Bangladesh*. The Daily Star. Retrieved 27 September 2021, from <https://www.thedailystar.net/round-tables/regulatory-guidelines-mobile-financial-services-mfs-bangladesh-133390>.

Nuha, M., Mahmud, S., & Sattar, A. (2021). *A Case Study and Fraud Rate Prediction in e-Banking Systems Using Machine Learning and Data Mining*. In *Soft Computing Techniques and Applications* (pp. 71-83). Springer, Singapore.

The Business Standard. (2021). *bKash organises workshop in Chattogram to prevent misuse of MFS*. The Business Standard. Retrieved 27 September 2021, from <https://www.tbsnews.net/economy/banking/bkash-organises-workshop-chattogram-prevent-misuse-mfs-301774>.

Roy, N. (2021). *Mobile financial services need strict oversight*. The Financial Express. Retrieved 2 October 2021, from https://thefinancialexpress.com.bd/views/mobile-financial-services-need-strict-oversight-1610894716?fbclid=IwAR1k1yNTmhtdUasI-hBV57HqYA9ZvBUGHwnygD81bGJ4qsEjcgE2_UglCLU.

Appendix

Financial analysis of bKash:

bKash Limited					
Horizontal Income Statement for years ended in last 5 years					
<i>Account Title</i>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Gross Revenue	13,848,451,389	16,332,362,660	21,791,312,387	24,160,827,270	26,245,031,468
Less: VAT	(1,759,773,281)	(2,074,019,100)	(2,519,174,076)	(2,879,512,377)	(3,174,178,895)
Net Revenue	12,088,678,108	14,258,343,560	19,272,138,311	21,281,314,893	23,070,852,573
Less: Cost of Services	(9,765,846,432)	(11,299,194,131)	(14,042,389,523)	(16,612,324,493)	(16,762,763,296)
Gross Operating Profit for the year	2,322,831,676	2,959,149,429	5,229,748,788	4,668,990,400	6,308,089,277
Add: Other Income	1,123,864,592	1,391,255,705	-	-	-
Donor Grants	55,386,622	50,562,922	-	-	-
Less: Operating and Administrative Expenses	(1,964,639,067)	(2,478,901,509)	(3,235,571,949)	(3,964,722,134)	(4,885,961,496)
Marketing and Promotional Expenses	(829,909,738)	(1,041,184,288)	(1,862,041,570)	(2,162,762,151)	(2,600,876,775)
Utilisation of Grant Funds	(55,386,622)	(50,562,922)	-	-	-
Operating Income	652,147,463	830,319,337	132,135,269	(1,458,493,885)	(1,148,748,994)
Add: Net Finance Income	0	0	455,733,379	824,820,803	511,944,613
Less: Contribution to WPPF	(31,054,641)	(39,539,016)	(29,393,432)	-	-
Profit before Income Tax	621,092,822	790,780,321	558,475,216	(633,673,082)	(636,804,381)
Less: Income Tax Expense	(234,551,351)	(302,962,605)	(354,017,425)	8,526,604	(37,589,049)
Net Profit after Income Tax	386,541,471	487,817,716	204,457,791	(625,146,478)	(674,393,430)
Other Comprehensive Income/(expenses)	(51,389,000)	-	(19,662,500)	-	(139,571,169)
Total Comprehensive Income	335,152,471	487,817,716	184,795,291	(625,146,478)	(813,964,599)

bKash Limited				
DuPont Analysis				
<i>Account Title</i>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Average Asset	BDT 27,885,783,719	BDT 42,896,102,931	BDT 48,389,602,582	BDT 61,355,783,366
Owner's Equity	BDT 3,079,782,255	BDT 10,708,779,800	BDT 10,083,633,322	BDT 9,269,668,723
Revenue	BDT 16,332,362,660	BDT 21,791,312,387	BDT 24,160,827,270	BDT 26,245,031,468
Net Profit	BDT 487,817,716	BDT 184,795,291	BDT (625,146,478)	BDT (813,964,599)

Case Interviewee Profile:

- Major A K M Monirul Karim (retd.)
Designation: Head of External Affairs, ECAD Division
Organization: bKash Limited
- F. M. Tonmoy Khan
Designation: Vice President, External Affairs
Organization: bKash Limited
- Md. Kamrul Islam
Designation: Assistant Manager, External Affairs
Organization: bKash Limited

Case Interview Questions:

- Do you think that bKash has the highest standard of the CMS amongst all other providers existing in Bangladesh?
- As a working professional of the company, how would you explain bKash's ECAD division's performance and achievements by maintaining adherence to regulators?
- What are key challenges you think working as the barrier of reducing these fraudulent activities and ensuring proper CMS?
- Which parts of the ECAD divisions are the key participator for maintaining compliance?
- Which external department and division from the organization has a key supporting role for ECAD while performing CMS activities?
- Do you have any idea or plan to be implemented for the development of the ECAD's performance and activity in ensuring more healthy management?
- Do you have any recommendations on the whole MFS platform along with bKash towards the development of CMS or reducing fraudulent activities?

THE END
