



**An examination on the Challenge and Issue of the Fintech Company  
“bKash” in Bangladesh**

By

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A case study submitted to the Department of BRAC Business School (BBS) in partial fulfillment of the requirements for the degree of  
MBA

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[BRAC Business School]  
BRAC University  
September 2022

## **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.

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## Ethics Statement

I hereby declare that the case study presented in this submission for MBA degree completion at BRAC University is my original work. I have conducted this study with the utmost honesty, transparency, and ethical considerations.

I have obtained necessary permission and consent from all relevant parties involved in the case study, including participants, organizations, and institutions. I have ensured their anonymity and confidentiality while presenting their data and information in this case study.

I have adhered to the ethical standards and guidelines provided by BRAC University and the professional bodies related to my field of study. I have taken measures to ensure that this case study does not harm or cause any negative impact on any individual, community, or organization.

I have cited all sources and references used in this study, and I have not plagiarized any part of it. I understand that any violation of academic integrity and ethical standards may lead to serious consequences, including rejection of this submission, revocation of my degree, or other disciplinary actions.

I acknowledge that the submission of this case study is for academic purposes only, and it should not be used for any commercial or other purposes without my consent and appropriate attribution.

Signature: \_\_\_\_\_ Rubaba \_\_\_\_\_

Date: \_\_\_\_\_ 2/10/22 \_\_\_\_\_

## An examination on the Challenge and Issue of the Fintech Company “bKash” in Bangladesh





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**Submission Date: 8th August, 2022**



## Letter of Transmittal

August 8, 2022

Dr. Mohammad Enamul Hoque,

Assistant Professor,

BRAC Business School (BBS), MBA, BRAC

University.

### **Subject: Case Study Submission**

Dear Sir,

With utmost delight, I am submitting my case study report on bKash and the topic is, “An examination on the scope of fintech company bKash in Bangladesh, its performance in recent time.”

This paper was educational, useful, and enlightening to me. I did my best to create an effective and credible report. The report includes an overview of the company, financial corporate governance, critical problem analysis, conclusions, and analysis-based suggestions.

I acquired material from several sources, including yearly reports, websites, and various types of publications, papers, and personal interviews. I hope you will be kind enough to accept my report for review.

Sincerely yours,

Rubaba Tahasin Tammi,

Brac Business School (BBS),

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## Abstract/ Executive Summary

This report pertains to a case study on bKash Limited, a mobile financial services company in Bangladesh. The study was conducted to analyze the company's financial performance, customer service, and anti-money laundering and terrorism activities.

Despite being a top performer in the industry, bKash Limited has incurred losses from 2019-2021 due to heavy investment in infrastructure improvement and customer acquisition. The company has also been facing issues of frequent fraud and server downtime, leading to problems for both customers and businesses. Additionally, bKash Limited lacks a money recovery system and is still not fully protected from money laundering.

To address these concerns, the report recommends that bKash Limited improves its infrastructure to provide customers with more flexible and uninterrupted services. The company must also monitor customer demand and improve its anti-money laundering and terrorism activities.

Overall, bKash Limited must take swift and comprehensive action to address these issues in order to continue providing high-quality mobile banking services to its customers in Bangladesh.

### **Keywords:**

bKash

Mobile Financial Service

Fintech

Financial inclusion

Counter Terrorist Financing

Anti-Money Laundering

## Table of Content

<b>Letter of Transmittal</b>	3
<b>Acknowledgement</b>	4
<b>Executive Summery</b>	5
<b>1.0 Company Background</b>	7
<b>1.1 Objective</b>	9
<b>1.2 Corporate governance of bKash</b>	9
1.1.1 Organizational Hierarchy	10
1.1.2 Management Policy of bKash	11
<b>1.3 Financial Performance</b>	12
<b>2.0 Key Issues</b>	13
2.1 Reason behind incurring loss in recent year of bKash	13
2.2 Fraud issue bKash customer are facing	15
2.3 Problem with transferring money	17
2.4 Laundering of money	18
2.5 Money Recovery Issue	20
<b>3.0 Potential Solutions and Modifications</b>	21
<b>4.0 Conclusion</b>	
<b>5.0 References:</b>	25
<b>6.0 Appendix</b>	29
List of questions and answer from interview	29



## 1.0 Company Background

Mobile Financial Services (MFS) is now a method of promoting financial administrations that mixes account management with mobile wireless systems, allowing clients to complete holding money exchanges. This indicates the ability to deposit money, withdraw money, and sending and receiving money using a mobile device. These services are frequently provided by agents by permitting customers to transact via independent agent locations. As a result, MFS is beneficial for monitoring bank balances, performing account actions, making payments, and trading stocks via a mobile smartphone (Lee et al., 2012).

bKash is among the pioneering mobile financial services in Bangladesh (MFS). Since 2011, it has already been ten years. bKash has ascended to the peak of Bangladesh's MFS hierarchy list in just a few short years. bKash has harmed both the rural and urban populations in Bangladesh. Rural areas are home to 70% of the population, but often lack adequate access to established banking institutions. As a consequence, just 15 percent of our massive population has a bank account, while the rest is still unable to access financial services. bKash's primary purpose was to pull this big unbanked into the banking mainstream.

BRAC Bank Limited of Bangladesh and Money in Motion LLC of the United States launched a joint venture in 2010 to launch bKash. In 2011, BRAC Bank established bKash, a 51 percent claimed backup, in collaboration using investments from Cash in Movement, a USA-based company that was granted permission by Bangladesh Bank to operate together on MFS in Bangladesh. In April 2013, the World Bank Group and the International Finance Corporation (IFC) became equity partners. The Bill and Melinda Gates Foundation funded the startup in March 2014 ("Company Profile – About bKash").

With over 50,000,000 verified accounts, bKash today employs over 200,000 agents across Bangladesh's urban and rural areas ("Company Profile - About bKash"). Currently, bKash makes use of all mobile devices to provide financial services to people in rural Bangladesh. In Bangladesh, bKash is accessible on all mobile networks, including Robi, Grameenphone, and Banglalink. Aarong, Bata, & Lotto just are few major corporations who have partnered with bKash on a commercial level. The foremost mobile financial service provider in Bangladesh, bKash Limited,



was placed 23rd on Fortune's third annual "Change the World" category, it celebrates the top fifty firms working on a variety of social issues (bKash, 2017).

The operational norms of bKash are heavily influenced by the Bangladesh Bank. To assure that all services are not utilized for laundering money or terrorist funding, bKash complies to all applicable legislation and amendments. bKash conducts Customer Due Diligence (CDD) or Know Your Customer (KYC) history investigations to verify that clients are properly risk assessed prior to onboarding and that bKash meets Bangladesh Bank's regulations.

bKash complies with all necessary legislation and adjustments in order to establish that Kamal Quadir and Iqbal Quadir founded bKash. In the mid-2000s, so when two Quadir brothers introduced mobile banking to Bangladesh, this was widely famous, Kenya, and other developing countries. In 2008, the Quadir brothers began incarcerating BRAC's author, Sir Fazle Hasan Abed, since they needed a local collaborator. Money in Motion and BRAC Bank decided to launch a joint venture in 2010 ("The Daily New Age", August 2018).

bKash is a well-organized company that maintains proper coordination among its various corporate departments. Each business division has corporate locations, each with its own set of responsibilities, and divisions are organized by work complexity. The rapid operational expansion of bKash is demonstrated through corporate divisions keeping corporate offices in numerous locations at the same time, demonstrating the organization's great coordination. Each division has a CEO and a department head (HOD). The next degrees of management are general manager, assistant manager, director, senior executive, & executive. Apart from it, there's a business associate who works in HR.

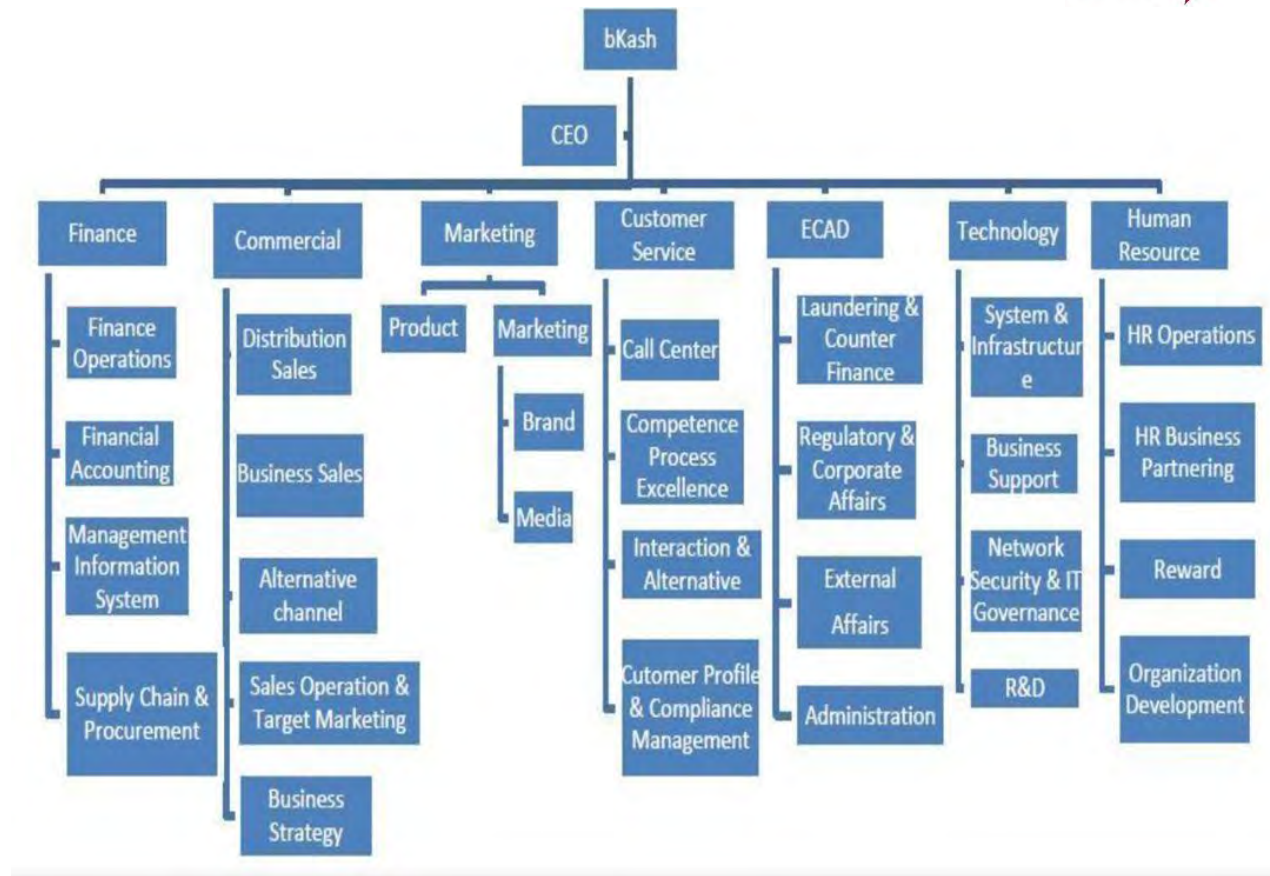
## 1.1 Objective

The goal of this paper is to look at one of Bkash's and other mobile financial service providers' performance, as well as their products and services and the issues they confront. Unlike a generic industry analysis, this research concentrates on the organization's marketing and operational operations, as well as its overall presentation.

This paper will address the capital structure, corporate governance, comprehensive performance of the company, the challenge they are facing, and viable solutions.

## 1.2 Corporate governance of bKash

bKash, being a well-structured company, ensures that its corporate divisions work together effectively. Every company has multiple division / departments, each has its own set of tasks, and departments are further separated based on the base of complexity of the task. bKash's, good cooperation reflects in the smooth organizational expansion, the departments are supervised by corporate subdivisions, also by maintaining corporate offices in multiple places.



(Tanzim M. 2019).

### 1.1.1 Organizational Hierarchy

Each bKash division comprises multiple departments, by which each department is responsible for achieving specific their goals. The head of the division is at the top of the divisional hierarchy, and the heads of each division report directly towards the head of the division. Good number of people work and report at the same time under the direction of the department head. bKash's well-planned and organized hierarchy aided the company's quick expansion in a short span of time.

### **1.1.2 Management Policy of bKash**

A talented and well-trained workforce is essential for organizational growth and success. bKash's Human Resource Department is well-organized and capable when it comes to managing staff recruiting and training. The most difficult task for every HR department is to find qualified and competent candidates. Candidates who apply for bKash jobs must go through a number of steps. After hiring, firms face another major challenge: lowering employee turnover. bKash offers an effective employee remuneration plan. bKash's office atmosphere and business culture are both conducive to productive work. Employees strive to advance their careers, and career advancement is totally dependent on continual skill and knowledge improvement. Employees' passion with progress can be satisfied through engaging and insightful training sessions.

Many communication gaps and problems between officers and supervisors can be resolved through interactive training sessions, which bring a team closer together. The HRD at bKash has organized a number of Employee Relationship Programs (ERP) to keep employees in positive and healthy relationships. In addition, the management has implemented an excellent Performance Appraisal System (PAS) to evaluate employee demands and complaints. Additionally, a quarterly appraisal procedure is used to identify performance gaps, and employees learn about their shortcomings and areas for growth through this appraisal.

The bKash management division is split into five sections:

#### **1 Business Strategy and Decision-Making Wing:**

This department is responsible for approving any corporate strategy or decision that will be executed in the market. The wing is also in charge of demo implementation, rechecking, and remedial actions, in addition to final approval.

#### **2 Corporate Planning Wing:**

The wing's major duty is to manage relationships with law enforcers (LEA) & special government agencies (SAG) in order to determine & prevent deterioration such as fraud, phony calls, and

criminal activity. The division's other major responsibility is to ensure conformity with regulatory policies by withholding company values.

### **3. Brand Management Wing:**

This unit is responsible for marketing and brand image-related issues such as marketing events, product activation, marketing campaigns, internet and media management, and marketing content generation, among other things.

### **4. Service Research and Administration Wing:**

This section is in charge of dealing with consumers as well as ensuring that merchants and agents are properly managed. The division's main goals are to provide excellent customer service and assistance, as well as to ensure that resources are distributed to merchants and agents.

### **5. Company's Sales Wing:**

The unit's primary responsibility is to handle commercial sales and income development. The wing's important functions include merchant acquisition, territory administration, market sales optimization, collaboration, and the accumulation of corporate services.

## **1.3 Financial Performance**

Financial performance is an assessment of a company's ability to earn revenue from its primary way of operation. The phrase is often used to describe a company's overall financial health throughout time. Financial performance is used by analysts and investors to evaluate similar organizations in same area or to assess businesses or sectors in general.

Creditors of the company, debt holders, shareholders, employees, and management are all stakeholders in bKash. Each group has a vested stake in a company's financial performance. The financial performance of a corporation determines how successfully it earns profits and manages its assets, obligations, as well as the financial concerns of its shareholders and stockholders, (Uddin, M. K. 2022).

According to a study represented the pattern of operations over time and can be used to determine an organization's operational efficiency. The study analyzes bKash's profits and profitability using four key parameters: net profit, profitability, income, and expenditure. Net Profit Trends: A service provider's ability to grow while making a profit is critical to its long-term success.

bKash's earnings trend shows that, the minimal profit is Tk. 0.226 million, with a negative growth rate of Tk. 0.012 million each year over the research period. The type and number of assets maintained, as well as the return on each of these assets as well as the modifications required for the execution of the different services, all contribute to MFS provider's income. The minimal income for bKash is Tk. 3,792.86 million, with an annual growth rate of Tk. 2,986.65 million during the study period (Uddin, M. K. 2022).

## 2.0 Key Issues

bKash's business development team are facing hurdles. Such as, incurring losses, high operational expenses, security issue for the customers, lack of educated agent etc. These may prohibit a company from carrying out its plan and accomplishing its objectives. In certain circumstances, business challenges endanger a company's long-term viability. bKash limited charges a greater service fee than traditional banking systems is also a valid problem for them.

Customers' willingness to use the BKASH service is dwindling as a result of this issue. There are several cellphone recharge businesses in various parts of Bangladesh. But not everyone is a BKASH restricted agent. As a result, the number of BKASH agents in different areas of Bangladesh is quite small. The external safety of BKASH is significantly poorer than that of a traditional banking institution. Their system is more dangerous than traditional banking.

Being such an industry leader in Bangladesh makes it harder to identify organizational challenges, and BKASH is no exception.

## 2.1 Reason behind incurring loss in recent year of bKash

bKash, a subsidiary of Brac Bank, had its losses worsen by 83 percent in 2021, despite a 21 percent increase in income, due to increasing costs for training, investment, & fee waivers 2022, April 5.

bKash is the country's top mobile financial service provider, lost Tk 123 crore in 2021, an increase of 83% over the previous year's losses. According to industry experts, the advent of business rival Nagad in 2019 pushed bKash to strengthen its strategic investments in order to maintain its market dominance. As a result, the company has lost money for three years in a row. In addition, the company is increasing its investment in new technology and solutions to meet rising demand, which is affecting its profitability.

bKash made major efforts to build a scalable technological infrastructure that could handle more transactions while also offering a variety of services. For example, it hired more IT and software engineers, as well as data analyst.

In addition, bKash claims to prioritize regulatory, anti-money laundering, and counter-terrorist financing (CFT) compliance. According to annual report, the company's operations and administrative costs increased by 21% to Tk 585 crore in 2021. bKash educates each agent and all distributor-hired workers on how to avoid money laundering and terrorist financing, which are all costly. According to the report, bKash's net profit decreased 86% to Tk 6.95 crore from Tk 51.19 crore the previous year 2021 (New Age, March 3, 2021).

Last year, it cut commercial expenditures by 9.88 percent to Tk 237 crore. Money in Motion LLC of the United States owns 16.45 percent of bKash, while Alipay Singapore E-Commerce owns 14.87 percent, International Finance Corporation owns 10.36 percent, and SVF II BEAM (DE) LLC owns 7.32 percent.



According to the financial filings, bKash's e-money circulation increased by 24.53 percent to Tk 5,853 crore in 2021, up from Tk 4,700 crore the previous year condensed interim statement of cash flows (New Age, March 3, 2021).

Since 2019, bKash has been incurring losses. To meet rising demand, this company has made significant its funding for new technology and services, which is affecting its profitability. The net loss for 2019 was Tk 63 crores. The company lost Tk 67 crore in 2020.

According to industry experts, the advent of bKash's commercial competitor Nagad in 2019 pushed the company to raise its strategic expenditures in order to maintain its market dominance. The company's gross revenue increased by 22% to Tk 3,196cr in 2021 from Tk 2,625cr the previous year. BKash lost money as its operations and administrative costs increased by 22% to Tk 586cr, bKash incurs Tk 123cr loss in 2021 (New Age, April 3, 2022).

A huge investment in technological advancement over the last three years has finally paid off for bKash, as it has maintained its strong dominance by gaining about 85 percent of the total active users in its m - banking (MFS) industry by 2020. However, in order to obtain this large consumer base, it had to sacrifice earnings. Even though it is the leading MFS provider, bKash has lost money for the past two years. It had losses of Tk81 crores of last year, which was 30% higher than in the previous year. This massive loss was planned as part of the companies' strategic investment.

According to the annual report, a constant rise of actual customers and revenue as a result of these coordinated expenditures is likely to deliver stronger returns in the coming years.

In the last year, bKash experienced a 23.6 percent increase in current users (measured as those who executed at minimum one trade in the previous 90 days), bringing the total to 2.76 crores of December 2020 (The Business Standard, Alo, J. N., August 30, 2019).

When the general MFS business was losing consumers, bKash added 53 lakhs newly introduced users in the last year, demonstrating great resilience. As per the Bangladesh Bank, the number of active accounts in the MFS industry fell by over 7% to 3.23 crores of December last year.

For any startup when they try develop their internal eco system stronger they need to burn more cash. This is very common in every startup. bKash is a technology based startup company and they are still spending on building their system strong also they are still spending on customer acquisition that is initially showing losses. But, in the long run they will be able to cope up with it, as they are building strong customer base and technology.

## 2.2 Fraud issue bKash customer are facing

Fraud in the context of Mobile Financial Services (MFS) is the purposeful and planned activity conducted by frauds with in mobile financial services network with the aim of gaining profit and harming the reputation of the industry's other players.

Users of bKash, the country's leading mobile financial services provider, are frequently the victims of identity theft and annoyance, and they lose money to scammers who send masked SMSs (Short Message Service). bKash Limited, a joint venture between Bangladesh's BRAC Bank Limited and US-based Money in Motion LLC that has a 58% market share of the country's mobile banking services, blamed the crisis on tech-savvy cybercriminals who defrauded clients.

Bkash clients are increasingly reporting scammers stealing their money, according to the police. Multiple rubbers also were active in stealing money from clients through their Bkash app, according to detectives. The customer's account manipulation has gone through several stages.

Some participants of a racket acquire Bkash account information and transaction amounts from various stores and pass them on to other members during the initial stage. Bkash had an arrangement with Google Play Store, according to DB investigators, that prohibited the usage of the Bkash app on multiple devices. The software can be downloaded once through the Play Store and used with a specific SIM number.

Additional deputy commissioner Monirul Islam of the Detective Branch's cybercrime branch said they're getting an overwhelming amount of Bkash account manipulation and fraudulent reports,

adding that bKash is currently receiving two to three such complaints every day Bkash customers face increasing number of defrauding (New Age, March 2022).

When any risk management framework is designed, the risk variables that make the MFS platform prone to fraudulent and money laundering activities, as well as the numerous attendant fraud typologies, should be examined.

The following are the primary mobile payment risk factors indicators:

1. **User led fraudulence:** Fraudsters pose as customers to begin consumer driven fraud. Consumer fraud target agents, other customers, companies, and MFS providers. Consumerdriven scam is the most frequent type of fraud in Bangladesh, and it occurs at all phases of the deployment. It is particularly prominent somewhere at transactional activating stage of the company, when users start trusting the MFS more, but do not yet comprehend many of the possible hazards in the service (The Daily Star, September 17, 2021).
2. **Agent led fraudulence:** This type of fraud is perpetrated inside the agent network. The scam is initiated and carried out by agents as well as their employees. It includes agent staff scamming agent, master agent scamming their respective sub-agent, agent cheating clients, and agents scamming the MFS providers. Agent-driven fraud is most common at the start of a deployment, fueled by early pricing flaws. The scam evolves over time, altering its shape, victims, and influence on deployment (Dhaka Tribune, September 15, 2020).

Consumer education initiatives are the most important approach of addressing consumer-driven fraud, although there are several procedures and method checks that may also assist reduce these difficulties. Some unethical businesses are taking advantage of the bKash platform. Innocent bKash consumers are being duped. In recent years, fraudulent acts have been reported to several authorities and dealt with without the oversight of a Chief Anti-Money Laundering and Compliance Officer (CAMLCO). Fraud is a predicate offense under the AML/CFT Act 2012 (Amendment in 2015) & therefore should be handled with by CAMLCO. In light of the foregoing, the action plan of altering account status connected with ML & TF issue ordered EA to report various types of fraudulent actions received from various ends, assess the concerns, acquire clearance from CAMLCO, & deliver the preliminary report to CCC on a regular basis.

Both the customer and are the victim of this fraudulence. Customers are becoming deceived more often. bKash is trying their best to solve this problem they are creating awareness among the customers by taking initiative of different campaigns. Still customers failed to recognize the frauds and losing their money. bKash needs to improve their system, so that the customers do not get deceived by the frauds and, if any fraudulence happen they need to come up with money recovery system for the customers.

Intention of scamming by the agents is another issue. Agents sometime try to deceive clients as well. Strong law enforcement is necessary to solve this problem.

### **2.3 Problem with transferring money**

Money transfers might be difficult for agents and users of the mobile financial service provider bKash. This is due to the down of server. As this is an electronic based system, they are still upgrading their system, the customers face some trouble due to unavailability of the service.

Agents and users of bKash, a mobile financial service provider, have been having problems transferring money, and they are unsure what is wrong with the service. bKash, a subsidiary of BRAC Bank, has stated that a system upgrade has caused short term disruptions in select locations (Rahman, S. September, 2021).

In 2012, bKash's dealers and users were having problems transferring money without understanding what was causing the issue; nonetheless, the firm remarked on the issue, claiming that the temporary unrest in a select locations was caused by a system upgrade. Agents complained about difficulties making payments and moving funds, implying that the company's servers were incapable to handle the high volume of users, even if the services seemed better when the app originally launched.

Furthermore, because the agents are not connected directly to bKash but rather via distributors who manage the link among agents and the company, these agents were unclear of the problem and couldn't notify the users what we are going on (Rahman, S. September 2012).

When consumers were inadequate to transfer or withdraw funds due to technological challenges, they tend to lose faith. Fortunately, bKash dealt with the issue quickly by offering in-person transaction advice through their agents, making micro account statements available via mobile phones, issuing virtual receipts once transactions were completed, and collaborating, ultimately restoring people's faith in their services (IFC Inclusive Business Case Study, 2017).

People are becoming more dependent on online transaction. So, if they face interruption that become trouble for them. Bill payment, money transfer, online payment, shopping everything is occurring through bKash or other MFS. In this situation if the bKash consumers constantly face this issue they might switch to other MFS. Which may create negative impact on bKash revenue. On the other hand most businesses have the collaboration with the online money transfer services.

In this case if bKash's technical issue continues, companies may withdraw their collaboration with bKash. So they need to be very careful on this and focus on delivering uninterrupted service to both business and individual customers.

## 2.4 Laundering of money

Many bankers claim the mobile financial services (MFS) such as Bkash have become a sanctuary of money laundering and terror funding since such transactions are still not monitored in real time.

To money laundering and terrorist financing, here the Bangladesh bank has set transaction limits. Anyone may transmit payment via MFS to another individual without disclosing his data, which opens the door to laundering money and terror funding. From terrorist funding to money laundering, transnational criminal gangs to drug networks, the increase in volume & efficiency of money transactions has become a major concern for banks. Whereas similar transaction used to do these days to clear, they currently take four minutes. Some central bank officials informed the daily that Bkash is off course owing to a lack of a competent monitoring mechanism.

The central bank has requested that the activity on 2,887 agent accounts be suspended due to their suspected of involvement in cyber hundi. Bangladesh Financial Intelligence Unit (BFIU), an antimoney laundering arm of Bangladesh Bank (BB), issued the order to the bKash authorities

through letter and CD. Copies of the letter and the CD were also forwarded to Crime Investigation Department (CID) seeking some further investigation and legal action.

According to the BFIU's investigation report, these 2,887 accounts were utilized to collect money from other nations (Dhaka Tribune 2017, September 15).

The transactions took place at night, it added. The BFIU initiated the investigation because remittance inflows through legitimate banking channels have been declining recently.

To cope with organized fraud gangs, new laws need be passed. The use of fraudulent or forged documentation to open an MFS account should be strongly prohibited. During the submission of a photocopied ID, the agent was shown the original ID. Keeping agents' roles in fraudulently creating accounts in mind, we must also remember that it is the bank's job to ensure the legitimacy of the KYC data provided during account opening (Alli, Alfadzly & Shahed, A. 2016).

People are relying more on online money transfer system now, because it is convenient for them. They can easily transfer money at any moment from anywhere. But, sometime they face theft issue while doing online transaction. As the users need to provide their information during opening account on bKash, they are actually giving access to all their detail. And, it is becoming very easy for the frauds to collect their data and, manipulate them. So, bKash need to address this issue and establish a string system to protect their customer's data.

## **2.5 Money Recovery Issue**

The external protection of bkash limited is far weaker than that of traditional banking. In a typical bank, customers do their transactions after visiting an ATM booth or the bank office. As a result, the bkash system is risky than a traditional bank. The majority of bkash limited agents' stores are in open areas where people congregate every day.

For example, the businesses are located in a market that is a high-risk area for money. Thieves may attack consumers when they withdraw money from bkash since they do so in a public setting with little exterior security.

Agents should have a privacy mechanism while conducting business with their clients. Agents may create a separate space in which to give money to their consumers. In Bangladesh, there are several mobile phone reloading stores in various locations. But not everyone is a bkash limited agent.

As a result, the volume of bkash restricted is quite tiny in the rural or village areas of different districts in Bangladesh. Some merchants avoid putting money at risk for their consumers. Because there are no protection mechanisms in Baksh Limited, if somehow the retailer makes a mistake when transferring money, he must refund the money to client. Agents, on either hand, are paid a little commission by bkash limited. Bkash should reward agents by boosting their commission. Bkash should develop a recovery method to lessen the chance of being attacked. On a particular day or event, such as Eid or Puja, bkash should give some mobile agent points in various locations where customers can collect money from bkash.

### **3.0 Potential Solutions and Modifications**

Given the problems identified in the instance, some remedies or adjustments that bKash can do to tackle the constraints are as follows:

1. In order to maintain the company's position of leadership with in Mobile Financial Service (MFS) business, bKash must regularly update the infrastructure and amenities that it provides in adapting to shifting technological progress and economic development in the country.
2. The organization must always maintain a basic operating system that makes financial services easily available to rural people and sell it to customers as more appealing than traditional

banking by establishing additional distribution partnerships for denser coverage throughout Country (IFC Inclusive Business Case Study, 2017).

3. They must review their target market on a regular basis, as it may change over time, and meet their demands appropriately. Light of the observations, the company should offer options that their target demographic would most likely utilize, as well as reasonable service charges to their clients.

They must also continue to educate rural communities about their services through appropriate advertising (IFC Inclusive Business Case Study, 2017). bKash should investigate and revise their policies in order to maintain with their clients and competition. As cheaper options available are provided to make various, they must examine and determine whether to lower processing fees or concentrate on other segments that have those possibilities as well.

4. bKash must continue to provide in-person transaction guidance through their agents, make mini financial records available via mobile phones, send virtual invoices after transactions are completed, and collaborate with distributors to keep liquidity in the system in order to maintain people's trust with in customer experience (IFC Business Case Study, 2020).

5. bKash should continue to implement AML and CFT Tracking and Management measures in high-risk sectors such as unlawful remittances, fraudulent operations, human trafficking, and terrorism, among others (Shahrin, 2021).



## 4.0 Conclusion

Mobile Money transfer Service is quite new to Bangladeshi users and is still in its early stages in the country. bKash's early expansion to a massive scale was among the quickest in the world. In this same same time, it still yet early. The bKash management of the company would be the first to admit that there is still a long journey to do it and much work to be done to develop the business. It must stable its technical infrastructure in order to accommodate a substantially larger volume of transactions. It must transition users from utilizing agent to and use their own accounts. It must also go beyond payments to offer other financial services. This study helped to improve knowledge of customers' views regarding mobile banking in Bangladesh. This study also looked at the causes behind bKash's rapid growth in the market. It will benefit government policymakers, m-banking service providers, and professionals in the field of Digital Financial Service.

With the magnitude of the possible consumer base, bKash adopted a highly scalable electronic payment platform outsourced from VISA that provides the worldwide standard of financial data processing and security. bKash has formed its foundation on the unique resource base of its four stakeholders: BRAC Bank, Money in Motion, International Finance Corporation, and the Bill & Melinda Gates Foundation. BRAC Bank, a private commercial bank focusing on SMEs in Bangladesh, collaborates closely with its parent organization, BRAC, which has a grassroots presence in every corner of the country. Money in Motion, in addition to delivering entrepreneurial leadership, brings together investors and founders of successful mobile network, mobile money, and mobile commerce operators. Along with the funding, the IFC and Gates Foundation contribute global governance methods and experience on financial inclusion (DCGAP. 2014).

bKash has to better organize their financial services based on the needs of their target customers. The proliferation of the internet and mobile phones in Bangladesh provides an excellent opportunity for the government and business sector to collaborate and design portable financial solutions for the general public.

The ongoing financial division emergency demonstrates the absence of a genuine managerial premise for reformist change; rather, the tactics employed are obviously in reverse. We have already seen government support arrangements that serve people' needs through innovation.

Understanding the changing demands of the people, bKash must upgrade their operations and services. For example, customers can now use bKash to buy some of their electricity bills, which was previously unavailable. However, this approach has greatly aided people in doing cashless transactions rather than racing to government offices, particularly during this pandemic, demonstrating that such a model, if replicated by the other banks in Bangladesh, will go a long way to reducing inconvenience.

bKash can conduct market research studies, such as examining profits and local transactions in remote regions & identifying the potential regions regions that are growing in business, and then focus their digital financial service development programs to capture more target clients. This, along with recognizing special demands tailored to certain zones in connection to their economic activities, will be beneficial in the long run. In this approach, bKash can meet the diverse needs of their customer base. bKash should provide booth education in rural areas because otherwise rural people who cannot be reached through their typical marketing campaigns and educational initiatives can be trained one-on-one.

Aside from these, because bKash's entire business is based on technology, they must regularly update their servers in order to prevent any technical difficulties encountered by clients. To have a better and broader presence with partners and distributors, bKash should fight for more and improved internet and network coverage. This will enable folks in remote places to use bKash's services. In the long run, it would aid in bringing more individuals under the same umbrella of mobile banking services. They can also work with local banks to expand their customer base.

Customers currently pay BDT 18.5 when withdrawing BDT 1000 from bKash. Since the Bangladesh Bank issued a new directive requiring all m - banking operators to start charging BDT 8 for decided to cash out BDT 1000 so that employees could perhaps withdraw their salaries at a lower rate, bKash may suffer a loss because it recently opened the most accounts for channeling workers' pay rates amid the ongoing coronavirus global epidemic and for lowering rates by BDT



10.5 for every transaction of BDT 1000. (The Business Standard, 2020). Furthermore, according to Bangladesh Bank's recently developed guidelines, transaction fees when paying with bKash for purchasing medicines or groceries have been eliminated, which is increasing people's inclination for going cashless while creating no revenue to bKash from the transaction cost (The Daily Star, 2021). bKash can boost their markup for larger businesses and organizations because they are companies with larger earnings and can pay a much higher operational charge to make up the loss caused by lowering or eliminating the general mass transaction rate.

Another issue that bKash users may encounter is that they cannot save extra tBDT 300000 at one moment in their bKash account. For this reason, bKash can boost their account limit to allow users to save the money in one's bKash account as they see fit. This will also allow customers to conduct cashless transactions higher than or equal to an amount from their own account. bKash can also widen their vision for payment or getting money outside of Bangladesh, similar to PayPal, so that users can make payments outside of Bangladesh or receive their wages for freelance work from overseas using bKash.

Financial service providers, bank owners, as well as the government should think about new ideas; they should understand that in order to be a truly profitable financial venture, they must identify clients' demands and adopt innovation to address these challenges. They may then become a manageable and useful activity; in any event, they will become old if they really do not keep up with changing times. Overall, bKash has been transformative for the progress of Bangladesh's digital financial activity. The current revolution has helped to involve a diverse variety of individuals in financial dealings and has been a tremendous instrument for strengthening the financially weak.

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## 6.0 Appendix

### List of questions and answer from interview

The interview conducted with Kazi Emran Mahmud, senior officer bKash.

#### 1. How does bKash plan to incorporate financial inclusions?

Bangladesh has been shifting from an agricultural economy to one focused on industrialization and technical growth during the previous five decades. It is currently looking for economic transformation by capitalizing on the numerous potential in the technology sector.

bKash has been a trailblazer in this field, bringing digital banking towards the customer's doorstep of every person, notably during the Covid-19 epidemic. bKash is leading the charge in Bangladesh's MFS sector, using home-grown talent, cutting-edge technology, an inclusive financial environment, and a massive distribution network. SoftBank, the world's largest technology investment firm, has made an investment in bKash. This is a big accomplishment not just for bKash as well as for Bangladesh.

#### 2. Why is mobile banking becoming more popular in recent years?

Bangladesh is one of the world's largest mobile banking markets, accounting for over 8% of total registered worldwide mobile banking customers. Because a huge proportion of the population lacks access to traditional financing, online payment has become an immediate popularity in the country, particularly among the BOP population. Since its inception in 2011, the mobile banking market has grown at an exponential rate. In February, the figure reached a record high of \$1.42 billion, or BDT 11,104 crore.

However, the industry had its greatest growth from 2013 and February 2015. During this time, the number of active clients expanded more than fivefold, reaching Five million over 25 million.



Overall volume of transactions has also increased dramatically over this time period, from Ten million in January 2013, just to below 77 million on February 2015, resulting in an average daily transaction amount of \$47.44 million via mobile.

### **3. What are bKash's shortcomings?**

The weak spots of bKash are understanding individuals about service, facing challenges with branding, sometimes the system goes broke, managing conflict skill sets for trying to solve conundrum, poor leadership progress from talented individuals for top level positions, and poor negotiation and conflict resolution skills for attempting to solve regulatory problems.

bKash Limited's vulnerability is the absence of a local agent. It only have 1600 approved field agents in Bangladesh. The corporation is currently striving to give protection to the field agent, thus local business people are hesitant to join the bKash agency ship.

### **4. Why bKash think heavy investment on technology is the right for them?**

bKash had a difficult decision: take home enormous riches but now risk the future, or invest in the future to gain an advantage over competitors and enjoy poor earnings today.

It certainly picked the latter. bKash, the leading mobile money service provider that began in 2011, believed that it needed a significantly superior mobile application to boost transactional efficiency and client happiness. It reasoned that it needed a stronger network to pump in remittances so that its App would become popular among Bangladeshi expats. And it decided to spend in marketing in order to improve its communication. Customers and transactions increased significantly, allowing bKash to maintain a market share of over 50% in 2018.

In response to new rivals entering the market, bKash made significant investments in technology to improve its service. bKash believed it required more muscles to race quicker, therefore the investment plans and an enhanced App were made. The app was an instant hit, with over 9.6 crore

transactions last year. Another significant aspect was Alipay, a Chinese e-commerce behemoth, acquiring a 20% interest in bKash last year. Alipay urged bKash to increase its investment in digital capabilities in order to improve its future performance.

#### **5. Why bkash think after incurring loss they can sustain the business?**

This company is spending a lot of money to grow its entire operation and add new services, which contributes to the actual loss it has sustained.

Due to their financial statements, bKash has been losing money since 2019. Its loss from January to September 2020 was Tk52 crores, whereas the percentage - point loss this year was Tk104 crore. While there are 15 mobile money service providers in the nation, just two or three businesses dominate the market, including bKash dominating from the front in terms of offerings and breadth of operation.

Speaking on the issue, a bKash official stated that the company is expanding its investment in its efforts to adopt new technologies in digital financial services, which is a strategic move. Aside from developing digitization, they are spending in a variety of industries such as agent training, human resources, and infrastructure development, which has resulted in losses in recent years. They are already seeing positive returns on their investments. The official is optimistic about generating revenue in the nearish term. Every six months, bKash submits a report. The World Bank and BRAC Bank are both shareholders. The proprietors are well-versed in the technology, and their investment decision is deliberate. When the firm was profitable, they elected to invest the profits rather than pay dividends.

#### **6. Due to the heavy investment bkash is incurring loss, how do they see it?**

As per bKash officer, MFS is rapidly evolving, and an increasing number of clients are utilizing the services to suit both economic and transactional demands.

Technological innovation is required to meet the diverse demands of consumers, he added, and technological solutions must be extremely secure and strong in order to service a vast base of clients effortlessly. To provide the most customer-friendly goods and services possible, bKash has made the necessary investments in both technological solutions and personnel, such as information and technology engineers, data scientists, and software developers, among others.

Despite making a loss, bKash provided VAT or taxes in the amounts of Tk 525 crores and Tk 638 crore in financial years 2019 and 2020, respectively.

One must bear in mind these are all strategic expenditures that a technology-based corporation undertakes from time to time to fulfill market demand,' he added of the increased spending. They anticipate seeing a quick return on their investment.

#### **7. As bkash is burning heavy cash on technology, do they will be able to sustain in the long run?**

bKash has reintroduced its electronic payroll solution to enable automated, simple, quick, and economical paycheck distribution while also creating a sustainable financial environment for RMG workers. With this innovative automated method, plant officials can now directly disburse salaries to workers in a faster and more efficient manner, making salary distribution easier, safer, and more transparent. Not only does bKash provide salaries, but it also works to create a sustainable atmosphere for the RMG industry.

As a consequence, employees would be able to effectively control the finances digitally by using the bKash pay. Being part of that as well, bKash has already established a fair pricing shop called 'Sulov Bazar' on the plant grounds where workers may purchase daily necessities using bKash and receive special discounts. It is also seeking to establish sanitary napkin vending machines for female factory workers.

Furthermore, bKash has conducted research and training programs in collaboration by Business for Social Responsibility (BSR) that educate employees about financial management. SbKash is also

expanding its retailer network in and around labor-intensive areas to simplify bKash payment for acquiring everyday necessities.

### **8. How bkash see their rivals?**

Since 2010, bKash has been delivering easy, economical, and dependable services to its consumers, especially low-income individuals, propelling it to the top of the market. bKash has the leading position, holding for 40.07 % or 5,39,68,418 customer accounts in the MFS business. It was followed by Nagad, the Bangladesh Post Office's (officially) digital financial service provider, which accounts for 25.39 percent of the overall market share, or 3,41,96,247 account holders, according to a survey done by Bangladesh Competition Commission.

### **9. How are they maintaining their market-leading position?**

Services based on such a scalability Mobile Money infrastructure that enable Bangladeshis to securely transfer money via smart phones. The company's mission is to provide the people of Bangladesh with greater access to a larger range of financial services. It has a specific focus on serving the country's low-income masses in order to promote greater access to financial services by delivering services that really are convenient, inexpensive, and dependable.

Integrity, quality, dependability, and innovation are among the basic principles. It is difficult to distinguish defects from the greatest when you are the all-time leader, and it is far more difficult to preserve your current position in the future.

### **10. What bkash is doing to retain customers, and how much is their customer accusation cost?**

Now, bKash has introduced cashback incentives of up to 20% at approximately 10,000 retail shops, while Nagad has introduced cashback or discounts of up to 35% at over 4,000 locations. The tap

also offers such savings at hundreds of stores. Since Nagad joined the sector in 2018, this cashback or discount war for user acquisition has escalated, and platforms are losing a lot more money in the process. As part of its program to increase digital literacy and awareness, bKash discounts and cashbacks. They are attempting to create cashless transactions as a service that may assist Bangladesh achieve its national aim of being a totally "cashless" society.

According to them, once users see the value through adopting the e-wallet for everyday transactions, businesses, transportation services, and so on would allow electronic currency as payment, further developing the whole cashless ecosystem. They seek to encourage bKash mobile banking and keep our consumers by giving discounts and rebates.

### **11. How bKash enhance its operations and solve its challenges?**

bKash has taken initiatives to improve the knowledge and skills of the agents by offering training programs, instructing people to comply by the MFS related regulations, and improving their own standard of living by trying to introduce life insurance, health insurance, and scholarships for children.

For the previous ten years, since the founding of bKash, the agents have played a critical role in propelling the MFS industry ahead. The factors are recognized as "Human ATMs" since they provide financial services to consumers in every area of the country. They have also been able to raise their living level in addition to offering services. According to them, bKash and also its agents have also been working tirelessly over the last 10 years to get Bangladesh's MFS industry to the level it is at now.

bKash has assisted agents in developing long-term businesses by providing training, risk management tools, and security. bKash agents are providing services to consumers around the country.