bKash: Revolutionizing Mobile Financial Services in Bangladesh?

Introduction

In the recent past, Bangladesh has seen the development of one of the world's fastest growing mobile money ecosystems. bKash came into the mobile financial service provider market targeting the low-income masses of the country and emerged as a mobile banking giant capturing almost 75% of market share, to become the second largest mobile money provider in the world, behind Kenya's mPesa (Kaniz Fatema Nourin Choudhury 2016). bKash serves mainly as a subsidiary of BRAC bank. It started operating in July 22, 2011 as a joint venture of BRAC Bank Limited, Bangladesh and Money in Motion LLC, USA. By the end of 2013, bKash was being used by 22% of the adult population, a fast start in country of 170 million inhabitants. Unlike large mobile money businesses in other countries which added mobile financial services to its existing customer base, bKash acquired each client by its own efforts as it was not a mobile network operator (MNO) and thus did not have an existing consumer base. bKash relies on the existing MNOs on

Bangladesh to provide its services. bKash aims to serve the bottom of the economic pyramid (BOP) (lower income category demographic) by providing a broad range of financial inclusion services.

Services bKash Provide

The bKash service is delivered using USSD interface accessible via a basic handset, charging zero cashing-in fee and low cashing-out and person-to-person transfer fees. These elements of bKash help BOP users can send money in a fast, secure, and affordable manner. According to the "Guidelines on Mobile Financial Services (MFS) for the Banks" issued by Bangladesh Bank in 2011, mobile financial services are required to be provided by a bank or a company that is classified as a bank subsidiary by the central bank. So bKash is a joint venture between BRAC Bank (51%) and a U.S.-based company, Money in Motion LLC (49%). BRAC Bank is responsible for regulatory compliance, while bKash manages nearly all facets of the mobile financial service operations and must deposit the full value of its mobile account balances with a prudentially regulated commercial bank (Chen and Rasmussen 2014). Later, The International Finance Corporation (IFC) and the Bill & Melinda Gates Foundation joined as minority investors in 2013 and 2014, respectively.

Primary Values that bKash claims to offer are as follows:

- **Fast**—Money travels within seconds
- **Affordable**—Lowest in cost, especially for lower tokens
- **Secure**—Under regulation and compliance
- **Convenient**—Few easy steps, supported by any handset in USSD format
- **Nationwide**—available within walking distance

bKash services at a glance includes Cash In, Send Money, Cash Out, Salary Disbursement, Interest against saving, Loan Repayments, ATM withdrawal, Merchant Payments, Mobile Airtime Recharge, and Foreign remittance. Western Union, MasterCard, and bKash have partnered to launch a service for Bangladeshis to receive international remittance in the most convenient manner. Thus people staying abroad can use Western Union to send money to their loved ones living in Bangladesh, and anyone with an active bKash account can avail this service and receive the money directly into their bKash

account, 24/7. As the money is transferred through MasterCard's secured network, the efficacy of this new service is highly ensured.

Current Scenario of bKash

bKash is neither a MNO nor a bank, but a separate company that built its business on its own and managed to become the market leader within two years of operation. It started as a subsidiary of BRAC bank which already had the advantage of strong rural presence and involvement with micro finance institutions. The business model of bKash is unconventional in the way it drives transactions and earns revenue through fees. Many banks focus only on credit, savings, and building balance sheet and only targets urban region customer segments. bKash has differentiated itself by including the workforces that drive revenue from Ready Made Garments (RMG) sector and small-medium entrepreneurs. bKash has established a nationwide reach from the beginning and aims to serve everyone. bKash owes its fast success to a specialized business structure built to deliver mobile financial services.

bKash enjoyed an enabling and flexible regulatory environment from the central bank of Bangladesh, Bangladesh Bank. Bangladesh Bank provided license to 28 financial institutions for providing mobile financial service to avoid monopolization in the MFS market. Though first debated in 2008, Bangladesh Bank was not comfortable to the idea of allowing nonbanks and particularly MNOs like Grameen phone to launch their own services. However, Bangladesh Bank was comfortable with issuing a license to a well-managed commercial bank, and the 2011 regulation included a clause that allowed banks to set up subsidiaries specifically to offer mobile financial services. This allowed conventional banks to join in partnership with funders with relevant experience to establish separate mobile financial services company. Thus, this nuanced light-touch regulation provided the opportunity for BRAC Bank to set up bKash to offer mobile financial services while still being regulated under the umbrella of banking norms (Chen and Rasmussen 2014).

bKash's annual report shows a cash heavy company of revenues earning from various sources like cash out through agents (Tk. 11,156,986,894), person to person (P2P) money transfer (Tk. 508,239,161), Cash out through ATM (Tk. 1,655,831), collection by merchant accounts (Tk. 63,534,444), disbursement to merchant accounts (Tk. 1,263,329), remittance collection from western union (Tk. 152,216), and commissions

on airtime purchase (Tk. 356,856,233). The amount totals to 12,088,678,108 takas for the year 2016. Primary sources of revenue are cash-out at 1.85%, Taka 5 per wallet to wallet transaction, and interest on float accounts (Appendix B). While, the primary cost structure of bKash includes distributor and retailer commissions (80% of total revenue), fee to MNOs for USSD access (7% of revenue), and staffs and administrative expenses. Today, bKash is the market leader with around 75% market share in Bangladesh, while Bangladesh accounts for more than 8% of total global mobile money accounts.

Industry Analysis

Evolution of MFS

MFS or mobile financial services have emerged as an inseparable part of our lives as mobile devices has become the heart of communication evolution. This indicates that service providers need to adapt digital payment strategies, as it is not a competitive advantage but a survival issue. In developed nations, banks provide mobile banking by using a smartphone app to securely perform bank transactions.

Mobile money is a stored value account that is accessed from the user's mobile phone. The account in the user's phone is managed by the MFS (bKash) in conjunction with the MNO. In developing nations where most people do not have regular bank accounts (the unbanked population), mobile money has gained popularity as it offers a form of "lite" banking as a replacement for formal bank accounts. The rising popularity of mobile money services could also be attributed to the ubiquity of mobile phone services in the developing nations, where areas may not have access to branch banking but do have reliable mobile coverage. This mobile money is an indication of the demand for financial services that were previously not available to the general population.

How MFS Works

Fast, secure, and user-friendly mobile telecommunication technologies are a crucial factor for the commercial success of Mobile Commerce. "Mobile payment" refers to use of mobile hand—held devices to make payments by the customer to the vendor for purchase of goods and services. Examples of Mobile Payment are "Mobile Wallet", by *T-Mobile*

and "m-pay" by *Vodafone*. The consumer, mobile phone subscriber of the concerned network carrier, registers with the payment service and gets an individual PIN to authenticate itself via WAP or Short Message Service (SMS), in order to make payments. The subscriber does not need to get registered with each individual vendor, which is an advantage. The vendor also registers with payment service and thus could attract customers who would have liked to pay through Mobile Payment. The advantage for the vendor is that there is no need to worry about the credit-worthiness of individual customers (Tiwari and Buse 2007).

Mobile banking business model depends on banking agents, i.e., retail or postal outlets that process financial transactions on behalf of telecoms or banks. The banking agent deals with customer care, service quality, and cash management, which determines the success of the business model. These banking agents could be local airtime resellers of telecom providers or pharmacies, bakeries, etc. as used by banks in Colombia, Brazil, Peru, and other markets. Another difference lies in the nature of agency agreement between bank and the Non-Bank. The mobile banking business model can be classified as Bank-Focused, Bank-Led, or Nonbank-Led. In the bank-focused model, a traditional bank uses non-traditional low-cost delivery channels to provide banking services. The bank-led model offers an alternative to use retail agents (or through mobile phone) to conduct financial transactions instead of using bank branches. In the non-bank-led model, the financial transaction service is provided by a non-bank (e.g., telco) while the bank acts as a safe-keeper of surplus funds.

World MFS Scenario

Mobile banking is used in many parts of the world, especially in remote and rural areas with little or no banking infrastructure. Thus mobile banking has gained popularity in African nations with Kenya ranking highly in SMS mobile banking. As of 2016, mobile banking applications have seen a tremendous growth in Kenyan banking sector. Equity Bank Kenya Limited's Eazzy banking application, The Co-operative Bank's Mco-op cash application, Safaricom's (part of the Vodafone Group) m-Pesa, and Zain's ZAP are popular mobile banking services in Kenya. Tangerine, MobiKash, and Funtrench Limited also have network-independent mobile money transfer in Kenya. Mobile banking service is also offered in Iran by banks (Parsian, Tejarat, Pasargad Bank, Mellat, Saderat, Sepah, Edbi, and Bankmelli); in Guatemala by Banco Industrial; in Mexico by Omnilife, Bancomer and MPower

Venture; and in Somalia by Hormuud Telecom's ZAAD service. In UK, Barclays offers a service called Barclays Pingit, allowing transfer of money from UK to many parts of the world using a mobile phone. Also in UK, Paym mobile payment system was launched by the UK Payments Council, allowing mobile payments between customers of several banks and building societies (Wambari 2009).

In the South Asian region, mobile banking service is also available. Telenor in coordination with Taameer Bank had launched a mobile banking solution called Easy Paisa in Pakistan. In India, Eko India Financial Services, the business correspondent of State Bank of India (SBI), and ICICI Bank, provides financial services (bank accounts, deposit, withdrawal, remittance, micro-insurance, and micro-finance facilities) to its customers (nearly 80% of whom are migrants or the unbanked section of the population) through mobile banking. In Nepal, Mobile Khata was the first mobile banking product launched by Laxmi Bank Limited in 2012. Mobile Khata currently runs on a third-party platform called Hello Paisa that is interoperable with all telecom providers and various banks of Nepal.

The very first mobile banking service in Bangladesh was launched by Dutch-Bangla Bank on 31 March 2011 with the "Agent" and "Network" support of mobile operators, Banglalink and Citycell. As 45% of the unbanked population in Bangladesh is mobile users, Dutch-Bangla Bank can now reach out to them. This service is available to any mobile handset that has subscription with any of the six existing mobile operators of Bangladesh. Under this mobile banking service, bank-nominated banking agent would perform banking activities, like opening mobile banking accounts, providing cash services (receipts and payments), and dealing with small credits. The service also allows cash withdrawal from an ATM validated by "mobile phone and PIN" instead of "card and PIN." Other services provided are transactions-related fund transfer, merchant payment, utility bill payment, salary/commission disbursement, and disbursement of government allowance.

Kenya and M-Pesa

M-Pesa (M for mobile, pesa is Swahili for money) is a mobile phone-based money transfer, financing, and micro-financing service launched in 2007 by Vodafone for Safaricom and Vodacom, the largest MNOs in Kenya and Tanzania. M-Pesa allows users to use their mobile phone

to deposit, withdraw, transfer money, and pay for goods and services. With the spurt in mobile phone subscription among Kenyan rural and urban populations, by 2010, M-Pesa had become the most successful mobile phone-based financial service in the developing world. M-Pesa has been lauded for providing unbanked people access to the formal financial system and for reducing crime in otherwise largely cash-based societies (Ivatury and Pickens 2006).

Studies have demonstrated the positive influence of mobile phone penetration in developing countries by playing a crucial role in boosting GDP growth. However, initial analysis of mobile banking systems suggest the need for better marketing and training to help consumers understand the capability of the system, as well as develop improved policy measures to ensure that the benefits of mobile banking are evenly distributed across all banking and consumer sectors (Waverman 2005).

How MFS Affected Bangladesh

Considering the scenario of Bangladesh where majority of the rural population is illiterate or has little academic knowledge, conventional banking system is neither useful nor user friendly for them. To open and maintain a bank account for personal purposes, one needs to be equipped with basic academic knowledge. Rural and remote areas of Bangladesh have provision of branches of government run banks, but those are rarely used for personal bank accounts. The boost in Readymade garments sector saw the rise of another issue. The population migrating from their hometowns in rural areas to work in cities like Dhaka and Chittagong started facing the difficulties of sending money home on a regular basis. Government postal service provides money order services, which is not cost effective for these customer bases. Sending small amount of money disguised as letters became popular and with came more cases of stolen/lost amounts. As it was an illegal process, therefore, no provisions or steps of safeguarding were offered. Also with the invent of newer technologies, both the postal system and quality of their service became obsolete. Another measure taken was to send money via people travelling to desired locations or help of bus services and other transportation modes. Sending money home became a troublesome and less secured process. MFS in Bangladesh owe a lot of their success to these small earners. The in-country remittance earners became the target market of MFS providers and a large customer base like this is

the reason for spread of their business. With the help of mobile accounts and ease of money transferring, even people of little or no knowledge were able to obtain financial services. The use of agents as middle-man was also proven advantageous as they could direct and help people with managing their money effectively.

MFS Market in Bangladesh

Since the launch of the first mobile financial service products in 2011, Bangladesh has seen a rapidly growing mobile financial services industry with 8% of the total registered mobile money accounts globally. At least 10 providers are already offering services in the market, namely, **bKash** (BRAC Bank), **Rocket** (DBBL), **mCash** (Islami Bank Bangladesh Limited), **MYCash** (Mercantile Bank Limited), **UCash** (UCBL), **IFIC Mobile Banking** (IFIC Bank Limited), **Trust Bank Mobile Money** (Trust Bank Limited), **OK Banking** (ONE Bank Limited), **FSIBL FirstPay Surecash** (FSIBL), and **Hello** (Bank Asia). An extensive survey done by USAID reflected that more than 80% of MFS users agreed that the services are safe, easy, and convenient, and 91% of MFS users and 88% of non-users agreed that "low transaction costs" is the most important priority for customers (Parvez et al. 2015).

Dutch-Bangla Bank was the pioneer of mobile banking in Bangladesh as it was the first bank to offer banking facilities through a wide range of mobile phones. Its service, named Rocket, is a banking process without bank branch that provided unbanked communities efficient and affordable financial services such as cash-in, cash out, merchant payment, utility payment, salary disbursement, foreign remittance, government allowance disbursement, ATM money withdrawal through mobile phone. Though the early players of MFS market in Bangladesh included bKash, DBBL Mobile Banking, and Trust Bank Mobile Money, bKash managed to soar in success in a very short span of time. The total MFS market of Bangladesh is being estimated as of amount 1500 crore BDT. bKash has captured 75% of the market share, followed by Rocket at 18% and the rest of the MFS providers are left with insignificant piece of the pie. mCash and UCash competes for the third position in market share. The growth of the market has largely benefited from domestic remittances covering transactions like cash-in (42% of total transactions), cash-out (37%), and person to person (P2P) transactions (19%). The comparisons between MFS providers (Appendix A) show us that the MFS providers

charge about 1.5–1.85% for cash-out services and very nominal fee for Person to person (P2P) send money service. Almost all of the MFS providers allow their customer to open a mobile banking account for free, and some of them need to have an institutional banking account with the associated banks. The MFS providers use the MNOs to offer their services and share revenues with the MNOs. MFS providers also share their revenues with the distributors and agents. Prominent uses of MFS providers other than personal mobile banking service includes Transfer of foreign remittance in collaboration with Western Union Money Transfer by bKash; Surecash by Rupali Bank is used by education board to distribute government scholarship among primary, secondary students; DMP uses the service of UCash for their traffic rule violation payments etc. Many NGO's like Oxfam also employs the service of MFS providers in Bangladesh. MFS revolutionized the domestic remittance sending system and captured a big chunk of Bangladesh economy by penetrating the lower-income segment of Bangladesh (Fig. 1).

The ease, safety, and mobility of MFS are what make it more desirable than a conventional bank account. But the affordability and convenience of sending money is what played the major role in penetrating Bangladesh's market within very short time. bKash faces the threat of losing is majority share to Rocket (DBBL), but it is not an imminent

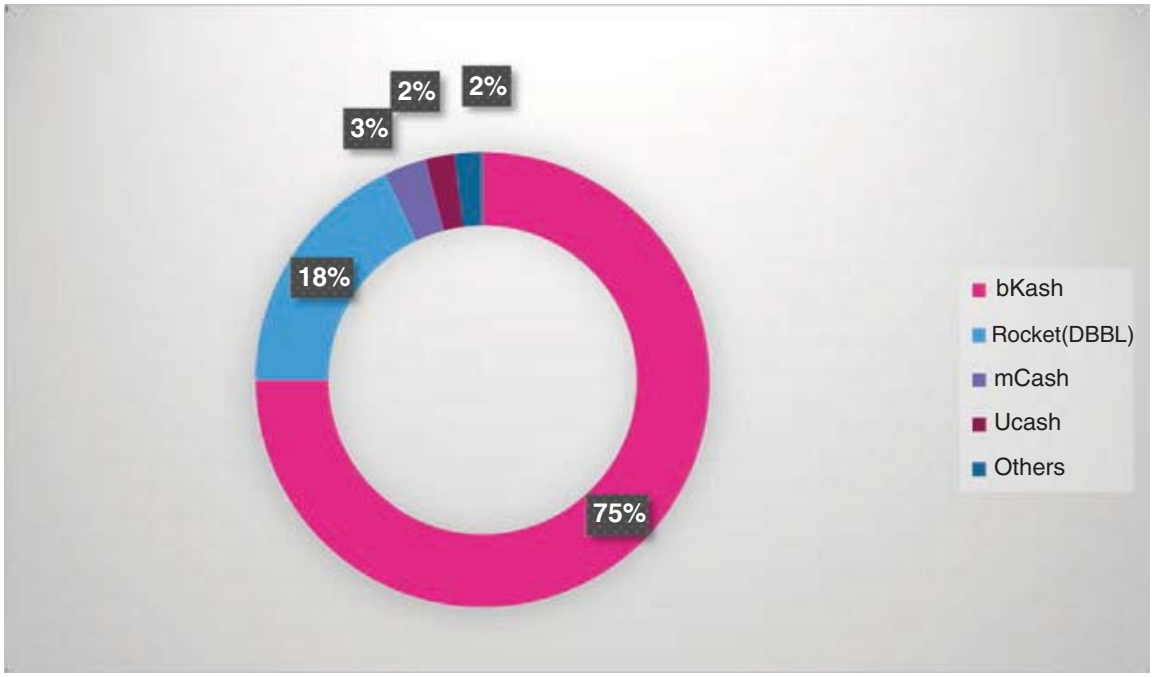


Fig. 1 Market share of MFS providers in Bangladesh

threat as bKash has already become a generic term in Bangladesh perspective. Regarding the cost advantage independent of scale, bKash has done successful marketing and set up touch-points all over the country to strengthen the distribution network. bKash achieved exemplary success in creating awareness and interest among its target segment and they also managed to deliver their service even in the remote areas of Bangladesh.

Attractiveness of MFS Market from bKash's Point of View

Since 2015, the competition in the mobile financing industry has become intense, not only due to launch of constant special offers and new value-added services, but also with the entry of newer and bigger entrants. The competitive environment in the industry and attractiveness of this segment can be explained using Michael Porter's five forces model.

There are a number of factors that determine the degree of difficulty in entering an industry. bKash required huge capital and sufficient amount of banking experience to enter in MFS providing industry. The characteristics of this industry include almost insignificant pricing variation and no switching cost. Due to network proximity and widespread distribution channels in form of agents, bKash became a domestic name for us within a very short span of time. BRAC bank, a well-known NGO owns 51% of bKash's equity providing it with initial investment and required banking experience. As bKash targeted the low-income category or the C level consumers in SEC classification, it received a grant of 1 million USD in its initial stage from Bill and Melinda Gates Foundation and later Gates foundation came on board as one of the investors. On the matter of bKash, Bill Gates lauded its services. He remarked that for a growing economy like Bangladesh where most of the workforces contributing in the country's economy are lower-income demographic, hassle free account opening and easily accessible interface is friendly to market. From Bangladesh Bank, bKash received favorable response in case of policy making and warded off the entry of MNOs in this industry. But bKash faced a huge blow recently when Bangladesh Bank formulated a policy of limiting the cash transactions without consulting the market leader bKash. It poses a threat of people opting for MFS accounts of more than one provider and making the market share of bKash's opponent grow.

In case of relationship with buyer, as the entrants grow in this industry, buyers gain more and more bargaining power. The buyers or service

recipient, has all the suppliers or agents of MFS providers, also gain more bargaining power as Rocket, mCash etc. enters the segment. In an informative study collected from a random small-scale agent, bKash is the only MFS provider available throughout the country. bKash collects 1.85% of each cash-out transaction made OTC from agents whereas its nearest competitor Rocket charges 1.8%, but in cash of cash-out transactions from DBBL booths it charges 0.9% in each case. Again, in case of the revenue sharing with agents, agents receive 0.4 and 0.5% of the amount in each cash-out transaction from bKash and Rocket, respectively. The information shows how rocket strategizes to pose threat on bKash by increasing buyer and supplier bargaining power. The substitutes existing are credit cards or FIs that transfers foreign remittance. Due to lack of technological infrastructure like mobile apps, bKash is, therefore, more preferred than banking institutions.

Marketing Concept Adopted by bKash

A brand owns a category only when the brand name is used by people generically. The brand name and its associations give a product meaning in the consumer's mind, which bKash adopted successfully. "bKash" is a play on words—the word sounds like the term for progress when quickly said in the local language. The term "bKash" has become synonymous with mobile money payments and people uses phrases like "bKash me" instead of saying "send me money." Bangladesh is lauded for the amount and volume of foreign remittance inflow but the domestic inflow of remittance from urban working-class people to their family residing in rural areas is completely ignored. About 80% of the current workforce has family in rural areas, and the working members are sent to urban area in search of a better life. bKash does a lot for financial inclusions mainly in terms of reaching financial services to remote, rural areas which are difficult for other institutional financial service providers or banks to reach just because of the cost structure.

The line in the TV advertisements of bKash reflected the target population whom they are trying to reach, and they came out triumphant. With the help of bKash agents, available at every other block or so, even illiterate working-class people are being able to use financial services. The inclusion of agents created a pipeline for employment for many lower-skilled demographics. After achieving almost all of the market penetration in C class, bKash has also managed to reach the B category consumers. Small and medium entrepreneurs, housewives opening small

Facebook-based businesses, online marketers etc. bKash now targets the consumers at A category and is developing new product line for their target market. The collaborators of bKash include the financial institutions and the MNOs. The major cost drivers of bKash include commissions on cash-in and cash-out service for both agents and distributors and the service charge of MNOs. The revenue structure model shows (Appendix C) how bKash shares the revenue collected among MNOs, Distributors, and agents. To promote its service, bKash made significant investments in above-the-line marketing through television spots, radio, and billboards.

AIDA (attention, interest, desire, and action), is an acronym used in marketing and advertising, which helps marketing managers develop effective communication strategies to respond to customer needs and desires. As per the AIDA model, bKash has already created awareness, interest, and desire among its target group. Now approaching the maturity stage of product life cycle, bKash is concentrating on doing below-the-line (BTL) marketing with distributors. bKash also provides promotional offers, cash-back bonus, and serving as payment gateway in major trade fair, book fair, retailers etc. From income statement of bKash, it spends less than 10% of its revenue on promotional purposes focusing heavily on advertisements and incentives. On a daily basis, each agent observes transactions amounting up to 70–80 thousand takas and an active user purchase frequency can be summed up to at least 500 transactions per year.

In the competitive dynamics model, bKash is still in the growth stage but it is already showing signs of maturity as it rapidly approach the mature stage. The MFS industry is not matured yet as only about 30 million users avail the services among a population of 170 million. New entrants like Rocket is only in the awareness stage where they need to heavily invest on promotion with a view to creating interest among its target group. Although bKash penetrates 75% of the existing MFS market, the MFS market in Bangladesh is still a need-based segment. Therefore, until the mobile financial services become a behavior-based market segment, bKash will still be in the growth stage.

Moving Forward

bKash is still growing at a quite phenomenal rate, even after six years of operating as market leader. Moving forward, they are starting to think about what additional services can be added on, what layers

they can add to that, so bKash is actually allowing a lot more population to avail a lot more financial services at once. It allows them to manage their money better, manage their lives better so it actually has potential for longer term in a big economy like Bangladesh, particularly the rural economy. Diverging their focus from rural economy, bKash is targeting the urban class to convert their services from need-based to behavior-based service. bKash expects and welcome Rocket as a market challenger and they positively look forward to face more challenges in protecting their market share. Monopolizing the MFS industry will pose adverse effect on bKash in terms of socio cultural, political, and government policy levels. Upgrading and stabilizing its technology platform to handle more volume of transactions and maintaining its reputation as secure mode of handling financials are major challenges that bKash face. Another most important challenge is the handling of fraudulent activities and money laundering that occur through MFS. Customers of the country's largest mobile financial services provider like bKash are often becoming victims of fraud and harassment and are losing money to scammers, who are sending masked SMSs.

Conclusion

bKash didn't go for any conventional soft launch. bKash entered the market with huge investment and a solid marketing-mix strategy. bKash has become a generic name in mobile banking in a such a way that even their nearest competitor Rocket is referred as "bKash me in the rocket account". But the questions that need answered are to penetrate all the classes in SEC segmentation what more can be done by bKash and how is bKash planning to catch the attention of their potential target group? Recent trends have seen growing number of fraudulent activities surrounding bKash. Though individual bKash account safety is maintained by bKash itself, can bKash do more to avoid these fraudulent activities?

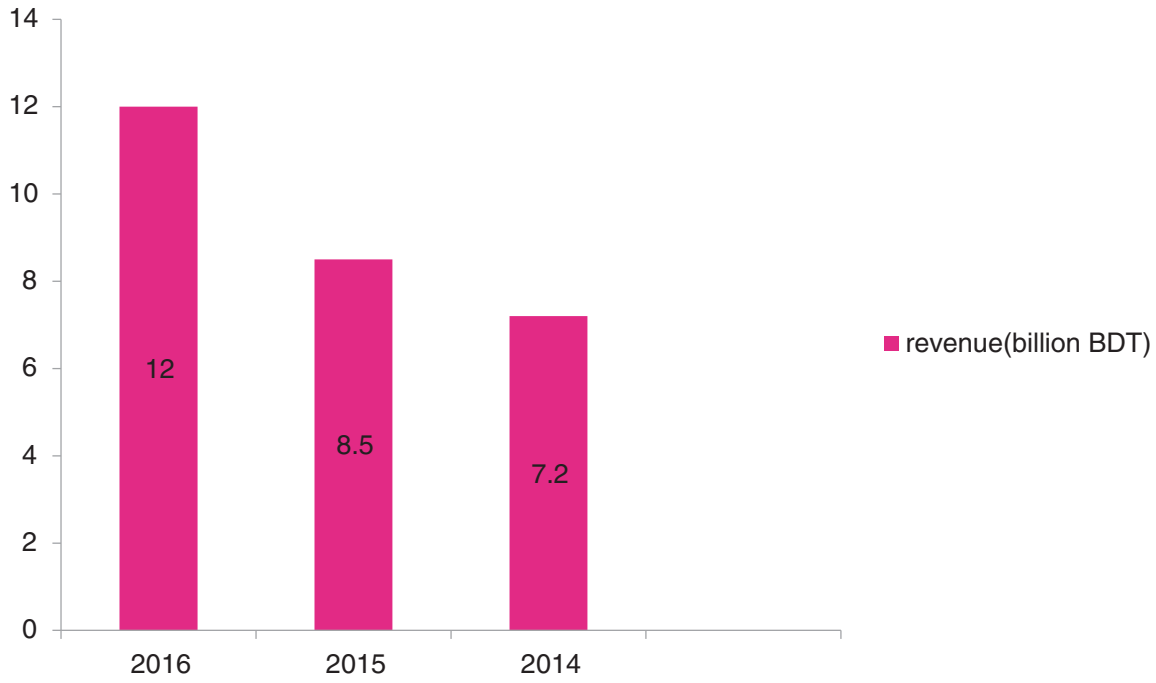
Appendix A: MFS Comparison Chart

Corporate account pricing					
	Opening corporate MM account	*Bank account requirement*	*Business to person (B2P) payments*	*Collection (%)*	*Merchant settlement costs (%)*
bKash(BRAC Bank)	Free	N/A	0.5%	1.50	1.30–1.80
Rocket (DBBL)	Free	N/A	Free	1.00	1.00
mCash (Islami Bank)	Free	N/A	Free	1.30	1.50
UCash (UCBL)	Free	Must have United Commercial Bank account	Free	0.35–0.080	1.00–2.00
SureCash (Rupali Bank)	Free	Must have account with Rupali Bank	1.00%	1.00	1.00–2.00
Mobile Money (Trust Bank)	Free	Must have Trust Bank Ltd. account	Negotiable	0.50	1.00
Ok banking (One Bank)	Free	N/A	0.5%	1.50	–
Mobile banking (IFIC Bank)	Free	N/A	Free	1.30–1.80	1.35–1.80

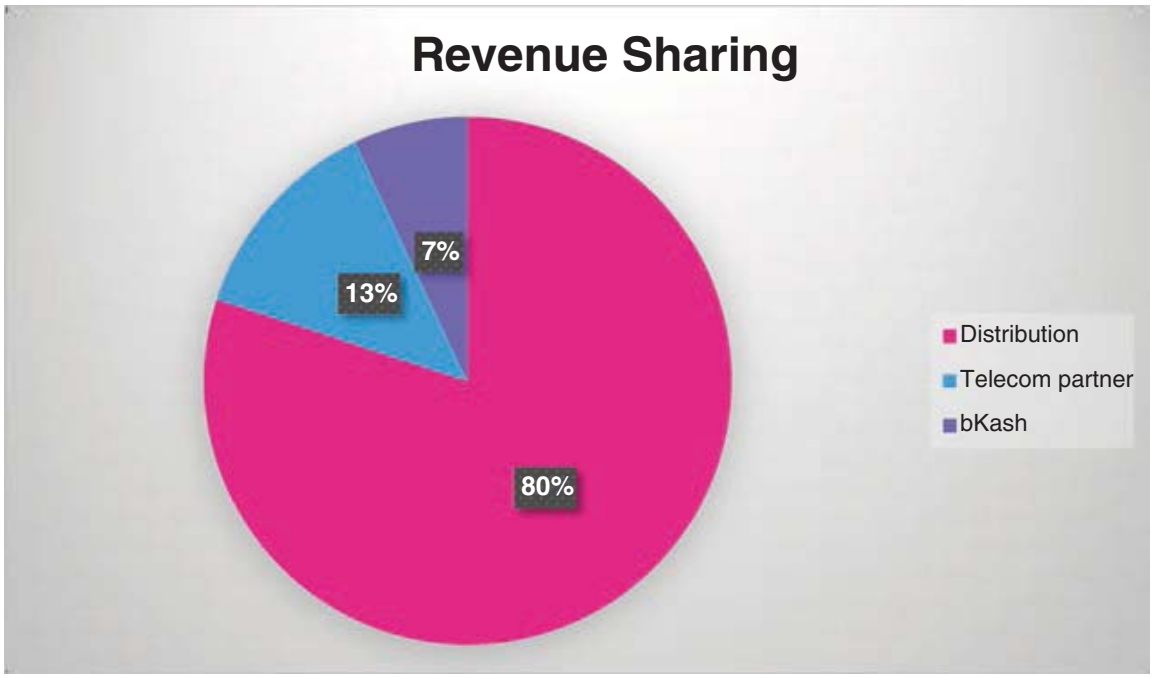
Source USAID

Individual account pricing						
	Opening corporate account	*Minimum deposit /other requirements*	*Cash in*	*Cash out from agent (%)*	*Cash out from bank*	*Cash out from ATM*
bKash(BRAC Bank)	Free	N/A	Free	1.85	N/A	2%
Rocket (DBBL)	Free	Minimum balance of BDT 20 required	Free	1.80	0.9%	BDT 10Tk fee per transaction
mCash (Islami Bank)	Free	N/A	Free	1.80	1.50%	Free
UCash (UCBL)	Free	N/A	Free	1.00	1.00%	Free
SureCash (Rupali Bank)	Free	N/A	1.00%	1.00	N/A	N/A
Mobile Money (Trust Bank)	Free	Introduction by a TBMM account holder required	0.50%	1.00	0.925%	N/A
Ok banking (One Bank)	Free	GP or Robi SIM required	Free	1.50	N/A	N/A
Mobile banking (IFIC Bank)	Free	N/A	Free	1.80	1.85%	N/A

Appendix B: Revenue of bKash (in Billions of BDT)



Appendix C: Revenue Sharing Model of bKash



Specialized Business Model

bKash has developed a specialized business model in which the financial institutions provide the service, and take the compliance responsibility; MNO provide connectivity, while customers and agents use their own handsets. Ubiquitous mobile phones and favorable regulatory guidelines have been catalysts to this specialized model.

Ubiquitous Mobile Phone

Mobile phones are ubiquitous in Bangladesh. In March 2011, months before bKash's launching, the number of subscribers was almost 73 million which has doubled to 143 million in November 2017, as per Bangladesh Telecommunication Regulatory Commission data. The telecom operators had already established a nation-wide distribution channel of agents in almost every remote corner of the country—enabling the subscribers to recharge airtime at a walking distance. bKash capitalized on the already existing strong network of mobile-phone users and the agents.

Favorable Regulatory Guidelines

Government and regulatory support can be crucial factors in the highly regulated financial institution industry of a developing country where trust, security, and awareness issues are prevalent. The government's "Digital Bangladesh Vision" has aimed at the overall improvement of the daily lifestyle of general people through maximum use of technology, while "financial inclusion" initiatives target at expanding banking services to the population who are left out of formal banking and deprived of their financial services. The concept of mobile financial services industry seemed to dovetail with both the goals—paving the way for bKash and other early stage MFS companies.

Apposite Marketing Mix

bKash's marketing mix, comprised of the product, pricing, promotions, and placements, has been proven to be apposite for its targeted group.

1. *Product*: bKash's smart sequencing strategy initially focused on the simple and most needed services, like money transfer and gradually included more complex services to its offering. Well-targeted to it's less educated, tech-averse, and low-income customer, these services are affordable—with free account opening and deposit, compatible

with any economic handset with USSD, and easily usable allowing the user to transact only by typing numbers rather than typing anything in English. More importantly, it has developed trust through secure transaction, customer care, and helping agents.

2. *Price*: Free accounts with very low cost, that clearly outweighs the costs and hassle of alternative means, helped the bKash services' adoption and frequent usage.
3. *Place*: bKash utilized the already existing network of airtime recharge agents who are usually the small grocery store owners, thus, familiar faces to the community. Using this, existing network has helped bKash to be available in walking distances from almost every remote place of the country. In addition to commission from bKash transactions, these agents usually enjoy additional inflow of customers in their shop for these transactions.
4. Promotion: Attracting the less educated and low-income people who have skepticism and lack of confidence in technology—particularly with their finances—can be a daunting task in an environment where stories of fraudulent activities were abundant. This segment had the fear of losing money due to mistakes in transactions as well. bKash educated the customer through large scale awareness campaign plan which included mass advertising, street plays, short documentaries, and interactive games. The in-person usage guidance by the network of more than 120 thousand agents has further supplemented this effort.

bKash presently enjoys a dominant 75% market share. The brand name has become a generic name to Bangladeshi households who use "bKash" synonymously with mobile financial services. However, as bKash's targeted market approaches toward the urban households with middle to upper income level, amidst the rise of other MSF brands like Rocket, mCash, Ucash, etc., there is a new set of challenges for the MFS giant. Regulatory issues also make the game difficult. bKash needs to answer the following questions now:

1. How will bKash attract the urban middle-to-high income population? What can be the adoption and usage factors for this newly targeted group?
2. How can bKash better manage the fraudulent activities by scammers?

3. Can Rocket and the other competitors be a threat to bKash, especially with the competitive costs?
4. Government regulations have limited both the number and amount of transactions. How can bKash manage its impact?

References

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Additional Reading Suggested

The following materials are expected to help the reader better understand this case:

1. "Built for Change: Inclusive Business Solutions for the Base of the Pyramid" by International Finance Corporation, published in September 2016.
2. "Adopting mobile money: Lessons learned" by BRAC.
3. "Business Model of bKash"—a presentation by Mohammad Azmal Huda, Chief Technology Officer, bKash Limited.
4. "bKash Bangladesh: A Fast Start for Mobile Financial Services" by Gregory Chen and Stephen Rasmussen, CGAP, 2014.