



# **Financial Inclusion Bolstering Inclusive Economic Growth in Bangladesh**

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# Content

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- Financial inclusion as a tool for bolstering inclusive growth
- Bangladesh Bank (BB) initiatives for inclusive financing
- Financial inclusion status in Bangladesh
- Growth and stability outcomes
- Concluding remarks

# Financial Inclusion: how does it accelerate inclusive growth?

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- Financial inclusion:
  - ✓ a key element of social inclusion
  - ✓ necessary to foster inclusive growth
  - ✓ combats poverty by opening up blocked opportunities
- Inclusive financing of farm/non-farm output initiatives generate new employment on the demand side
  - ✓ matching new domestic output on the supply side

# Why do we need inclusive financing

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- Conventional monetary and financial policies do not address inclusivity concerns, liquidity flows into profit seeking from speculative pursuits.
- Bangladesh Bank therefore stepped in with financial policies steering initiatives financing away from speculative uses towards socially responsible productive pursuits.
- BB initiatives include interalia motivational efforts, creation of necessary enabling environment, and policy support.

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# A glimpse of financial inclusion programs in Bangladesh

# Three broad pillars of inclusive financing in BD

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- BB's inclusive financing thrusts are on output initiatives in
  - ✓ Agriculture supporting food security and food price stability
  - ✓ SME financing promoting output, employment and income generation
  - ✓ green financing supporting environmental sustainability
- Widening advancement opportunities for the poorer population segments

# Agriculture contributing about a fifth of GDP gets less than 6% share of total bank credits

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- Policy initiatives of ensuring adequate financing for agriculture include:
  - ✓ Mandatory minimum 25% agricultural lending target for all banks
  - ✓ Government interest subsidy on loans for specified higher value exotic crops and spices
  - ✓ Banks with inadequate rural branch presence can lend through local MFIs
  - ✓ Credit needs of tenant farmers supported by lending through a large reputed MFI
  - ✓ Bank accounts for farmers available at nominal deposits; 10 million accounts opened so far

# Small enterprises (SMEs)

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15% of GDP and 40% of employment.

Supported by refinance lines funded partly by multinationals (IDA, ADB and JICA) and partly by BB.

Disbursed from refinance window

Credit distributed to women entrepreneurs

'Jute Sector Fund' and 'Jute Sector Fund' launched in 2014

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