Unlocking Financial Inclusion: Bangladesh’s New Era of Digital Banking Guidelines and Opportunities

## **Introduction to Recent Developments**

In September 2025, Bangladesh Bank announced its much-anticipated invitation for applications to establish **digital banks**, accompanied by a revised set of operational guidelines. This announcement is more than a procedural update—it represents a structural shift in the way financial services will be delivered in one of South Asia’s most densely populated and economically dynamic countries.

Bangladesh’s push toward digital banking comes at a time when financial access remains uneven: only **28.3 percent of adults held an account with a bank or non-bank financial institution in 2023**, leaving roughly three out of four adults unbanked. Internet penetration, while improving, stood at **44.5 percent** in January 2025, with around **77.7 million users**, and the number of active SIM cards reached **188.9 million** by July 2025. These indicators highlight both the opportunities and challenges facing digital banks—broad mobile reach but still limited connectivity and financial access.

The new licensing regime aims to harness this digital momentum. By reducing reliance on costly branch networks and leveraging mobile and internet penetration, digital banks are expected to lower transaction costs, expand outreach into rural areas, and improve access to savings, credit, and insurance. In short, Bangladesh Bank’s initiative is not only about modernizing banking—it is about **redefining financial inclusion for a new era**.

## **Historical Context and Challenges**

### **The State of Financial Inclusion**

Bangladesh has made progress in expanding financial services, but the gaps remain stark. According to surveys from the Bangladesh Bureau of Statistics, only **32 percent of men** and **25 percent of women** held formal bank accounts in 2023. Rural populations are disproportionately excluded, with **54.4 percent of the unbanked** living outside urban areas. These figures illustrate why policymakers have prioritized inclusive digital banking: traditional banks have struggled to overcome geographic and socioeconomic barriers.

### **Infrastructure and Digital Divide**

Although mobile phone penetration is near-universal, internet access remains patchy. In July 2025, Bangladesh reported **135.99 million internet subscribers**, most of them mobile users, but connectivity in rural regions is weaker, and smartphone affordability is still an obstacle. Digital literacy also lags, particularly among women and older populations.

### **Cybersecurity Concerns**

Rapid digital adoption has also exposed vulnerabilities. Fraudulent SIM swaps, phishing scams, and weak security in some mobile financial service (MFS) platforms have led to growing consumer distrust. Without strong frameworks for data protection and dispute resolution, scaling digital services has been fraught with risks.

### **Lessons from the Pandemic**

The COVID-19 pandemic underscored both the necessity and fragility of digital finance. Mobile financial service use increased by nearly **40 percent** during the pandemic years, but gaps in interoperability, limited service offerings, and security weaknesses highlighted the urgent need for regulatory reform. The new guidelines directly respond to these lessons, embedding stronger requirements for technology, governance, and customer protection.

## **Core Features of the Licensing Framework**

### **Capital and Governance Requirements**

Bangladesh Bank’s new rules require digital banks to demonstrate financial resilience through robust **minimum paid-up capital thresholds**. This ensures that only serious, well-funded entities can enter the market, reducing risks of collapse. Governance requirements are equally stringent: boards must include members with proven expertise in technology and finance, and institutions will be held to strict standards of transparency and accountability.

### **Technology Integration**

Digital banks must integrate **electronic Know Your Customer (e-KYC)** systems linked to the national identity database. This will speed up onboarding while cutting costs and fraud risks. Institutions are also expected to adopt **artificial intelligence and big data analytics** for credit scoring, fraud detection, and customer service.

Cloud banking and API-driven systems will be required to ensure interoperability with mobile operators, fintechs, and other banks. The guidelines also encourage the use of blockchain or distributed ledger systems for transaction security, a forward-looking step for the sector.

### **Cybersecurity and Risk Management**

Given Bangladesh’s experiences with MFS fraud, cybersecurity is central to the framework. Licensed digital banks will have to implement **end-to-end encryption, multifactor authentication, real-time monitoring, and regular penetration testing**. They will also be subject to mandatory reporting of breaches and audits against global standards such as ISO 27001.

### **Inclusive Services**

Perhaps the most important provision is the mandate to extend services to **rural and underserved populations**. Digital banks must go beyond payments to offer microloans, affordable savings products, and micro-insurance. Special attention is directed toward **small and medium-sized enterprises (SMEs)** and women entrepreneurs, who often face the steepest barriers in accessing formal credit. By explicitly linking licensing to inclusion, Bangladesh Bank is attempting to ensure that digital banking contributes to national development rather than simply urban convenience.

## **Case Studies and Pilot Projects in Bangladesh**

The promise of digital banking is not theoretical—Bangladesh already has examples of how digital finance can transform communities.

**BURO Bangladesh**, a major microfinance institution, began piloting mobile financial services for its predominantly female client base. Women who once had to make weekly physical trips to repay loans or deposit savings were able to complete transactions via mobile wallets. This shift reduced costs, improved security, and gave women greater autonomy in managing their finances.

In 2021, **bKash and City Bank** launched a pilot “Nano Loan” product that allowed bKash users to access small digital loans instantly. The product drew on transaction histories and digital identity for credit assessments, eliminating lengthy paperwork. For many users, it was their first experience of formal credit, demonstrating how digital innovation can fill critical gaps.

Similarly, **Apon Wellbeing**, a fintech targeting industrial workers, integrated credit, savings, and insurance services into a digital platform. By addressing the needs of low-income workers often excluded from formal systems, Apon showed the potential for specialized fintech models to complement banking initiatives.

These pilots underline the central lesson: with the right mix of technology, trust, and regulatory support, digital finance can serve populations historically excluded from formal banking.

## **International Benchmarks and Lessons**

Global experience offers valuable lessons for Bangladesh’s digital banking rollout.

In **India**, the creation of the Unified Payments Interface (UPI) enabled seamless, low-cost transactions across multiple platforms. Coupled with Paytm’s scale, this created a vibrant digital ecosystem serving hundreds of millions. Bangladesh can learn from India’s regulatory commitment to **interoperability** and standardized payments.

**Kenya’s M-Pesa** remains the gold standard for financial inclusion in resource-constrained environments. By enabling mobile-based money transfers in a low-literacy, low-infrastructure context, M-Pesa brought millions into the financial system. For Bangladesh, where mobile subscriptions far outnumber bank accounts, the Kenyan example reinforces the importance of **mobile-first models** that work even without smartphones or high-speed internet.

**China’s WeBank** shows the possibilities of a fully digital bank operating at scale. With over 200 million customers, WeBank leverages artificial intelligence, big data, and ecosystem partnerships to deliver a wide range of services efficiently. For Bangladesh, the lesson is clear: **data-driven innovation, integrated with social and commercial ecosystems, can achieve massive scale without branches**.

To adapt these models locally, Bangladesh could adopt **regulatory sandboxes** to allow controlled testing of innovative products and encourage **public-private partnerships** between banks, mobile operators, and fintech startups.

## **Conclusion and Outlook**

Bangladesh’s decision to license digital banks represents a bold and timely step toward addressing one of its most pressing challenges: financial exclusion. With **over 70 percent of adults unbanked**, the opportunity is immense. Digital banks can empower farmers, small business owners, and women entrepreneurs, while also improving remittance flows and savings culture.

However, the path forward will depend on consistent policy implementation, infrastructure investment, and consumer protection. Expanding rural internet coverage, ensuring affordable smartphones, and running national financial literacy campaigns will be essential. Cybersecurity, too, must remain at the forefront—consumer trust will make or break this transition.

Projections suggest that with sustained support, Bangladesh could achieve **financial inclusion rates of 60–70 percent by 2030**, nearly doubling the current level. If realized, this would not only improve household resilience but also unlock new sources of growth for the national economy.

As the **September 2025 licensing window** approaches, digital banking in Bangladesh is poised to become a model for emerging economies worldwide. The challenge now lies in turning regulatory vision into sustainable, inclusive practice. If successful, Bangladesh will not only bridge its own financial divide but could inspire a broader South Asian digital banking revolution.