

KKF HEADWAY

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Financial Inclusion: Driver to Reaching Out the Poor ■ *Mustafa K Mujeri*

The banks' financial inclusion growth opportunities can be maximized by creating a market in Bangladesh



that embraces technology-led **innovation**;

which has a clear and supportive policy framework for financial stability.



For moving successfully, Bangladesh needs to work on both technology and infrastructure drivers as well as policy and systemic drivers. Technology and infrastructure drivers cover five key elements:

High levels of mobile adoption and e-payments

As mobile devices become more affordable and network coverage expands, digital connectivity of financially excluded individuals and MSMEs is improving in the country. The access to financial services can be transformed by providing an entry-level e-payment platform to the majority of the population. High levels of mobile adoption, coupled with government action to digitalize payments (e.g. G2P and direct cash assistance programs) could be a catalyst for low-income communities to adopt financial services. The government has already started to deliver financial assistance via digital payments into a bank account.

National digital identity (NID) system

Government-issued biometric NID program is already operational in the country. This can provide real-time verification of identities using a fingerprint scan, iris scan or digital face print. Among others, the system enables

the direct transfer of government subsidies and other benefits. Banks could leverage the biometric NID program to verify customers at ATMs or service counters and widen access to financial services. Credit data infrastructure The absence of traditional credit data for financially excluded individuals and MSMEs is a major barrier to accessing finance. Bangladesh can form MSME credit registries to enable the collation of reliable and transparent data that potential lenders can use to facilitate loan applications. Banks seeking to boost lending to underserved segments could use these registries to address information asymmetry and reduce their cost to serve. Open access to digital data Innovative use of new data sources, such as social media profiles, can provide greater behavioural analysis that can provide financial inclusion. Meanwhile, open application programming interfaces (APIs) allow financial institutions to collaborate with FinTechs, government and external partners on innovative mobile applications and digital payment solutions. Such collaboration can lower the cost of customer acquisition and foster financial inclusion. Good examples are available (e.g. Digital India service) of the benefits of open access to digital data in the development of banking apps — particularly in the areas of security, authentication, e-signature capabilities and unified payment interfaces.

Currency digitization

Virtual currencies have the potential to improve transaction oversight, which would reduce fraud and counterfeiting. The Bank for International Settlements (BIS) released a note in 2017 urging central banks to consider issuing digital currencies. India, for example, is

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weighing options for releasing its own cryptocurrency, Lakshmi. Digital currencies would lower transaction costs and drive financial inclusion, but require tight regulation, including linkage to fiat money, and an innovative response from banks that wish to remain relevant. A combination of these new technologies can radically improve financial inclusion in Bangladesh. As new technology infrastructure increasingly permits the secure exchange of up-to-date customer information, MSMEs will seek standardized and simplified means to identify and verify themselves. Concepts such as a Digital Passport, a distributed mechanism for trusted and secure customer information exchange between multiple providers, would enable easier identification and vetting, help build credit histories and make it easier for customers to switch providers by facilitating Know Your Customer (KYC) and onboarding processes.

Policy and systemic drivers have six major dimensions:

1 Strong customer safeguards

Low-income consumers are particularly susceptible to aggressive and predatory sales and collection practices. Thus, implementing and enforcing stringent consumer protection laws with strong transparency and disclosure, financial integrity, and effective recourse mechanisms for grievances would build trust in banks and encourage greater financial inclusion. This also includes simplifying legal documents using plain and understandable language.

2 Responsible financial literacy and education programs

Basic education on financial offerings can help individuals and MSMEs understand the value of having access to the financial system, which may improve money management. Financial literacy/education programs are typically government-initiated move to establish a dedicated advocacy unit to address all inclusion initiatives and drive financial awareness. Banks can seek to support and leverage such government programs to deepen relationships and foster customer loyalty.

3 Bankruptcy regimes

For driving financial inclusion, Bangladesh needs to regulate the wind-down of failed companies and ventures, support creditor rights, and help to resolve claims in an orderly and unbiased manner. Insolvency regimes protect lenders and raise willingness to provide credit to MSMEs.

4 Regulatory incentives for banks

Recognising that onerous regulations can be a barrier to financial inclusion, the government can move to ease selected rules. Examples include simplification of onboarding requirements for no-frills accounts (Reserve Bank of India), and measures that reduce KYC documentation for small balance accounts with correspondent agents (Brazil, Peru, Colombia and

Mexico). The government-backed funds to guarantee loans to MSMEs also can facilitate enterprise financial inclusion by eliminating collateral requirements. Funds such as India's 'Credit Guarantee Fund Scheme for Small Industries' covers credit facilities of up to INR 200,000 (US\$2859.90) without requiring collateral or third-party guarantees. Such guarantees insulate banks from losses related to potential defaults by MSMEs.

5 Diverse financial ecosystems

Increased provision of financial services by NGO-MFIs, e-commerce firms, FinTechs, retailers, and telecommunication companies has a direct impact on expanding financial inclusion. Consequently, a vibrant start-up community with access to diverse sources of capital is an important enabler. For example, China's leading internet and mobile payment platforms (Alibaba's Alipay and Tencent's Wechat Pay) enabled US\$2.9 trillion in digital payments in 2016, raising China's e-payments value 20-fold in just four years. Digital finance dramatically helps increase sales revenues and access to capital for small merchants, while platforms such as Alibaba's Yu'e Bao make financial investments more accessible for lower-income communities.

6 Interoperable financial systems

Interoperability allows for a collaborative financial system, enabling users on multiple digital networks to transact across platforms. For example, in Peru, the government, financial sector, and the four main telecommunications providers launched Modelo Peru in 2016 to establish an interoperable mobile payment platform for customers to transact across mobile networks and financial providers. This facilitates the use of mobile wallets offered by e-money issuers and promotes greater inclusion.

Programs

Social Enterprises

Shufola Urbanic

Through Shufola Urbanic, KK Foundation is trying to promote safe food in urban living. In addition to ensuring pure and natural food, the Foundation is also helping the marginalized farmers by purchasing directly from them, cutting out any intermediaries. It is ensured that the foods marketed are free of contamination and preservatives.

Along with Ghee, Mustard Oil, Honey, Rice, Lentil, Spices, Nuts, this summer 2019 for the very first time KKF collected natural and chemical free mangoes from the growers. This year KKF sold about 8,000 kg of mangoes among the consumers and received tremendous positive feedback.



Khamarir Hashi

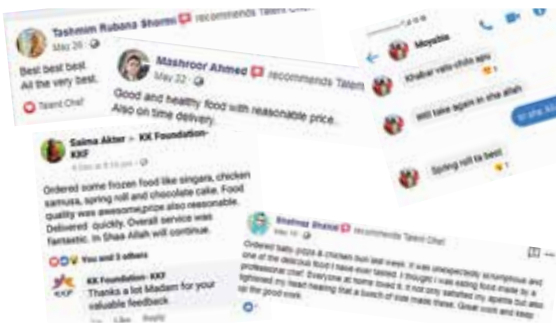
To reach the capable but failed farmers in an effective manner the Foundation has planned to redesign the Khamarir Hashi Program. With the help of Institute for Inclusive Finance and Development (InM) the Foundation prepared its new model and initially planned to launch the model with selective farmers. To maximize impact farmer selection is to be undertaken through InM and PKSF's partner organizations (POs). A workshop is going to be arranged jointly with InM –KKF and selected POs on January 2020 where details will be shared among the potential beneficiaries.

Special features of the redesigned program

- Day old bird at lower than market rate
- Poultry feed at competitive rate
- Collateral free flexible terms
- 2 (Two) enriched and advanced free workshops on poultry farming

**Interested MFIs may contact with KK Foundation earlier for detail information.*

Talent Chef



To help the youth and adolescents emerge as successful bakers and entrepreneurs, KKF has been providing bakery training since February 2019. The trainees produce several bakery products under the supervision of a professional chef. KKF has been marketing these products through online and offline channels since May 2019. During Ramadan through Talent Chef healthy Iftar was prepared and delivered to a number of renowned institutions including Gallery Kaya, different branches of Premier School Dhaka, Institute for Inclusive Finance and Development (InM), Palli Karma-Sahayak Foundation (PKSF) and so on. Through social media and online platforms Talent Chef received and delivered its products to individual customers.

Social Development

Shelter House

KKF works with the underprivileged children and established its first shelter house in Uttara, Dhaka, in January 2019. The shelter houses street and abandoned children from 3 years to 15 years of age. The program also provides day care services for working parents who belong to lower income families. Any child raised by struggling parents can get admitted into the day care program at a nominal charge of only 10 taka per day for each child. The day care service includes education, two meals, two snacks and other relevant facilities.

The house offers its children both formal and non-formal education, proper nutrition, safe water and sanitation, medical, housing and entertainment facilities.

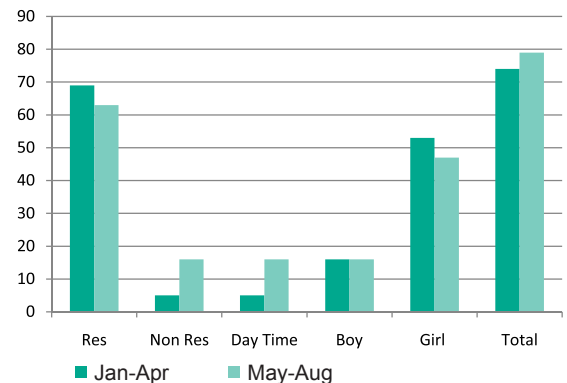
Education

The aim of this program is to ensure the right to education for the deprived children. Currently, the Foundation is sponsoring 37 students for their formal education and supporting seven (7) schools all around Bangladesh. Every year 21 brilliant and meritorious students are receiving Kamrunnesa Khatun Scholarships from the Foundation. Foundation is also providing informal education facilities to its 58 residential and non-residential shelter house children.

Counselling

KKF provides a range of counselling services to help staff as well as children with psychological issues to cultivate positivity and to promote sound mental health. Both privileged and underprivileged groups are the subject of concern. Underprivileged groups are prone to various hazards and they are often victims of many traumatic situations. The Foundation has been providing counselling facilities to 37 children along with their families. It has also provided counselling support for 10 children to cope up with post-traumatic stress. In addition, the Foundation is also planning to provide training on psychological issues such as stress management, conflict management, proper parenting etc. for the general population.

Children in Joy Shokol Shishur



Training

Training on Positive Parenting and Nurturing

Shelter house program staffs with their specialized skills are dealing with stressed and vulnerable children on a day to day basis. In this regard they play a key role in addressing the emotional needs of the children. To facilitate continued development and training of the staff KKF arranged a two day training on "Positive Parenting and Nurturing". The training was organized by one of the leading training institutes of the country named 'Thoughts' in August 2019. This training focused on positive disciplining tactics to groom children of 0 -14 years of age. On behalf of KK Foundation Mr.Rifat Rahman Tanvir, Ms. Eamonnesa, Ms. Moni Sutradhar and Ms. Nilufer Akter successfully completed the training.



Certificate Program on Clinical Mental Health

A six month certificate course titled "Certificate Program on Clinical Mental Health" organized by "LifeSpring", commenced on 3rd August 2019 at LifeSpring campus. This training program focuses on psychological issues in daily life targeted towards staff actively in care giving and administration. This program covers basics of psychotherapy, cognitive behavior therapy, mindfulness, anger management, parenting counseling, behavior therapy for OCD, and behavior therapy for Children etc. Ms. Rafia Sultana, Mr. Rifat Rahman Tanvir and Ms. Aklima Akter from KKF received special scholarship from LifeSpring for the certificate program.



Events

May Day

On the occasion of May Day, children were introduced with historical significance of the event and workers' rights.

Celebration of Eid-ul-Fitr

In Eidul-Fitr children of the shelter house received new clothes and hygiene products. Improved diet was provided for 3 days. Children were taken to different recreational places.



Four (4) Days Health Camp by IEDCR and WHO

A four day long health camp was jointly organized by KK Foundation, Institute of Epidemiology, Diseases Control and Research (IEDCR) and World Health Organization (WHO) from 20-23 May 2019. At the camp along with the regular health check-up, basic pathological tests were also arranged for the children. They also provided Vitamin 'A' capsule and deworming medicines for the shelter house children.

KK Foundation Organized Vaccine Program Jointly with IEDCR

Measles vaccines were administered to 45 children of the shelter house on 13 June 2019. On behalf of IEDCR, Ms. Sharmin Akter along with her team conducted the vaccination program. Senior officials of KK Foundation were also present there.



Celebration of Eid-ul-Adha

Eid ul-Adha was celebrated at our shelter house with immense festivity. Children were provided new clothes, shoes and cosmetics. They also received special foods for 3 days. They visited National Museum as a part of their Eid celebration.



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