Agent banking in Bangladesh: Strong expansion, some inclusion

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- This study examines the expansion and spatial distribution of agent banking in Bangladesh using a newly constructed outlet-level dataset. Since its introduction in 2013, the network has grown rapidly, from 2,601 outlets in 2016 to over 21,000 by 2024, but recent data suggest that this phase of rapid expansion may be approaching a saturation point.
- Agent banking has helped reduce the primacy of Dhaka-Chittagong observed within the traditional banking architecture. For instance, in traditional banking, 78% of loans are disbursed from Dhaka-Chittagong; for agent banking, these two cities only account for 11% of loans. The network has also developed a rural footprint, with far more outlets per capita in rural areas than in cities.
- Despite this expansion in access, credit delivery remains limited. As of December 2024, about two-thirds of agent banking outlets did not have any outstanding loans, indicating that the network functions primarily as a platform for mobilising deposits rather than lending.
- The gender profile of agent banking reveals a mixed picture: women are increasingly participating as customers, with female account growth outpacing male accounts in recent years, yet over 92% of agent operators are male, highlighting a significant gender gap.
- As outlet expansion slows, policy attention should shift from expanding the network to strengthening financial intermediation. Priorities include encouraging agent-based lending and leveraging technology to empower agents to effectively reach the underbanked and underserved.

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The financial inclusion challenge

This policy brief draws on research conducted by the Policy Research Institute (PRI) using a newly constructed spatial dataset on agent banking outlets across Bangladesh for 2022 to 2024. The dataset captures outlet locations, accounts, deposits, and credit activity at multiple geographic levels.

The analysis combines spatial mapping, district-level comparisons, and empirical analysis to examine whether agent banking is effectively reaching underserved areas and mitigating spatial financial exclusion.

The results reveal a more nuanced picture of agent banking: one of genuine expansion in access but limited progress in credit intermediation.

Bangladesh's formal banking sector has experienced an uneven development over the last five decades, where significant expansion coexisted with entrenched spatial financial exclusion. To mitigate this problem, the agent banking model was introduced in 2013, allowing commercial banks to deliver services through local agents rather than physical branches, reducing operational costs and extending reach to remote and underserved communities. By 2024, the network had grown more than eightfold, from 2,601 outlets in 2016 to over 21,000, with 24 million accounts opened, the majority in rural areas.

However, the central question remains whether this expansion has translated into meaningful financial inclusion, and in particular, access to credit. Credit enables households to manage shocks, invest in small enterprises, and smooth consumption. Without access to credit, financial inclusion remains incomplete.

Our research finds that while agent banking has successfully mobilised deposits and facilitated transactions, it has not yet evolved into a channel for meaningful credit intermediation. The findings below set out what the agent banking network has achieved, and where the gaps remain.

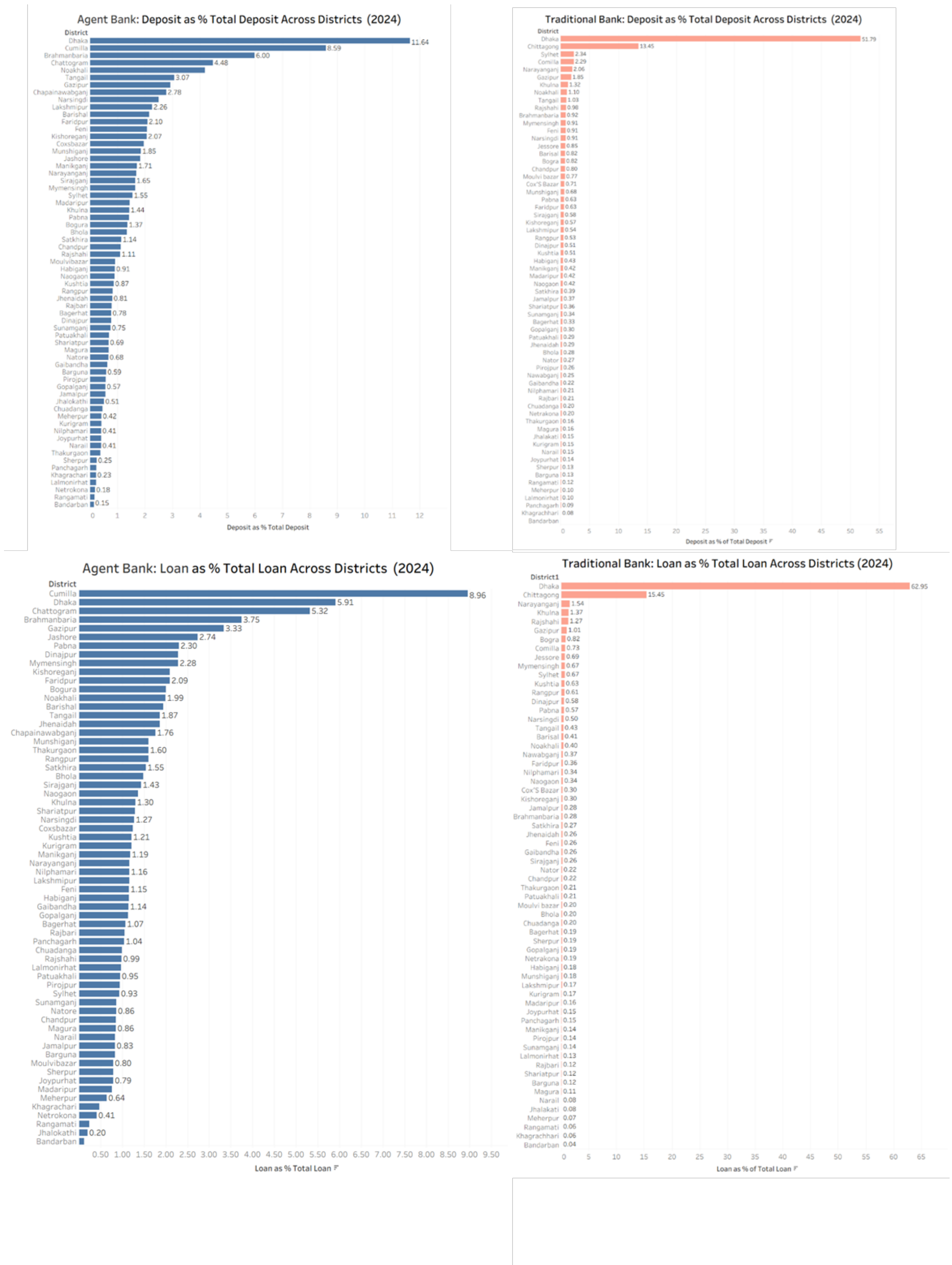
Background and key findings

While the agent banking network has expanded dramatically over the past decade, recent data suggest that this expansion may be reaching a saturation point. However, while outlet growth has plateaued, financial activity within the network has continued to deepen. Between 2016 and 2024, deposits grew from BDT 3.8 billion to BDT 419.6 billion. Credit disbursement through agents has also accelerated, reaching BDT 240.3 billion cumulatively by 2024, pushing the loan-to-deposit ratio to 57.3 per cent. This suggests that agent banking is gradually moving beyond its' deposit-collection function towards increased financial intermediation. Increasingly, growth appears to be driven by deeper engagement with existing customers rather than by further geographic expansion (See: Figure 1).

Figure 1: National trends in agent banking: Number of outlets, deposit volume, loans disbursed, and loan-to-deposit ratio

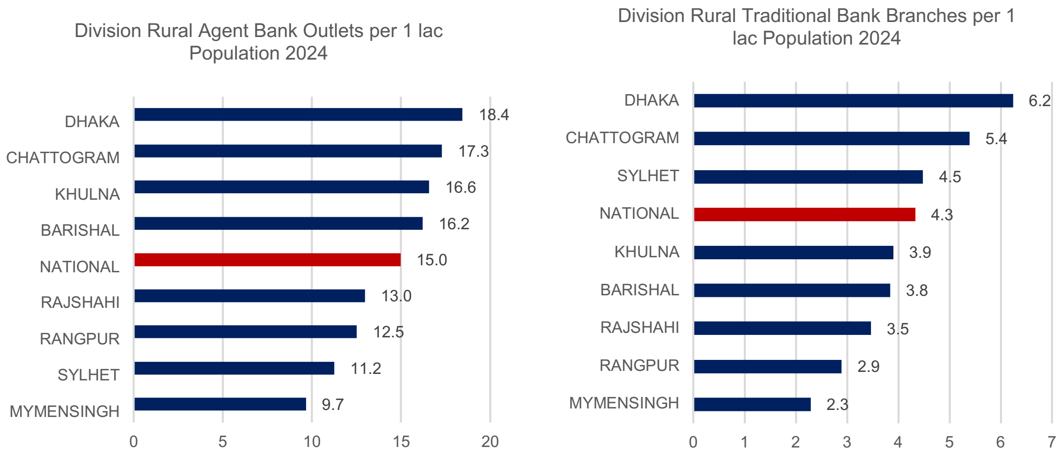
This expansion of agent banking has also begun to reshape the geography of financial access. Traditional banking in Bangladesh remains heavily concentrated in Dhaka and Chittagong, which dominate both deposit mobilisation and credit allocation. For instance, Dhaka and Chittagong together account for roughly 65% of deposits and 78% of total lending nationally in 2024. Agent banking looks markedly different: the two cities account for only around 11% of lending through agent outlets, with a far larger share of credit reaching districts that have historically received little financing from the branch-based system (See: Figure 2).

Figure 2: Deposit and loan share across districts comparison between agent banks and traditional banks



The rural-urban breakdown of the data reinforces this finding. Agent banking has developed a distinctly rural footprint, with rural areas hosting 15 agent outlets per 100,000 population, compared to almost four times higher than the footprint of traditional banking in rural areas. Rural per capita deposits are also higher, indicating that the model has successfully expanded financial access into geographically underserved communities. However, credit provision remains weaker in rural areas. Notably, Sylhet and Mymensingh continue to lag in both deposit mobilisation and lending through the agent banking network (See: Figure 3).

Figure 3: Divisional distribution of rural agent bank outlets and traditional bank branches per 100,000 population



Despite this expanded access, greater physical presence has not translated into deeper financial intermediation. Across much of the country, agent outlets primarily facilitate deposit mobilisation rather than credit delivery. A few distinct patterns emerge from our analysis:

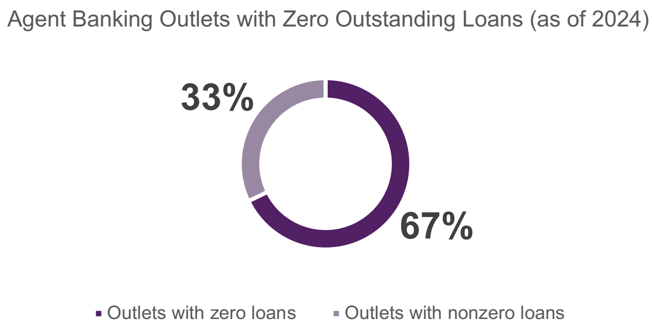
- **The "zero-loan phenomenon":** As of 2024, approximately two-thirds of agent banking outlets did not have any outstanding loans, meaning that a lion's share of outlets operate mainly as service points for deposits, withdrawals, and remittance payments rather than channels for credit delivery (See: Figure 4). Spatial analysis also reveals that this phenomenon is especially pronounced in upazilas located in the Chittagong Hill Tracts (CHT), which are areas characterised by geographic remoteness, vulnerabilities to climate shocks, infrastructure constraints, and economic backwardness. This pattern suggests that while agent banking has expanded geographically, its capacity to deliver credit services in structurally disadvantaged regions remains limited (See: Map 1 and Map 2)

- **Outlet placement follows existing banking infrastructure:** Our analysis at the upazila level indicates that the density of agent banking outlets is strongly correlated with the density of traditional bank branches. This finding suggests that agent banking expansion is not entirely independent of existing banking infrastructure; rather, it appears to operate as an extension of the formal branch network. In other words, agent banking tends to expand more rapidly in upazilas where banking presence is already relatively strong.
- **Poor areas not prioritised:** The analysis reveals no significant negative association between agent banking density and upazila-level poverty rates, even though per capita deposit mobilisation is lower in poorer regions.
- **Literacy may matter:** Socio-economic characteristics also seem to play an important role. In particular, upazila-level literacy rates show some positive association with agent banking activity, suggesting that human capital and financial awareness may still shape access to and utilisation of banking services.
- **A mixed gender story:** Finally, the data reveal an important gender dynamic within the agent banking ecosystem. On the supply side, the network remains overwhelmingly male-dominated: over 92% of agent operators are men, with women accounting for only about 8% of agents. On the demand side, however, the picture is more encouraging. Women hold nearly as many agent banking deposit accounts as men, and female account ownership has been growing faster than male accounts between 2022 and 2024.

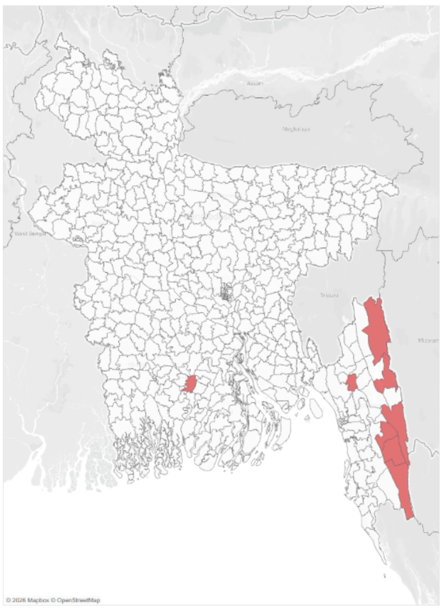
Taken together, Bangladesh's agent banking experience reflects strong outreach but incomplete financial deepening. Strengthening the role of agent banking in credit delivery, expanding outreach to structurally underserved regions, and addressing gender participation gaps will be critical for ensuring that the next phase of expansion translates into deeper and more equitable financial inclusion.

> *As of December 2024, approximately two-thirds of agent banking outlets did not have any outstanding loans.*

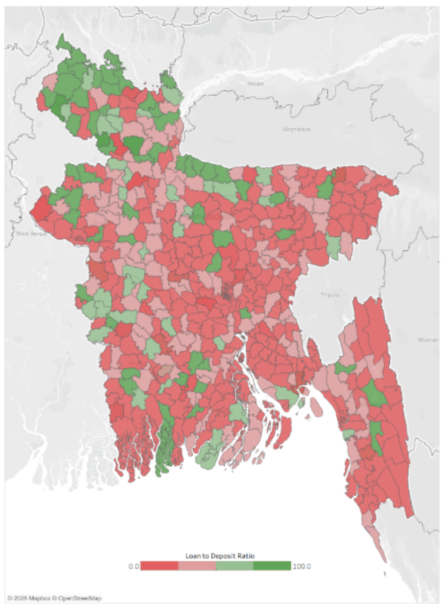
Figure 4: Agent bank outlets with zero outstanding loans



Map 1: Upazilas where no agent bank outlets had any outstanding loans (2024)



Map 2: Agent bank loan-to-deposit ratio across Upazilas (2024)



From expansion to inclusion: Policy recommendations

As outlet expansion begins to plateau, the policy focus must shift from building the network to better utilising it as a channel for financial intermediation. The following priorities stand out:

1. **Expand credit through agent networks:** Regulators could introduce stronger incentives for banks to extend credit through agent outlets. Possible mechanisms include targeted lending frameworks, risk-sharing arrangements, or partial credit guarantees for small loans issued through agents for underserved economic sectors like agriculture, etc.

2. **Leverage technology and empower agent bank outlets:** Digital credit scoring models based on transaction histories, mobile financial service usage, remittance flows, and other alternative data can help

banks safely originate small-value loans through agent channels. Banks should deploy technology solutions that allow agent outlets to screen and process standardised small loan applications directly at the point of service, rather than routing all decisions through bank branches. Such tools can empower agent bank outlets, reduce information asymmetries, and lower the operational costs of lending to rural households and micro-enterprises.

3. **Encourage location-specific financial inclusion strategies:** Policy interventions should prioritise branch-poor and economically lagging regions to ensure that credit flows reach areas currently underserved by formal banking institutions.

4. **Increase the share of female agents within the network:** The central bank should strengthen enforcement of its existing policy to improve gender parity in the agent banking network, helping address the persistent underrepresentation of women in the banking sector and making financial services more accessible to female clients.