



## An Evaluation of **School Banking Practices** in Bangladesh- A Scope to make **financial inclusion**

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### Abstract

At present School Banking has been branded as one of the most important factor for our economy. This paper mainly focuses on the present scenario of school banking policy practiced by scheduled banks in Bangladesh. The study is mainly based on secondary data highlighting the school banking policy formulation and governance as well as different school banking activities such as account opening and deposit collection by State-owned Commercial Banks (SCBs), Specialized Development Banks (SDBs), Private Commercial Banks (PCBs), Foreign Commercial Banks (FCBs) and new banks (Scheduled in 2013). School banking practices in Bangladesh is passing through introductory level. But banks are trying to go for the boost of school banking. In 2014, banks have created 8, 50,303 accounts and collected Tk. 7,175 million under school banking scheme. On which, PCBs have opened 65% accounts and gathered 73% deposit of total school banking operation in Bangladesh. SCBs and SDBs are trying to create more accounts and to collect more money on this scheme. But FCBs haven't played a significant role on school banking. So practicing school banking policy in Bangladesh is not in a satisfactory condition, but it is a positive sign that Bangladesh Bank has already developed a policy guideline to promote school banking. It is an urgent duty to all banks and responsible authorities along with general people to come forward to take necessary steps about school banking so that in near future banks can take all school going children under banking systems and ensure smooth school banking operation in Bangladesh.

**Keywords:** School Banking, Financial Inclusion, Scope.

## Introduction

The school banking program has recently been launched in Bangladesh. The scheme not only plans to help students and parents with a sizeable amount of savings after a certain period, it also aims to instill the habit of savings from an early age into students. The scheme will teach kids money management skills that may be useful for the rest of their lives. Through the program, kids can bank at school, with a hands-on banking experience in a simple way. In a major decision in November 2010, Bangladesh Bank (BB) asked all banks to open school banking branches. It said students need to be brought under banking services to help them contribute to economic activities through savings. School banking is one type of banking wing towards school going students and their parents to facilitate lower depository obligation, free from operating charges, higher rate of interest on deposit with advanced form of banking transactions. It is not new in Bangladesh. Some banks, including Muslim Bank, had introduced that type of banking program in the 1960s, before the liberation of Bangladesh, but it was not last long. It was some years earlier AB bank (formerly Arab Bangladesh Bank) launched the service in Sunshine Grammar School in Chittagong in 2003, but that too did not work. Finally, school banking got renewed impetus when Bangladesh Bank, central bank of Bangladesh, issued the formal circular to all scheduled banks on November 02, 2010. The core objective of school banking is development of banking sector as a model of financial inclusion by introducing banking operation and advanced technology among school going students as well as participating students in to economic development by the mode of savings. Now, moreover all scheduled banks are conducting their school banking operation and already they have introduced 850,303 accounts and collected Tk. 717.49 crore under school banking scheme. So, school banking would be a smart form of banking activities and it would gather all school going students in Bangladesh under a uniform banking facilities.

## Back Ground of the study:

School banking systems began in America in the late 1870s. J.H. Thirty has been credited with beginning the school thrift movement in America. He instituted school savings banking in New York City public schools starting in 1885. After 1885, school savings banks proliferated in public schools throughout the country. School Savings Banking

was systematically promoted by the Savings Bank Division of the American Bankers Association (ABA) beginning in 1913. The ABA approved a curriculum for use in public schools, which was promoted as the standard system of School Savings Banks throughout most of the century. The school-banking infrastructure was instrumental for the Treasury Department during the First World War (1917-1919) in their war savings bond and stamp campaigns targeting children and youth.

## Objectives of the Study

- To Understanding the concept of school banking.
- To analyze financial inclusion for School Banking in Bangladesh
- To know the Rules and regulations of school banking in Bangladesh
- To give some suggestions to promote school banking and guidelines among the beneficiaries and banking sector in Bangladesh.

## Methodology and Limitation of the Study

The paper is produced only based on secondary sources of data from review report of different commercial banks in Bangladesh and Bangladesh Bank. In addition to this, the data is also collected through arrange of company's corporate profile, daily newspapers, different journals and articles etc. The data are analyzed in aspect of practices and problems of school banking. Actually the author did not go through the physical interview of bank executives for conducting the study. The findings of the study are reliable as the sources of data authentic. So absence of primary data involvement is the major limitation of the study. Along with, there is a scarcity of related literature and the author rarely found any research article on this topic besides some reports on newspapers.

## Literature Review

**Sajjadur Rahman (2011)** focused the background of school banking in our country. He noted that students need to be brought under banking services to help them contribute to economic activities through savings. He mentioned school banking operations by different banks in their distinctive name and also found out the present scenario of this. He concluded that banks do not see school banking as a profit making business, but they are hope that many of these

students would become their customers in future. **Mohammad Ali (2012)** tried to explore school banking activities in Bangladeshi commercial banks by the responses of high level officials of different banks. He summarized the causes of popularity of school banking among the people due mainly to its some particular features including safe deposit and insurance coverage for their children and intimating the students with banking habit from early age. Some officials mentioned the more the days are passing, the more the banks are getting tremendous responses from the customers regarding school banking. But some officials shared bitter experience about school banking.

**Mohammed Mosroor Hossen (2012)** described that banks have introduced different types of products with the customers to strike up their deposit for the increasing bank business and motivating customers to be introduced to build up their capital to the destruction. Product but it is becoming more popular with a view to inspiring for savings and creating savings mentality to the school going student with an attractive interest rate. By this scheme most of the students can able to raise capital for their future and besides this bank not only uses to recurring deposit but also play a social role in the country. But, due to lack in publicity school banking scheme did not overcome its objectives like other deposit scheme.

**Jahidul Alom (2015)** elucidated that school banking brings students under banking services so that they can start savings, involve in banking activities and participate and contribute in economic activities through savings. He also focused a statistical data about number of accounts and amount of money deposited in many banks (rural and urban areas) under school banking scheme. He also strongly believed that very soon school banking would be part and parceling regular banking services.

## History of school banking in Bangladesh

School banking is not new in Bangladesh. Some banks, including Muslim Bank, had introduced a school banking program in the 1960s, but it did not last long. It was some time before AB Bank (formerly Arab Bangladesh Bank) launched the service in Sun shine Grammar School in Chittagong in 2003. But, that too did not work. Bangladesh Bank (BB) on November 2, 2010 asked all scheduled banks to introduce school banking in

a bid to establish financial inclusion across the country and encourage the students to savings-habit. Out of the 47 scheduled banks operating in the country, 36 have already launched the product in a large or small scale. EBL was the first bank that came up with school banking after the central bank issued a circular in this regard. The bank has introduced 'EBL Junior', a savings account for students, aiming to include the young population of society under the umbrella of banking. The bank has so far opened 500 student accounts. It has set a target to net another 500 by next month, according to Muhammad Musa, head of branches of EBL.

## Policy Formulation of School Banking By Bangladesh Bank:

The concept of school banking is not well known in Bangladesh, but it is becoming more popular among the all scheduled banks. To expand its boundary and for having vast importance of it, Bangladesh Bank advised all scheduled banks to introduce school banking in their operations by BPRDC Letter No.12 on November 02, 2010. Through the GBCASRD Circular No. 07 on October 28, 2013, Bangladesh Bank issued an order to all banks operated in Bangladesh to submit their respective school banking activities report to the central bank in a quarterly basis. To reach banking services to the students in an appropriate manner through ensuring more transparency, awareness and acceleration into this activity, Bangladesh Bank has issued some guidelines on operation of School Banking to all scheduled banks for their compliance.

Opening of Account ⇔ Operation of Account ⇔  
 Filling form ⇔ Account type ⇔ Minimum opening balance ⇔ Nationality Important documents for opening account

⇓ ⇓  
 ⇔ Account holders earning source ⇔ ATM card ⇔ Service charge/ Fee ⇔ Student's fee collection ⇔ Installation of school banking desk ⇔ Deposit of scholarship/ stipends money

## Benefits of school banking

- ❖ By involving into banking activities from an earlier stage of life, an individual become saving minded that helps the person to be solvent in later age.

- ❖ School banking allows account holders to use 24 hours online banking service in terms of paying tuition on time, buying books and stationary. School banking accountholders can operate their general banking activities without any charge as well as online banking.
- ❖ School banking account holder gets a waiver of minimum balance requirement than other account holders.
- ❖ Majority of the banks issue debit and credit card at a lower cost but some banks issue it for free in case of school banking.
- ❖ Interest is calculated on daily balance as a result account holders wealth is enriched. After a certain period they can use it in their academic purpose such as tuition fees, stationary etc.
- ❖ For account maintenance purpose bank doesn't impose any fee and school banking account holders need not to reserve minimum balance,

Through school banking, students are involving in banking activities, which (students) is a large portion of the population of Bangladesh. As a result of this involvement economic condition of Bangladesh becomes stronger.

## Present scenario of school banking in Bangladesh

According to the report, at the end of December last year, there were 133,000 accounts in 45 banks with a total deposit of Tk 9,605 million. The number of such accounts rose to 224,719 in 46 banks until June this year, showing a deposit of Tk1.28 billion. Currently, the average savings in these accounts work out to about Tk 5,716. Students have 4,270 accounts in state- owned commercial banks. On the other hand, they have opened 4,279 accounts in specialized banks, 215,597 in private banks and 597 in foreign banks.48 Scheduled banks. The central bank has taken several steps to help children learn about the banking system through School banking. The first School Banking Conference was organized by the central bank in Dhaka in 2013. School banking is a step toward financial inclusion and financial literacy goals taken by Bangladesh Bank, as it helps children learn about the banking system. The school banking program includes children banking services such as online banking, ATM, debit and credit cards and makes the 'future generation'

more aware about money and its management. After this programs launch, savings through the program have grown substantially. From just over Tk31 crore (\$3.98m) to Tk114 crore (\$14.6m) deposited by only 200,000 students through March 1st of 2013. Some steps had been taken from the conference, steps are:

- ❖ Spread the school banking program all over the Bangladesh
- ❖ Target a large part of the 30 million students around the country
- ❖ Age between 11 to 18 years
- ❖ encouraging commercial banks to open booths in schools aimed at expanding the program

Central Bank (BB) tightens school banking rules, banks can issue debit cards free of charge but they would come with a monthly withdrawal maximum of Tk 2,000. The limit, however, can be increased to Tk 5,000 upon request from the guardian.

Here no of total accounts in State own banks, Specialized banks, private commercial banks, foreign banks and Scheduled banks.

Banks	Accounts Number		Accounts Increasing
	September 30,2014	December 31,2014	
State Own Bank □	1,37,976 □	1,66,895 □	28,919
Specialized Bank □	1,21,572 □	1,30,799 □	9,227
Private Commercial Bank □	5,33,402 □	5,50,426 □	17,024
Foreign Commercial Bank □	1,258 □	1,269 □	11
Scheduled Bank □	583 □	914 □	331
<b>Total □</b>	<b>7,94,791 □</b>	<b>8,50,303 □</b>	<b>55,512</b>

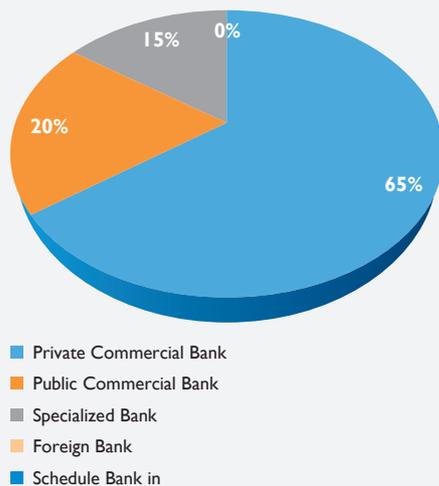
No of to total school banking accounts

## School banking for expanding Financial Inclusion:

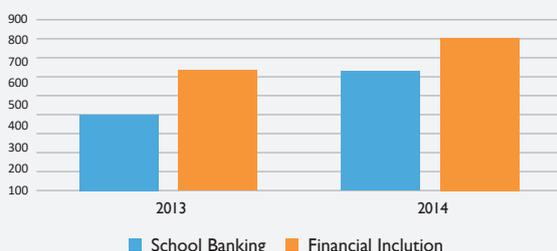
Bangladesh Bank, the central bank of Bangladesh has come out of conventional central banking role, reorienting its stewardship towards developmental central banking while preserving its mandated prime objective of price and financial stability. Financial Inclusion is a tool for promoting social inclusion and empowerment of the under privileged segments of population. Bringing in the entire financial sector on board for socially responsible, sustainable, and inclusive business practices. Financial inclusion helps fight poverty by opening up new opportunities. Besides 100 Taka accounts for the students. The Share croppers Scheme for the traditionally neglected students special incentives for the students Prioritized

financing options for financial inclusion. MSME, and environment friendly green Output options No frill accounts for the School children, street children, itinerant wage Laborers etc Financial literacy Program for the target groups. Macro prudential policy support for green financing. Guidelines on Mobile Financial Services (MFS) and agent banking issued to facilitate inclusive financing.

### Green Banking and Financial Inclusion Wing



### School Banking and Financial Inclusion



Source: Bangladesh Bank's Quarterly Review Report on School Banking  
Year Basis Data of school banking accounts opening

## Why Bangladesh Bank chose School Banking Account:

- To widen and deepen the scope of financial inclusion in Bangladesh.
- Younger generation is more enthusiastic to hoard their savings when they have Access to the banks.
- To make children familiar with formal banking activities

**Approximately Tk. 7,175 million has been collected under school banking scheme in 49 banks in Bangladesh.**

### Specific Findings:

- ❖ School banking activities have been introduced in 49 banks.
- ❖ 49 banks have prepared their own School Banking Policy.
- ❖ 8,50,303 accounts have been opened under school banking scheme of which 3,07,764 accounts in rural area branches and 5,42,539 accounts in town area branches.
- ❖ Approximately Tk. 7,175 million has been collected under school banking scheme in 49 banks in Bangladesh.
- ❖ Islami Bank Bangladesh Limited has created highest number of bank accounts (21% of total accounts) under this scheme. On the other hand, Dutch Bangla Bank holds maximum number of deposit (Tk.1,838 million that is 25.60% of total deposit) under school banking.

### Recommendations and Suggestions:

It goes without saying that school banking activities helps students to become more self- dependent with sound financial management skill. The concept of school banking activities is new in Bangladesh. Bangladesh Bank already made a rule that all commercial banks have to give service in school banking sector. Maximum commercial bank has started this service already and day by day the amount of account holder increased. If this situation stay and general public are more aware about this with the help of commercial banks in near future major portion of students are engaged with school banking activities. As a result, country's economic condition also may developed.

- Bangladesh Bank can issue an order to ensure separate school banking division in every bank.

- All Bangladeshi banks can follow Bangladesh Bank's policy guidelines regarding school banking.
- School banking can be set as a part of obligatory CSR activities by all banks.
- Every bank should more emphasis on social welfare rather than profitability in case of school banking.
- Every bank should arrange more training and workshop on school banking so that every employee can get clear knowledge about school banking.
- Banks can encourage school authorities to collect tuition fees and other charges through school banking accounts of respective students.
- Banks can arrange different campaign in school premises to understand students about the importance of savings and they can also attract student to open accounts by deliberating some offer and advantages.
- Government should encourage school authorities as well as parents about the importance of savings.
- Scholar should make more research work on school banking.

**It is an urgent duty to all banks and responsible authorities along with general people to come forward to take necessary steps about school banking so that in near future banks can take all school going children under banking systems and ensure smooth school banking operation in Bangladesh.**

## Conclusion

In Bangladesh, banks always try to find out more deposit through different products. School banking is a new product issued by almost all banks in Bangladesh directed by Bangladesh Bank. Though it is unknown to someone, the popularity of it is becoming more and more day by day among the school going children and their parents. Private Commercial Banks (PCBs) are the pioneer to create more accounts under this scheme. They have opened about 65% accounts of total accounts under school banking. The concept of school banking activities is new in Bangladesh. Bangladesh Bank already made a rule that all commercial banks have to give service in school banking sector. Maximum commercial bank has started this service already and day by day the amount of account holder increased. If this situation stay and general public are more aware about this with the help of commercial banks in near future major portion of students are engaged with school banking activities. As a result, country's economic condition also may developed by financial inclusion. 

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