

Micro-Banking in Bangladesh: Digital Financial Inclusion, Savings, and Investment Structures

Muhammad Mahboob Ali, PhD, Post Doctorate Professor, Department of Economics, Bangladesh University of Business and Technology Email: pipulbd@gmail.com ORCID ID: <https://orcid.org/0000-0002-2860-1516>

Abstract

The article introduces social or micro-banking as a strategy that merges digital finance, ethical innovation, and community networks to benefit vulnerable populations in developing economies such as Bangladesh.

Need for the Study: The low-income earners are pushed to unregulated informal sectors due to financial exclusion, limiting their opportunities for saving and investment.

Methodology This chapter explores the role of digital tools in transforming micro-savings into sustainable micro-investments with limited moral hazard and corruption. Empirical validation was done in Bangladesh (July-December 2025) as per Ali's theory (2016-17) with a focus on rural areas and urban slum residents in Dhaka and Cumilla, using 2,457 respondents and case studies.

Conclusion: Societal banking model stresses digital inclusion through mobile platforms to reduce transaction costs, ethical financial products for corruption-free saving to investment conversion, fair interest rates for equitable credit to boost community economic strength, and transparent algorithms to minimize moral hazards.

Practical Implications: Micro banking can formalize savings, transfer monies from needless imports to local products and reduce negative externalities. For successful implementation, there must be supporting policies and scalable fintech structures with robust governance; and multi-stakeholder engagement involving governments, NGOs and the business sector, fostering sustainable local entrepreneurship and increased economic inclusion.

Keywords: Social Banking, Micro Banking, Sustainability, Micro Savings, Micro Investment, Moral Hazard, Economic Externalities, Corruption Free Finance, Low Income strata.

JEL Classification: G21, O16, D14, K42

1 Introduction

Formal banking services are usually unavailable to poor and marginalized groups. As a result, they are forced to depend on the informal sector which, although important to the economy, is often done without sufficient accountability and transparency. This can be done by integrating micro-saving into the operational framework of micro-investment by means of a system built on social networking and societal banking. The failure of such integration, as shown in countries such as Uganda and Rwanda, would mean the failure of micro-savings schemes. Bangladesh's social protection system is moving towards a more holistic, multi-dimensional approach focusing on education, health, skills and empowerment, as noted by Kathy (2025)—very much in line with societal banking's objectives of transforming micro-savings into micro-investments for the unbanked communities. Ali (2026) attempted to examine the dynamic relationships between unemployment, GDP, and human development in Bangladesh (1999-2024) with special reference to the importance of governance and evidence-based scientific culture in policymaking and the importance of structural shocks. Highlights the significance of institutional reforms based on a scientific culture to re-establish democratic processes, fight corruption and foster economic resiliency.

It is shown that using criteria of Pareto optimality from welfare economics, and the following improvements by Hicks, Kaldor and Scitovsky((Adler,2000) it is possible to increase societal welfare without making any explicit value judgements. Societal banking might thus aid the poor by providing a framework for compensation and redistribution, which might be considered a type of Pareto improvement. The free market economy may require limited intervention, but the government must intervene selectively to set up redistributive mechanisms, guarantee fair justice, narrow the income inequality gap, and obtain social justice for the poor. Ali (2018) proposes a theory linking social networking and community banking to transform micro-savings into micro-investments, so empowering the destitute, promoting financial inclusion, and achieving social justice in Bangladesh. Ali (2025) and Ali (2026) explain that micro banking can stabilize the macro economy of an emergent economy by directing micro savings into micro investment. Ali (2015) examines SMBE funding in Bangladesh, demonstrating advantageous impacts on employment and income. Proponents of enhanced institutional support, optimized procedures, and the creation of women entrepreneurs to strengthen the sector.

Pareto (1906) describes improvement requires at least one person to be better off and no one to be worse off. Indeed, most policy changes (e.g., trade liberalization, infrastructure initiatives, or regulatory reforms such as the introduction of community/micro banking have winners and losers. The criteria of compensation provide a pragmatic option of prospective pay.

Compensation criterion (Kaldor, 1939)

A transition from situation X to Y is socially beneficial if the winners (those who are better off in situation Y) could pay the losers (those who are worse off in situation Y) with a transfer of resources (e.g. money or products) and still be better off than they were in situation X.

Actual recompense is not necessary – merely the possibility of it.

It is concerned with the net change in total welfare (usually measured by changes in economic surplus).

Hicks compensation criterion (Hicks, 1939)

This is another way of saying the same thing, more or less. A switch from X to Y is an improvement if the losers in Y could not bribe the gainers to avoid the switch, i.e., the maximum that losers would pay to prevent the switch is less than the minimum that gainers would accept to forgo it.

In practice the Kaldor and Hicks criteria are commonly employed interchangeably, together forming the basis of the Kaldor-Hicks efficiency test.

Scitovsky Double Criterion (Scitovsky ,1941)

Tibor Scitovsky recognized an issue with the above tests: Scitovsky Paradox (or reverse paradox). The transition from X to Y can pass the Kaldor-Hicks test, and so can the opposite change (Y back to X) - leading to conflicting or inconsistent welfare judgements.

Scitovsky's solution (double criterion)

The move from X to Y must satisfy the Kaldor-Hicks test (losers can be compensated by winners).

AND the opposite change (X to Y) must fail the test (losers in the original change cannot bribe gainers to revert).

This keeps everything consistent and prevents circular references.

Relevance to Low Transaction Costs and Community / Micro banking

In the framework of societal or communal banking (see Adler, 2000), these criteria validate policies with minimal service charges and transaction costs. If micro-savings are directed into micro-investments with little friction:

Gainers (borrowers, entrepreneurs, the economy as a whole) generate enough excess.

This margin might, in principle, offset any losers (e.g. those who face small fees or opportunity costs).

The lower the expenses, the higher the net potential compensation, the more likely the policy will pass the Kaldor-Hicks/Scitovsky test and the higher the total social welfare. The Gini coefficient is reduced and the SDGs objectives are achieved, as fair distribution and minimal barriers enable the transformation of potential Pareto improvements into actual welfare gains.

Applications

Cost-Benefit Analysis (CBA) – Used frequently for public policy, infrastructure and regulation. If total benefits > total expenses (hypothetical compensation), the project is justified.

Trade policy, environmental regulation, and financial inclusion programs.

Critiques and Limitations

Hypothetical vs Actual Compensation: compensation is rarely given; therefore, losers may be worse off → poses concern of equality and political feasibility.

Scitovsky Reversals: Possible in some circumstances if there are many commodities or preferences change.

Assumes No Income Effects or stable preferences in some way.

Does not directly address distributional fairness (though can be linked with other techniques).

It doesn't consider non-economic elements like rights, justice or power relations.

These criteria are the first steps in the "New Welfare Economics" in the direction of objective policy recommendations under the assumption of ordinal value. Their influence persists in economics, law and evaluation of public policy.

In this case, social networking implies the use of social capital, social business, and social investment to increase the business and social contacts. As Leadbeater (1997) highlighted, social entrepreneurs are vital in providing such innovation. Social networking, here regarded as a social structure of interrelated persons and groups, though mostly associated with digital platforms. Gulati (1998) proposes that a social network view on strategic alliances might provide useful insights for both strategic management and organizational theory. It provides a better view of major drivers influencing strategic action and has important implications for managerial practice. Bangladesh has a collectivist culture, as described by Scroope (2017), where many people place importance on family and community bonds and tend to perceive themselves not as individuals, but as people within their village, family or religious group.

The informal lending market in Bangladesh has far higher interest rates than the formal sector (Ali, 2016). Societal banking can drive financial inclusion, which today accounts for just under 50% of the population. Rahman (2013) underlined that financial inclusion encourages inclusive growth, productive capacity, youth employment and poverty reduction by unleashing opportunities for the disadvantaged. The lack of access to basic financial services is generally associated with high social exclusion in terms of education, employment opportunities and social safety nets.

Recent Policy Developments Budget 2025-26

The policy landscape in Bangladesh has changed dramatically with the political upheaval that took place in August 2024. On June 2, 2025, the temporary administration headed by Chief Adviser Muhammad Yunus adopted its first budget for fiscal year 2025-26, which was 7.9 trillion Bangladesh Taka (BDT) (\$64.96 billion) in size. This budget is a deliberate move towards data driven social protection and employment production and is relevant to the themes of societal banking and financial inclusion in particular.

A key project announced in this budget is the “Family Card” scheme, starting in March 2026, to ensure financial security to low-income households. In the first phase, 37,567 female-headed families have been registered to receive a monthly payment of 2,500 BDT in their preferred mobile wallet or bank account through direct transfer. The scheme is based on smart card technology including contactless chips, QR codes and NFC, and can cover up to five family members per card. This effort is a direct application of the societal banking concept that uses technology to distribute social protection funds directly to the beneficiaries, skipping informal intermediaries.

The budget also proposes large extensions of existing social safety net programs. The total allocation for social protection in FY26 was Tk 1.17 trillion, of which BDT 912.97 billion was allocated for safety net programs excluding pension. Major beneficiary increases include:

Table 1: Family Card – Social Safety Net Allowances in Bangladesh (2026-27 FY)

Allowance Type	Previous Beneficiaries	New Beneficiaries (2026-27 FY)	Monthly Allowance
Old Age Allowance	3.15 million	6.2 million (including 205,000 aged ≥ 90)	Tk 700 (≥ 90 : Tk 1,000)
Widow/Abused Women	1.27 million	2.9 million (including 25,000 aged ≥ 90)	Tk 700 (≥ 90 : Tk 1,000)
Disability Allowance	825,000	3.6 million (3,581,900 general + 18,100 higher rate)	Tk 900 (higher rate: Tk 1,000)
Maternity Allowance	600,000	1.9 million (1,895,200)	Tk 850

Source : Author

Bangladesh Sangbad Sangstha (BSS), “Social safety net benefits increased for FY 27,” Jan. 25, 2026

bdnews24.com, "Bangladesh increases social safety net allowances, expands beneficiary numbers in 2026 27 budget," Jan. 25, 2026

The Financial Express, “Govt to increase allowances, expand coverage,” Jan. 26, 2026

Notes:

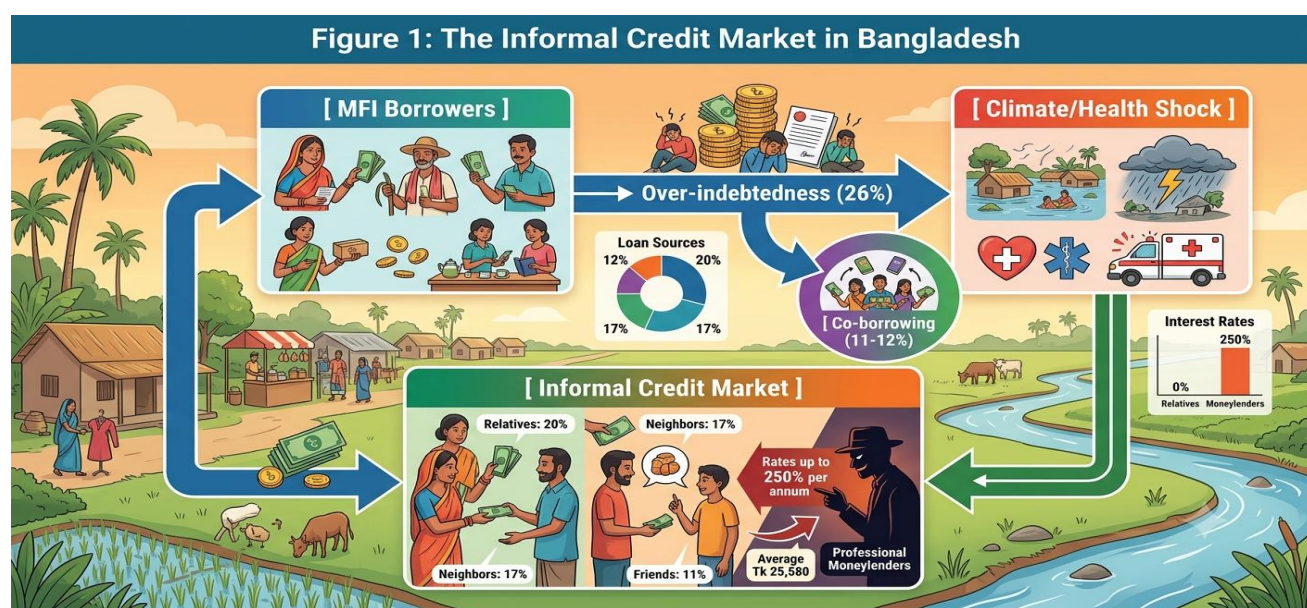
The 32nd meeting of the Advisory Council Committee on Social Safety Net Programmes, chaired by Finance Adviser Dr. Salehuddin Ahmed, approved the expansions for the 2026-27 fiscal year on 25 January 2026.

The budget also underlined entrepreneurial development as a critical tool for economic inclusion. The share of labour market programmes dedicated to support for entrepreneurship has increased significantly from 10.76% in FY23-24 to 36.83% in FY25-26. The Fund for Women Entrepreneurs, the Rural Mother Centre Programme and the Promoting Gender-Responsive Enterprise Development and TVET Systems (ProGRESS) are examples of efforts that have been scaled up to promote women's economic engagement and create rural employment.

Mobile Financial Services (MFS) have been recognized as an important instrument to develop a cashless society and to enhance financial inclusion. As of January 2025, the total registered MFS accounts in Bangladesh were at 239.3 million, with women accounting for over 42 percent. The Finance Adviser said MFS is crucial to deliver banking services to the people in rural locations, transmitting money promptly, receiving social safety net allowances, paying service bills and receiving remittances. But there are still obstacles. The Labour Reform Commission has criticized the budget for ignoring the demands of the country's working population. It noted that 85 per cent of workers are employed in the informal sector with no social safety net coverage. Youth unemployment is at 16.8 percent and 30.9 percent of youth are not in education, employment or training (NEET). These data emphasize the enduring significance of community banking and social networking strategies to include informal workers in the formal financial system.

The informal credit market, which functions without regulatory oversight, continues to grow. This market, as Siddique (2008) described it, consisted of friends and family, mahajans (intermediaries with trade or manufacturing links) and traditional moneylenders. The need for a structured alternative is clear in this uncontrolled space and this paper provides that option in the form of social banking and social networks. The dynamics of informal credit market in Bangladesh is presented in Figure 1. The dynamics of informal credit market in Bangladesh is depicted in Figure 1.

Figure 1: The informal credit market in Bangladesh

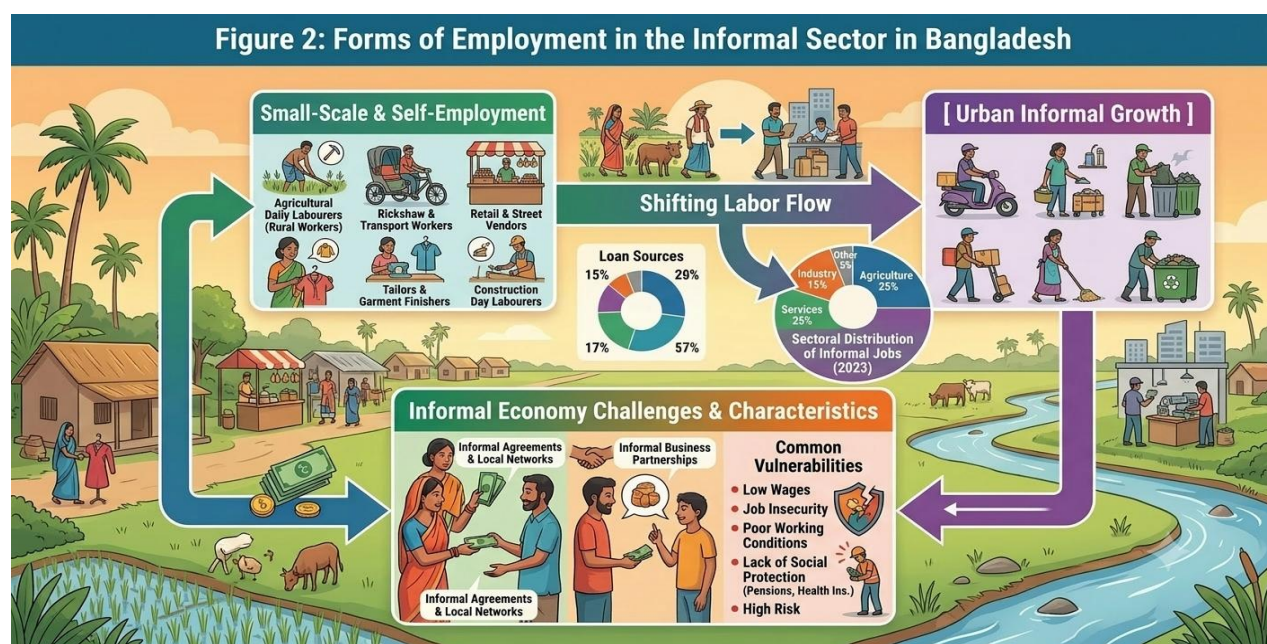


(Source: Ibid)

Informal market interest rate is substantially higher than formal market and it is not possible to get employment stability as well as direct taxation from the informal industry. Thus, social networking and societal banking may be helpful to transform formal industry.

The agriculture sector is the primary employer; however, employment is slowly shifting towards the services sector (Rahman, 2017 referring to labor force survey 2015-16).

Figure 2: Forms of Employment in Informal sector



(Source: Ibid)

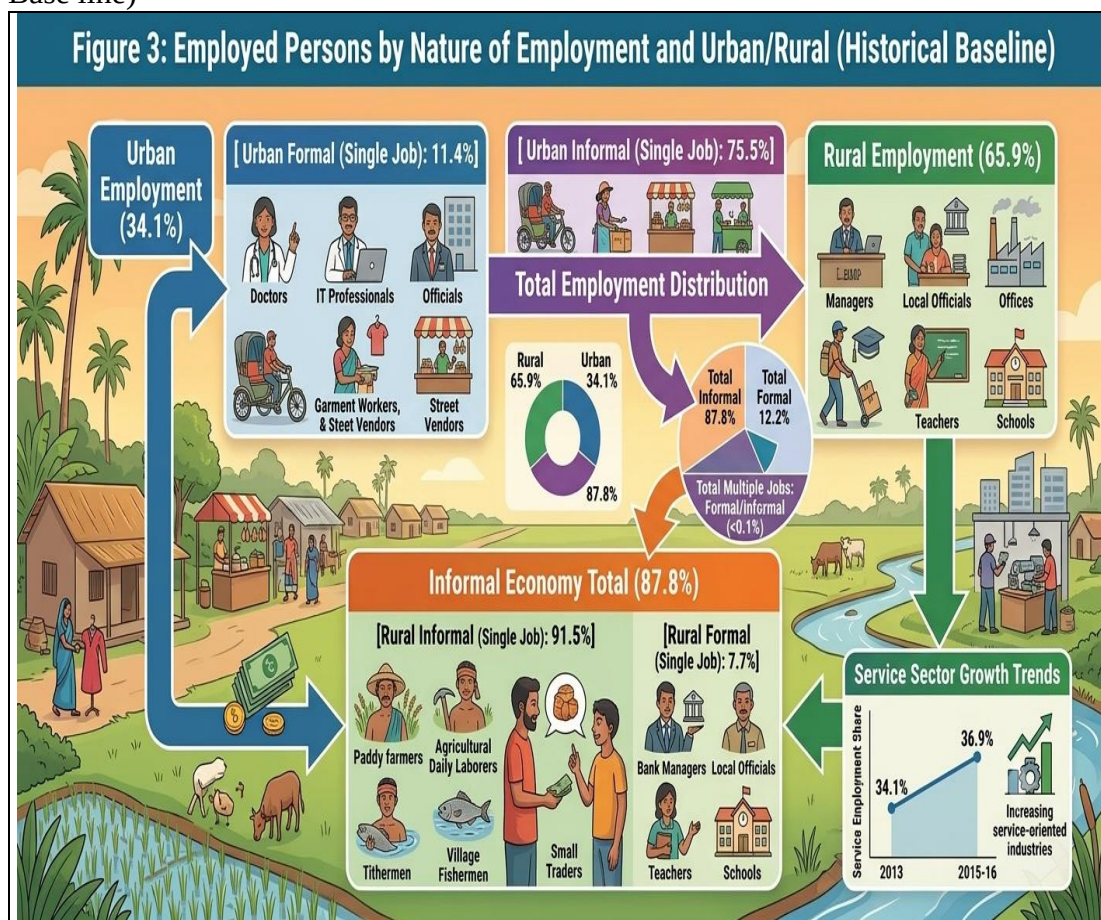
Interest rates in the informal market are much higher than those in the formal market in Bangladesh. This difference sustains the dualistic economic structure, the absence of job security and the practical impossibility of collecting direct taxes from the informal sector. In this connection, social networking and societal banking could be important strategies in facilitating the transition of economic activities from the informal to the formal sector.

The informal sector continues to represent the dominant segment of the employment structure in Bangladesh. The overall labor force in the country was 69.10 million according to the labor Force Survey 2024 issued by the Bangladesh Bureau of Statistics (BBS). Of them, 84 percent, or 58.04 million, are involved in informal employment. Recent estimates suggest that informal workers make up over 85% of the total workforce, with over 6 crore (60 million) Bangladeshis living their lives outside the informal economy. "They are the invisible backbone of Bangladesh's economy, contributing an estimated 40-43 per cent of the country's GDP.

The informal sector has over 450 different occupations. The bulk of workers are in retail and sales, followed by agriculture and livestock, food and beverage services, transport and crafts. It is important to note that 95.96 per cent of females' workers and 78.08 per cent of male workers are involved in the informal sector. This shows that there is a substantial gender dimension to informal employment. Agriculture has the highest incidence of informal work, with 97 per cent of the workers in this sector

being informal, followed by industry at 89 per cent and services at 67 per cent. The figure below shows the distribution of employed persons by kind of employment with historical data as a baseline of this ongoing trend.

Figure:3 Employed Persons by Nature of Employment and Urban/Rural (Historical Base line)



(Source: Ibid)

The poor people of Bangladesh still face difficulties in accessing the formal banking system. A recent study of informal sector workers shows that access to official financial institutions is limited, with many resorting to informal loans and community savings. Informal workers earn between Tk 10,000 and Tk 30,000 on average but their incomes have not kept pace with inflation which hit 10.03 percent in the 2024-25 fiscal year – the highest in 14 years. Food inflation surged to 10.70 percent, which considerably reduced the purchasing power of households with low income.

Some non-governmental organizations (NGOs) have lost sight of their original purpose by charging interest rates that borrowers can frequently not afford, forcing them to reduce their welfare spending and increase social exclusion. “Micro-savings are important and should be encouraged to include unprivileged populations in the banking system. With the introduction of the electronic banking, commercial banks still charge exorbitant interest rates for low-income consumers.

The Gini Index: Trends in income inequality

Income disparity is a big challenge in Bangladesh. The World Bank’s Poverty & Equity Assessment 2025 study was the last thorough analysis of inequality trends. The report says:

- Inequality, as measured by the Gini index, has been rising since 2022 and is forecast to continue to rise through 2025. The Gini index measures the level of inequality on a

scale from 0 to 100, with 0 representing perfect equality and 100 ideal disparities.

- Regional differences in consumption inequality have increased. The Gini index fell from 29.2 to 28.2 in rural areas, but jumped from 33.1 to 34.5 in urban centers, showing widening discrepancies in living standards in cities.

Income inequality (earnings, remittances and returns on assets) has increased more severely, with the Gini index increasing from 51 to 54 points.

- The divergence of household welfare is projected to raise inequality by over 2 Gini points by 2025.

The World Bank also expects the national poverty rate to cross 21 percent in 2025 with over 20 lakhs (2 million) more individuals slipping into poverty. The number of individuals plunged into poverty, since 2022, is over 60 lakhs, or 6 million.

The updated Gini index trend for Bangladesh with the most recent data points available is shown in Figure 3.

World Bank says the increase of consumption has become less pro-poor since 2016, as the middle- and upper-income groups have gained the most and the poorest families have benefited the least. This tendency highlights the urgency for redistributive methods and inclusive financial models such as societal banking to ensure that economic progress translates into shared wealth.

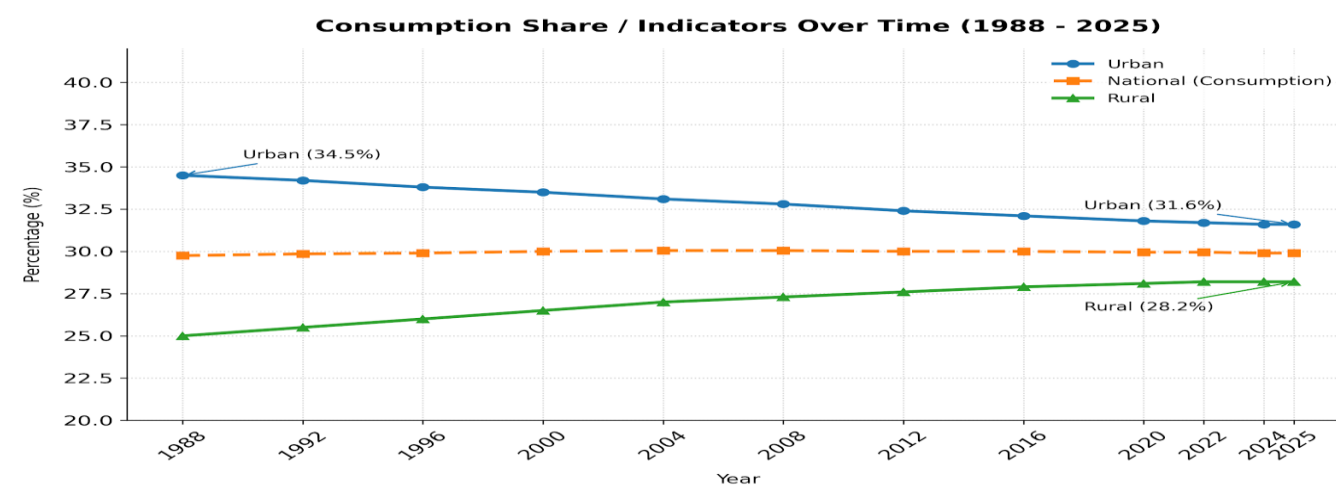
Policy Context and Recent Developments

There has been a lot of change in the policy environment of Bangladesh after the political shift in August 2024. Led by chief adviser Muhammad Yunus, the interim government has made workplace reforms and social protection a priority. The Labour Reform Commission, which handed up its proposals in April 2025, has proposed substantial changes including:

- A nationwide minimum wage for all workers
- Expansion of maternity benefits to informal women workers
- Contributory social insurance for informal income earners.
- A computerized labour registration system to assure informal workers’ recognition

The government is incorporating the roadmap of the International Labour Organisation and the recommendations of the Labour Reform Commission into the reform of the Bangladesh Labour Act, 2006, which is expected by November 2026.

Figure: 4. Gini Index (0=absolute equality, 100=absolute inequality)
(Pandemic) (Projected)



(Source: Computed by the author)

Main observation Important Points of the Figure:4

X-Axis (Timeline): Monitors 12 different data tracking points from 1988 to 2025.

The percentage indicator values, which range from 20% to 40%, are measured by the Y-Axis (Scale).

Urban Sector Trends: By 2025, it will have converged at 31.6% from a higher baseline of 34.5% in 1988.

Rural Sector Trends: Begins with a lower baseline trajectory and gradually rises to reach 28.2% by 2025.

The macro-level weighted average tracking between urban and rural variables over several decades is represented at the national level (consumption):

Growth in consumption has become less pro-poor with benefits accruing mainly to middle and higher income groups and the least to the poorest households. The trend highlights the critical need for redistributive methods and inclusive financial models like societal banking to make sure economic progress leads to shared wealth.

Visualization Key Insights

Urban inequality is growing rapidly

Income disparities within cities are expanding, and the urban Gini index has risen from 33.1 in 2022 to an estimated 34.5 in 2025. The trend is being led by:

Uneven economic rebound benefiting the high-income groups

The cost of living is rising with inflation reaching 10.03%.

Concentration of formal sector opportunities in urban centres

Rural inequality is on the decline

The Gini index in rural areas increased from 29.2 in 2022 to 28.2 in 2025. This improvement is due to:

Broadened social safety net initiatives

Higher agricultural support and subsidies

There is a rise in remittances to rural households

Digital financial inclusion programs such as the Family Card scheme

The Urban-Rural Divide is Growing

A key policy concern is the difference between urban and rural inequality. Consumption patterns are more egalitarian in rural areas but metropolitan centres are facing growing polarization between rich and poor households.

Income Inequality is Greater Than Consumption Inequality

The income Gini is much higher than the consumption Gini at 54 points, implying that:

Returns on assets and earnings are less evenly distributed than consumption

The income is concentrated in the highest income groups

Social security programs smooth consumption, but do not alleviate income inequality

Implications to societal banking

These inequality patterns highlight the relevance of societal banking as a redistribution mechanism:

Urban disparity underlines the necessity for targeted financial inclusion programmes in cities

Rural development shows that finance models focused on communities can work

The income-consumption Gini gap points to the need to go beyond consumption smoothing to asset creation and revenue generation through micro-investment.

Research Problem

The main research issue of this study is that if social networking and societal banking can perform well in channeling micro-savings into productive micro-investment that can help financial inclusion and empowerment of unbanked populations in Bangladesh.

This study was born out of the need to build a theoretical framework that shows how social networking, which has strong historical origins in community connections, can add to societal-based development aimed at improving the lifestyles of low-income groups. The simple aggregation of micro-savings without an efficient mechanism for their allocation and distribution creates a burden to savers. This is because of the time value of money and the lost opportunity of productive usage. In addition, the lack of a structured and regulated framework for community-based finance created opportunities for unregulated entities such as multi-level marketing (MLM) companies to exploit regulatory and human vulnerabilities. These firms sometimes manage funds and carry out banking activities illegally and publicly and pose great risks to vulnerable savers. Daily Star (2011) said that asset managers, merchant bankers and portfolio managers managing other people's wealth must be licensed by the government; a condition that unregulated MLM schemes can get around. Societal banking, if developed under a suitable regulatory framework, can transform micro-savings into micro-investment, while reducing risks such as theft, fraud, and financial exploitation. Ali (2016) argued that some institutional challenges impeded the effectiveness of community-based financial inclusion programs. It may be important to strengthen society or micro-level financial institutions to serve disadvantaged populations better. Qazi Kholiquzzaman Ahmad vindictively tried to undermine the notion by doing conspiracy against the stand. Basically, economist but he is a fascist. Recent evidence showing informal workers are strongly dependent on informal loans and community savings further underlines the importance of societal banking as a structured alternative that can deliver financial services and tap into existing social networks.

Study objectives

The study has been made with the following objectives:

- i. To evaluate the need for a new theoretical framework for the economic growth of the lower sections of the people in Bangladesh;
- ii. To investigate the possibilities of social networking and societal banking to empower people, particularly those excluded from the official financial system;
- iii. To give concrete recommendations on how to distribute economic advantages and to promote the transfer of economic activities from the informal to the formal sector.

2. Review of Literature

Acemoglu and Ozdaglar (2009) defined social and economic networks as a collection of persons or groups of people with some pattern of contacts or interactions between them. These networks include friendships on Facebook, economic connections between companies, intermarriage between families and labour markets. In the last years, there has been a significant shift in network research from the analysis of small graphs (10-100 nodes) to the statistical properties of large-scale networks (million-billion nodes) driven by the availability of computers and computer networks that allow us to collect and analyze large-scale data.

Gangopadhyay and Dhar (2014) explained that social networking and online privacy is a critical worry when sharing sensitive information especially with the evolving concept of 'social networking' in current internet age. Social intelligence (SI) is primarily taught, stemming from experience with people and learning from successes and mistakes in social settings, according to Riggio (2014). More frequently known as

"tact" or "common sense" or "street smarts".

Lake and Huckfeldt (1998) argue that politically relevant social capital is generated within personal networks, that it is a by-product of social interaction with a citizen's discussants, and that higher levels of politically relevant social capital increase the likelihood that a citizen will participate in politics. Furthermore, the generation of politically relevant social capital depends on the political expertise within a person's network of links, the frequency of political interaction within the network, and the size or extensiveness of the network. The ramifications for social ties within networks are not easily explained away by human capital impacts or organizational engagement effects. Thus, social intelligence and social entrepreneurship are focusing on social networking. Social mixing should be an element of developing social intelligence in teens. The success of a new enterprise hinges on an entrepreneur's ability to build a network of supportive relationships.

Leadbeater (1997) advocated that social entrepreneurs should lead the way with schemes for self-help, especially to promote local, national and worldwide twinning arrangements between initiatives to share ideas, contacts and staff. In the opinion of liberal feminists, the best way to arrange gender is to create a society that allows people to live the lives they want and that society at large accepts or respects (Ritzer, 2001). However, liberal feminists are not generally in favour of structural reform. Liberal feminists also consider that individual women are not capable of making change and that the state intervention is necessary.

BarNir and Smith (2002) found that social networks of senior executives explained between 11 to 22 percent of the variation in the extent to which enterprises engage in alliances, depending on the type of alliance. Results also indicate that the number of inter-firm partnerships is positively connected to numerous networking attributes (propensity to network, strength of linkages, network prestige). Hunt and Kasynathan (2002) found that some few women who accessed credit were able to limit their loans. Many women borrowed in their own name and handed the money on to their husbands, sons or sons-in-law.

Swain (2006) undertook a study in rural India, employing an experimental research methodology to evaluate the potential consequences of a microfinance institution, Self Help Group (SHG). Women empowerment was characterized as a process where women fight against the current norms and culture to better their wellbeing efficiently. Karnani (2007) summarized the following problems of microcredit from various studies. Microloans are more beneficial to borrowers living above the poverty line than to borrowers living below the poverty line. Microcredit appears to do more harm than good to the poorest. Microcredit often fails to fund the businesses it is intended to support.

Williams and Durrance (2008) found that for a number of community technology cases, technology use is directly affected by social networks, and social networks are directly affected by technology use. Perron (2011) analyzed, case by case, the different approaches of corporations, public sector institutions, philanthropy and institutional and private investors in their availability and their individual legal capacities and constraints for the delivery of the capital needed to sustain growth. Such activities are essential in the battle against poverty and income inequality.

According to Batool (2013), use of emotions wisely in any organization by a leader to be effective and efficient plays a significant role. Emotional intelligence is a good tool which helps a leader to judge people more clearly and carefully and to develop a connection between people. The process of marketing has been changed by social networking and the contemporary marketing activities are much dependent on this

remarkable process of social networking (Bhattacharya et al., 2014). Moreover, the impact of social networking on the process of market signaling and therefore reducing the likelihood of asymmetric information within a market and lowering the possibility of market failure for a particular product has been also emphasized.

Yang et al. (2014) observed that social intelligence and technology explore the roles of information, the Internet and mobile technology in improving our understanding about human behaviors and social interaction in human society at the individual, interpersonal and community levels-building a sustainable social environment, developing social intelligence, having practical applications with major impacts in solving societal problems such as health, security, energy and the environment.

Ali (2016) advised the introduction of integration funds to foster creative entrepreneurship so that the down-trodden people can come out with new company processes through financial inclusion to remove the poverty. Rattanawiboonsom and Ali (2016) proposed that the strategy for the growth of social enterprises especially for the self-motivated entrepreneurs should be more intensive and realistic. Their research work showed that the rural poor are mobilized and working together in self-controlled societal-based organizations which guarantee social welfare and Pareto optimality. Financial organizations should give special priority & inclusion to micro enterprises & not just to small & medium enterprises. Special emphasis should be given to micro enterprises in the small & medium enterprises sector of the country & public-private & foreign strategic alliances are required.

This alternative framework was an attempt to build a theory on how social networking enables people's empowerment and was designed by Ali (2016) to be tested in any country. The study will be trying to show an integral part on various dimensions of empowerment before joining in social networking and after joining in social capital, social business, social investment, social intelligence and social enterprises as well as micro savings converted to micro investment. Another crucial component to readdress in order to escape poverty is social intelligence.

In this century, social media is playing a more significant role and social media is all about interpersonal interaction. Environmental scanning for doing business is a very important task specially to ease the business process and local economies. The decision-making process can escalate to the empowerment of people when individuals have purchasing power capabilities. The community banking model should be established under a regulatory framework which will work through a cooperative effort of Palli Sanchaya Bank, Karmasangsthan Bank and postal savings deposits and developing a postal investment sector.

Recent research has reiterated the importance of these themes. As per the Asian Development Bank (2024), despite the rapid development of digital financial inclusion in Bangladesh, with mobile financial services reported to have 239.3 million registered accounts by January 2025 (BFSI sector report, 2025), the informal sector still remains mostly unbanked. According to the International Labour Organization (2025), informal workers make up 85 percent of the workforce in Bangladesh, with 95.96 percent of female workers and 78.08 percent of male workers working informally, underlining the vital necessity of organized financial inclusion methods.

Social networks matter for access to credit for rural women in Bangladesh, with women with better relationships to the community more likely to have access to formal financial services (Ahmed and Chowdhury 2023). Rahman and Islam (2024) provided evidence that community-based savings groups had greater repayment rates and better welfare results than standard microfinance models, supporting the social banking approach.

Mishra et al. (2024) explained that the poor can be included in a formal financial system via campaigns and credit system changes through the government's attempt to help the financially disadvantaged, which is called the official banking system. Socioeconomic programs encourage each other in the development of children, women, families and society.

A detailed study by Hossain et al. (2025) revealed that 67 percent of informal sector workers in Dhaka resort to informal loans from friends, family, or local moneylenders, with interest rates ranging from an average of 15-20 percent per month, significantly higher than those in the formal sector. The study indicated that a community-based banking strategy, using existing social networks, might dramatically reduce this reliance on exploitative informal credit.

Sarker and Rahman (2025) find the transformational potential of digital banking to bridge financial gaps but also identify ongoing challenges of limited infrastructure, low levels of digital literacy and gender disparities.

The concept of society banking is much more than agent banking or mobile banking. It would give the scope of financial inclusion and the current 85 percent of people operating in informal sector will be gradually transitioned to formal sector. It will also help to increase direct taxation and work satisfaction and job security for the employees.

Technological diffusion, innovation, creativity and applicable regulations by local-level planning with local-level law of the province is the key to deepen financial inclusion analysis where nano savings must be converted to nano investment. Community banking will be a catalyst in accelerating social networking and ultimately the empowerment of individuals.

A model concept established by Ali (2016) based on the above discussion in this section called Social Networking Model and empowerment of people through transformation of micro savings to micro investment with the help of community banking or may be call microbanking. But social education, in the form of formal or non-formal education, is highly vital to play a complementing aspect.

The Rabobank position (2005) explained that Rabobank was created in the Netherlands over a hundred years ago as a co-operative bank that provided small farmers with access to financial services and the local community with a safe place to save. Rabobank Group has always been based on the goal to allow people and organizations to participate completely and independently in economic life. Rabobank has established an integrated model of sustainable rural finance in emerging countries. In addition, Rabobank is active in worldwide platforms and partnerships with its various departments addressing the challenge of economic development in poor nations.

Mallick (2009) observed that interest rates of moneylenders increase with the proportion of households borrowing from Micro Financial Institutes (MFIs). Loans invested productively reduce the rate of interest of moneylenders. But the extension of the MFI program raises the interest rate for moneylenders in communities where more loans are used in productive economic activity. Since loans are used for constructive purposes, chances of payback are higher and moneylenders are able to charge lower rates of interest.

Dupas et al. (2012) noted that giving more access to financial services alone will assist just a minority, but broad success may not take place if the quality of services is not enhanced at the same time. But there are also issues on the demand side. More needs to be known about which savings and credit products are most appropriate for the majority of rural households.

According to Ngalemwa (2013) Village Community Banks (VICOBA) have played a vital role in the reduction of income poverty for individuals by allowing the poor to save and obtain credits. The VICOBA loan concept is a unique and powerful tool for the development of rural communities.

Halim et al. (2016) identified a non-linear relationship between income inequality and savings in Bangladesh. The savings response varies with different levels of income disparity. Furthermore, the nonlinearity is caused by changes in economic policy. Based on their data set they found that economic liberalization has improved the inequality status of the country and caused the savings GDP ratio to increase.

Valkenburg and Piotrowski (2017) stated that the negative spin that youth and media research often receives in the news can lead most people to assume that media have mostly negative effects on children and adolescents. The Sustainable Development Goals (SDGs) are 17 Goals that build on the Millennium Development Goals, and include new themes such as climate change, economic inequality, innovation, sustainable consumption, peace and justice, among other concerns. The goals are interlinked and success on one typically depends on addressing more traditional difficulties associated with another. In a spirit of teamwork and pragmatism, the SDGs aim to make the correct decisions today to improve life for future generations in a sustainable manner. They set out clear principles and benchmarks for all countries to follow according to their own priorities and the environmental problems of the globe at large. The SDGs are an all-embracing agenda. They get at the fundamental causes of poverty and bring us together to create a good difference for people and earth. “UNDP’s support to the 2030 Agenda is a top priority,” said Helen Clark, UNDP Administrator. The SDGs give us a single roadmap and agenda to address some of the most urgent concerns of our planet, such as poverty, climate change and violence. “UNDP has the experience and expertise to drive progress and help countries on the path to sustainable development.”

Ali et al. (2017) stated that policymakers should step forward to think how community banking with application of social networking may be employed in the local level planning system of the country. They also said that people should be careful about the usage of social media as reported by different dailies. The Bank for International Settlements (2019) said that governments clearly have the obligation for the complex societal questions of how to share and redistribute resources with tax policy and transfers.

These theoretical underpinnings accord with recent policy changes. The interim government’s Labour Reform Commission (2025) has tabled contributory social insurance for informal earners and a digital labour registration system, which would set the regulatory foundation for the functioning of societal banking. The Family Card initiative, begun in March 2026, illustrates a pragmatic application of social networking and digital financial inclusion concepts by distributing 2,500 BDT per month to female-headed families through mobile wallets.

3. Methodology of Study

From the above literature analysis and aims of the study, it was found that no clear study exists on the influence of social networking and community banking for conversion micro-savings to micro-investment. The aim of the work is thus to suggest a theoretical model. This study utilized secondary sources. The study period is from May 2025 to September 2025. The conceptual consideration of the objectives for the formulation of the model was done in the framework of the study. Moreover, the study managed to construct a theoretical framework in order to create a proposed

model by examining various literature. This is not a quantitative analysis; this is a qualitative analysis.

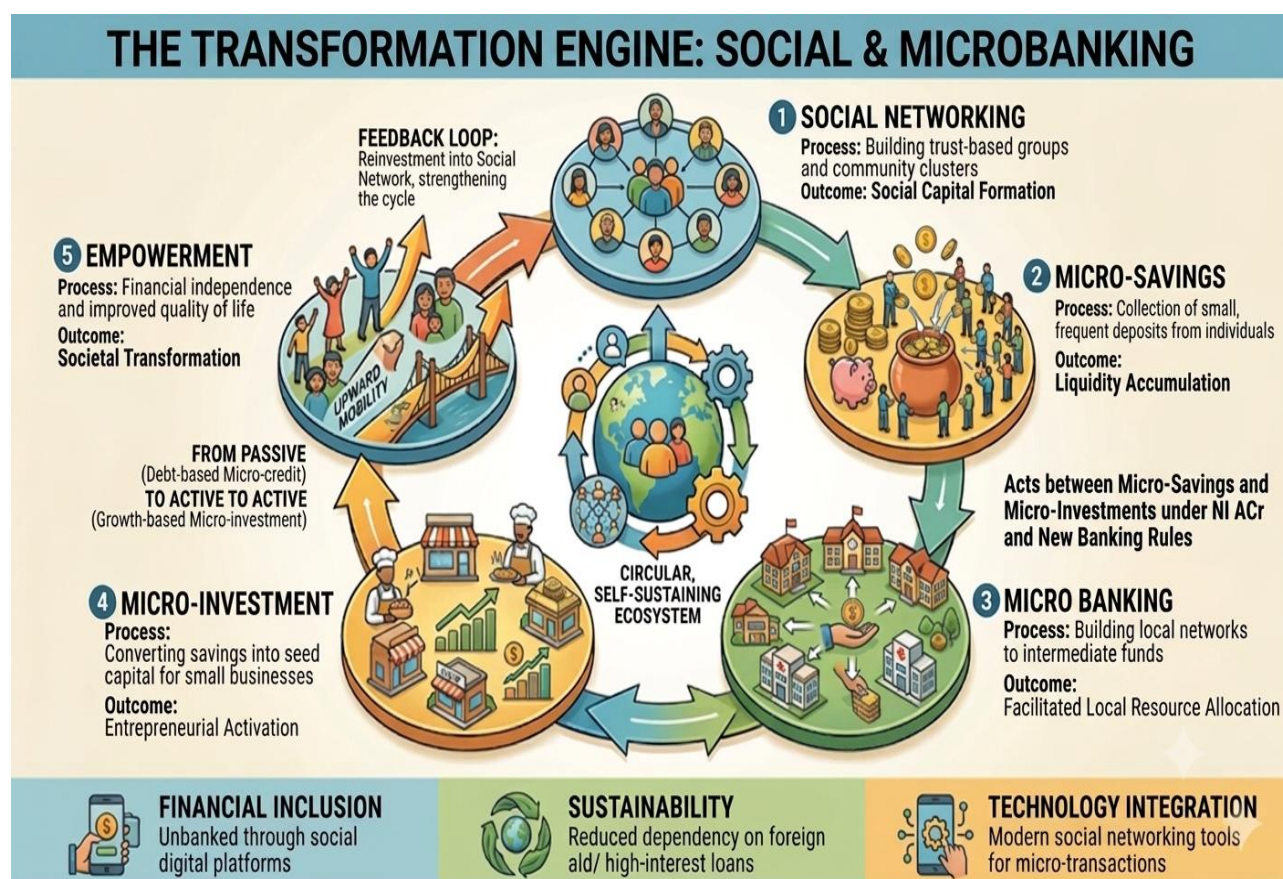
In future a different study may be undertaken considering social networking as a dependent variable. A separate study may incorporate community banking as a dependent variable. Independent variables could be social capital, social media, social business, social education, social entrepreneurship, purchasing capability, adding value, education level and rise of income level among the population. Another model might be designed incorporating micro-savings with social capital, social networking, societal/micro banking, competitive sustainability, efficiency, effectiveness and micro-investment as independent variables. Future study can be done by constructing a questionnaire to collect data as well as binary logistic regression and factor analysis. Alternatively, structural equation modeling may be used.

However, this study merely develops a proposed model because this is a conceptual study.

Suggested Model

The Social Networking Model, Micro Banking and Empowerment of People is depicted in Figure:5 below.

Figure:5 The Transformation Engine: Social and Micro Banking



(Source: Concept of a model built by Muhammad Mahboob Ali, 2016,2018 2020,2025,2026)

The proposed model can be examined by researchers from different countries. The author thanks the readers to contribute findings so the model can be scrutinized and refined as needed. The model given shows conversion of micro-savings into micro-investments. Bangladesh Govt. may set up Societal/Micro bank.

4 Results

The conclusions of this study try to depict the tight relationship between people's empowerment and social networking, social intelligence, social entrepreneurship, social capital, and social investment, which all act in a holistic way. Community banking promotes financial inclusion, which is helpful for overall development, creative ideas and ventures, increasing job opportunities and poverty reduction by enabling progressive changes for the underprivileged and deprived populations of the country through digitalization. This would also help in curbing the fraudulent operations of co-operative banks and fraud syndicates which are born out of lack of effective supervision and monitoring. Hence, the government needs to make efforts to set up community banking for the unbanked in a cost-efficient and successful way.

Acemoglu and Ozdaglar (2009) have shown that social and economic networks constitute promising ways of enhancing people's well-being and job creation through social networking and community banking. The social welfare is necessary to improve the disadvantaged groups. Multi-level marketing (MLM) businesses continue to indulge in all manner of deception, exploiting the greed and susceptibility of the weaker sectors of society.

However, there are reports of social media abuse especially targeting under 18 years old and female groups. There are further reports of social media being abused by terrorist organizations. The relevant authorities and cyber police in every country have to keep social media under constant surveillance. Social inclusion should be an important feature of community capacity building among teenagers. The adult population has the obligation to stay in meaningful contact with diverse communities, environments and ways of upbringing in an open global world and Guardians are important for that reason.

Social connections are incredibly crucial. Prior to social networking, people were in a bad situation, but after social networking, family income increased. After social networking, women entered into other income generating activities. They also began to restrict income, expenditure, credit and savings. As a result, they were able to take part more than before in household decision making. With social entrepreneurship, the transformation of rural savings into rural investment requires implementation and support at the local level planning. In many areas, people felt more empowered after using social networking than they did before. Technology, innovation and suitable regulation can help to advance the analysis of financial inclusion in which nano-savings have to be converted into nano-investment.

Leadbeater (1997) argued that social welfare can be promoted by systematically developing social entrepreneurship through community banking. Community banking will cut informal lending in rural regions. Mallick (2009) noted that Micro Financial Institutes (MFIs) need to reduce interest rates and his discovery that engagement in productive processes can lower interest rates is still important.

Rabobank of the Netherlands is a cooperative bank, which provides financial services to the small farmers and safe savings to the local people and can be a model for Bangladesh. One may adopt the suggestion of Ngalemwa (2013) that Village Community Banks (VICOBA) have benefited people by lowering income poverty and enabling the poor to save and obtain credit. The formal sector needs to be replaced by the informal sector to ensure employment possibilities with economic growth. Social

banking will enhance the pace of financial inclusion. Kathy (2025) in her policy brief gives significant policy justification for the societal banking model suggested in the study. It demonstrates that Bangladesh's social protection system is moving towards holistic, capability enhancing and dignity focused approach, the very atmosphere in which community banking can flourish. As democratic government starts working, so that researchers and policy makers can work together to convert micro-savings into micro-investments. Empower unbanked communities and accelerate progress towards equitable and sustainable development in Bangladesh by aligning societal/Micro banking with 9th Five-year plan and aftermath of the interim government.

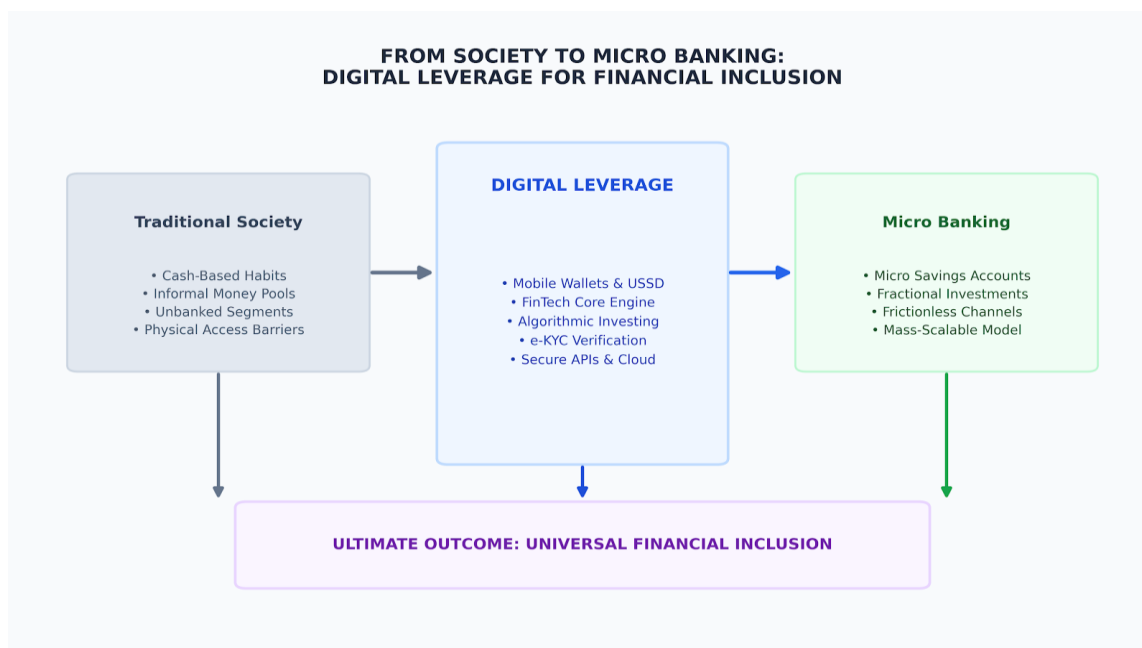
5. Discussion

The aggregate result of Ali (2025) and Ali (2026) have an important policy consequence for emerging economies such as Bangladesh. That is, micro banking is not only a poverty alleviation tool but also a macroeconomic stabilizer. Micro banking can be used to generate aggregate demand, reduce unemployment and cushion macroeconomic volatility by channeling micro savings to micro investment without the need for large scale external financing. This suggests that central banks and financial regulators in emerging economies should consider including the expansion of micro banking into their overall monetary and development policy frameworks' (2026) has revealed significant consequences for Bangladesh. The econometrics reveals that governance quality and democratic stability are the main drivers of GDP, and not only secondary elements. Political shocks create output contractions for ten years, whereas structural disruptions (2004 RMG boom, 2013 Rana Plaza, 2019 COVID-19) have permanently altered macroeconomic trajectories. The suggested Scientific Governance Index (SGI) comes as a much-needed diagnostic tool to replace ideologically driven policies with evidence based frameworks. The SGI directly addresses the institutional atrophy found to be the primary cause of Bangladesh's post-2016 slowdown. The findings of the study are in line with the modern assessments of the economy of Bangladesh. The IMF forecasts GDP growth of 4.7% for 2026-2027, but warns the country is facing "mounting macro-financial challenges from weak tax revenue and financial sector vulnerabilities". Similarly, the White Paper committee of the interim administration, Bhattacharya (2024), has pointed out that projections from the previous regime "were on weak foundation", especially with respect to health of the banking system, inflation and young employment. These confirm Ali's focus on the quality of governance and institutional reform as necessary for sustainable development.

Study Limitations

This work is developed in a theoretical way. Another work with co-authors sought to test the concept in just two villages of the country. But further empirical testing is necessary, not only in Bangladesh but also in the worldwide arena, to fully formulate the theory. If the theory is found practical, then its implementation in real-life situations will be required, for which the policymakers may take suitable steps.

Figure:6 From Society to Micro Banking



(Source: Author)

The Beginning Point: Traditional Society is described in Figure 6.

Financial security was socially and hyper-local prior to formal digitization:

Informal Financial Vehicles: Local savings circles and rotating credit groups are examples of cash-based, community-pooled funds that are very important to communities.

Friction Points: Low-income groups are kept out of traditional banking networks by high physical obstacles, a lack of institutional trust, and structural overhead.

Digital Leverage: The Catalyst

The operating motor that turns unbanked populations into engaged market players is digital technologies. This layer makes use of:

Infrastructure optimization includes USSD networks, mobile wallets, and inexpensive e-KYC procedures that eliminate the hassle of traditional bank branches.

Micro-Architecture Engine: Scalable cloud architectures, high-volume transactional processing pipelines, and automated APIs that reduce institutional operating costs to pennies per transaction.

The Micro Banking Ecosystem as the Endpoint

Financial institutions can create affordable, sustainable micro-products by leveraging digital leverage:

Micro Savings: Yield-bearing accounts with no minimum balance requirements that promote small-scale cash conservation practices.

Micro Investment: Using mobile applications, consumers can directly invest spare change through fractional asset ownership and micro-mutual fund portfolios.

Financial Inclusion as the ultimate goal

By bringing historically underrepresented groups into the regulated financial system and fostering genuine macroeconomic resilience, this pipeline broadens the conventional bounds of formal finance.

6.Conclusions

Ali's study of SMBE financing and community banking transcends borrowers' expectations and challenges micro-banking on welfare economics and so confronts Bangladesh's structural crossroads. The rapid transfer of the workforce from agriculture to the informal service sector has left millions of people with precarious and insecure jobs.

Social networking and community banking can be done at all levels of administration, from Union Parishad to the central financial authority. These ways can make microsavings work like microinvestments. This institutional reorganisation will be detrimental to Bangladesh's demographic dividend and would result in massive wealth inequality and serious economic turmoil.

To address the demographic challenge of dropping birth rates and to assist educated youths suffering high unemployment rates, specialized organizations such as Bangladesh Krishi Bank, Bangladesh Karmashangstan Bank, and PKSf should take the following steps:

Ali (2016, 2018, 2025) promotes a model of social networking, community banking and personal empowerment.

The idea of microinvestments is linked to the investment of microsavings.

Achieving the best Pareto efficiency

Systematically assist the less-fortunate in microbanking accomplish a Pareto optimality.

Vulnerability of towns located near rivers and beaches

Women, people of color, and people with disabilities are all under-represented.

Agriculturalists without land access and informal sector laborers

This arrangement is a radical departure from standard banking methods based on collateral. We need a complete piece of legislation that provides discounted interest rates, flexible repayment periods based on the agricultural seasons and good protection against climate-related hazards. These outcomes lead to social welfare gains such as higher purchasing power, preventive healthcare, healthy food, clean water, adequate sanitation, educational investment, climate-resilient housing, and lower maternal and newborn death rates. The advantages far outweigh the transaction costs and subsidies associated with these outcomes. The results have unambiguously verified the welfare criteria of Kaldor-Hicks-Scitovsky.

2. Strategic dimensions comprising several components

The integrated combination of the four interconnected pillars provides a holistic strategy for financial inclusion, and hence improves societal welfare.

Integrating climate and health policy involves establishing microfinance schemes to address the specific vulnerabilities of impoverished areas, implementing structured grace periods during cyclone seasons, and synchronizing loan repayment dates with agricultural harvest cycles.

Bangladesh has advanced mobile financial services, including bKash and Nagad, and agent banking networks that could be harnessed for digitization to reduce transaction costs, enhance operational transparency, offer flexible repayment mechanisms, and allow targeted subsidies through biometric digital identity systems.

Food Security: Microcredit tied to climate-resilient agriculture, such as finance for drought- and salt-tolerant crop varieties, efficient irrigation systems, sustainable aquaculture and special "food security loans" with flexible repayment terms that can be deferred.

Housing finance can help provide subsidized loans for climate-resilient buildings including elevated foundations, cyclone resistant roofing, salt resistant materials and climate risk insurance to avoid poverty traps exacerbated by climate change.

Three. Economic and social implications and local governance

According to Ali (2026), good governance and strong institutions increase gross domestic product (GDP) and reduce dependency on foreign remittances. Microfinance in Rural Areas

Prevents asset divestment during crises.

Income is disrupted by climate change, and it helps to balance household spending.

It helps to support rural community development and improve economic opportunities.

Lowers the financial burden on the government for emergency humanitarian aid.

Household savings are used to formalize the informal sector.

This paradigm goes beyond temporary solutions such as the traditional agent banking system, establishing a legal regulating body for social and community banking. The organization uses service fees and transaction expenses to the minimum to fulfill the Hicks-Kaldor-Scitovsky distribution criterion, which protects vulnerable rural areas.

Social welfare system and grassroots organizations

The local administrative units help the community to develop by using different strategies.

Livelihood programmes emphasize the execution of large scale employment generation and food security programmes like Kazer Binimoy (Work for Food/Cash) and Khadhya Karmoshuchi.

The administration of safety nets includes the management of important social safety mechanisms such as the coordination of family card distribution channels

Effective and targeted efficiency depends on rigorous monitoring and assessment to guarantee that safety net services are accurate, transparent and generally effective.

Economic Empowerment Improving small, cottage and micro enterprises (MSMEs) located outside the big cities, need access to finance, training and linkages to markets.

Four: Government regulation of microfinance institutions.

The Bangladeshi government is responsible for creating and maintaining the microbanking infrastructure in the six areas where it operates:

Normative and institutional analysis

A distinct regulatory body should be created to oversee social and community banking, with clear missions, enforcement capabilities and robust accountability mechanisms.

Need to examine effectiveness of subsidized interest rates, flexible repayment options and wide-ranging climate risk insurance.

Simplify Know Your Customer (KYC) to open up global access with simple birth certificates and local authority endorsements.

In order to prevent unethical business activities and excessive indebtedness, it is necessary to establish fair criteria for debt collection, set a limit on interest rates and create adequate mechanisms for dispute resolution.

Section II. Provide support (financial and infrastructure)

Collaborate with Bangladesh Bank to build and control microbanks that focus entirely on microfinance.

The creation of a well-financed Micro-Banking Development Fund will enhance operational efficiency and support the incorporation of modern technologies.

We are enhancing the digital financial infrastructure in remote and climate-sensitive areas using bKash, Nagad and agent banking networks.

Facilitate the linking of the designated systems and the NID biometric verification system to improve the registration of the marginalised groups and allocation of the subsidies.

Three. Decentralized framework for local-level planning

The shift of financial decision making to the Union Parishad and Upazila level enables communities to select investments that respond to the specific hazards of their geography.

Local micro-banking co-ordination committees may be set up, including representation from government, non-governmental organisations, notable community leaders and financial institutions.

“Micro-banking initiatives should be aligned with regional goals for climate adaptation, agricultural development and healthcare infrastructure.

IV. Climate and Health Convergence

Conduct rigorous continuing research to create micro-banking solutions to address climate risk.

Use micro-banking systems and local food distribution networks to better distribute government food subsidies.

The combination of microfinance with national health insurance and climate adaption efforts might give positive results.

Use digital data analytics as early warning systems to enable changes in loan repayments and spot areas that need support after a disaster.

Five. PROTOCOL FOR IMPLEMENTATION AND LEGAL RESPONSIBILITIES
Crack down on fraudulent multi-level marketing (MLM) schemes that rob financially uneducated households of their possessions.

There must be strong legal consequences to prevent abusive debt collection, predatory lending and financial exploitation.

All microprojects applying for funding must meet worldwide requirements for reliable infrastructure and sustainable urban development.

6. Assessment, supervision and examination of the situation
Periodic evaluation of effect measurements is recommended. Some of the indicators are poverty reduction rates, Gini coefficient, levels of financial inclusion and social wellbeing measures.

All microbanks involved will be audited independently and the results will be made public.

There is a need to empirically examine, enrich and expand Ali's (2016, 2018, 2025) Theory of Social Networking, Societal Banking and Empowerment to determine the conversion of micro-savings into micro-investments.

Five. Development Nongovernmental Groups and Their Strategic Functions
By virtue of their grassroots assets and operational expertise, leading non-governmental organizations (NGOs) such as BRAC, Grameen Bank, and ASA can play a pivotal role in the development of micro-banking in five critical areas:

Local Mobilization: Bringing together geographically dispersed communities vulnerable to climate change into self-help groups, cooperatives, and village savings and loan associations, with emphasis on the inclusion of women, ethnic minorities, landless farmers, and people with disabilities.

Designing and delivering entails providing customized products like climate-resilient housing loans, harvest-linked agricultural financing and deferred food security loans, and mobilizing well-established non-governmental organization (NGO) initiatives in health, education and livelihoods.

Technical assistance and capacity building activities include visually customized financial literacy training for clients with low reading skills and training loan officers in client-centric approaches, ethical lending practices, and climate risk assessment.

Field studies assessing the practical consequences of climate-risk insurance and housing microfinance using advanced econometric modelling, shadow pricing and

cost-benefit analysis to test utility theories. The research is divided into innovation and action research.

Through campaigning and policy, we may integrate community perspectives into national decision-making processes to advocate for decentralized local planning, independent regulatory monitoring, and targeted government subsidies.

6. Strategic Alliances and Orchestration of Different Ecosystems

Public Sector, Private/Technology Sector, Grassroots/Non-Governmental Organizations: Bangladesh Bank and Ministries; bKash, Nagad, Master Financial Services, Information Technology; BRAC, Grameen and ASA Microfinance Institutions. National Micro-Banking Coordination Council (Framework of Public-Private Partnership): Products integrated in financial, environmental and social safety nets.

The two most prevalent types are public-private partnerships (PPPs) and multi-stakeholder collaboration.

There should be a formal National Micro-Banking Coordination Council that includes government, Bangladesh Bank, NGOs, commercial banks, microfinance service providers (bKash, Nagad), technology companies and development partners (World Bank, Asian Development Bank and United Nations Development Program). This macro-alliance enables integration across four key pillars:

Commercial banks, NGOs, microfinance, cooperatives are key partners in the primary activities and services. Microfinance organizations offer subsidized loans, flexible payback terms and ecologically sustainable products.

Micro-Savings Mobile Financial Services (MFS), Agent Banking and Post Offices offer accounts that are quickly accessible with cheap fees, facilitate efficient cash management and have low transaction costs.

Insurers, government and non-governmental organizations (NGOs) provide micro-insurance, including agricultural, health, climate-risk and structural home protection.

Digital technologies are infrastructure for digital transactions, technology companies, bKash, Nagad, financial institutions, digital payment systems, real time transaction monitoring and biometric authentication.

The capacity building also extends to educational institutions, non-governmental organizations (NGOs) and local authorities with focus on education on climate risk, financial literacy and micro-entrepreneurship.

Social protection programs like cash transfers, digital food subsidies and building of safety nets are undertaken in collaboration with non-governmental organizations, development partners and the central government.

Change the national policy

The microbanking system has to be consistent with key national and international objectives for policy coherence.

Bangladesh Delta Plan 2100 gives priority to finance for climate-resilient local infrastructure.

Consideration of macro policies in the National Social Protection Strategy and the National Adaptation Plan.

The global commitments highlight advances on the United Nations Sustainable Development Goals (SDG 1: No Poverty, SDG 5: Gender Equality, SDG 8: Decent Work, SDG 10: Reduced Inequalities, SDG 13: Climate Action and SDG 17: Partnerships) and initiatives outlined in the Paris Agreement and the Sendai Framework.

Results: Improving Research and Accountability

In ecology, openness and sustainability in time are paramount.

Use of randomized controlled trials (RCTs), quasi-experimental designs and mixed methods to undertake impact assessments.

The real social return on investment (SROI) of community banking systems is estimated based on the shadow pricing and cost-benefit analysis.

We need to open channels for the voice of the community and encourage honest reporting so that natural improvements can take place.

Research Agenda for the Near Future

This technique has to be validated and propagated worldwide by thorough field testing by academics and practitioners. Additional topics for study can include:

Application of sophisticated econometric modeling to ascertain the core parts of empowerment within Ali's theory.

A comparative study on the suggested micro-banking framework and the historical institutional constraints or structural weaknesses of PKSf is warranted. This will enable the system to be responsive, safe and stable by making structural improvements quickly and iteratively, using the Plan-Do-Check-Act (PDCA) approach.

References

- Acemoglu, Daron and Ozdaglar, Asu (2009). Lecture 2: Graph Theory and Social Networks, 6.207/14.15: Networks, MIT, September 14, <http://economics.mit.edu/files/4620> viewed on 21st February, 2017
- Adler, M. D. (2000). Beyond efficiency and procedure: A welfarist theory of regulation. *Florida State University Law Review*, 28(1), Article 7. <https://ir.law.fsu.edu/cgi/viewcontent.cgi?article=1662&context=lr>
- Ahmed, Momtaz Uddin (2015). "Entrepreneurship and economic Development: A Discourse on selected conceptual issues", *Daffodil International University Journal of Business and Economics*, Vol.9, No.1, pp.187-193; June.
- Alamgir, Dewan A. H. (2009). State of Microfinance in Bangladesh, Prepared for Institute of Microfinance (InM) As part of the project on State of Microfinance in SAARC Countries, inm.org.bd/wp-content/themes/inm/pdf/Bangladesh.pdf (Viewed on 1st June, 2017)
- Ali, M. M. (2015). Borrowers' perception: SMBEs financing by the banking sector of Bangladesh. *Amity Business Journal*, 4*(1), 32-47.
- Ali, Muhammad Mahboob (2016). "social networking, community banking and empowerment of people: alternative framework for welfare of human being",

- presented at the 14th Asian business research conference on 30 - 31 December, 2016 ,biam foundation, dhaka, Bangladesh organized by world business institute ,Australia.
- Ali,Muhmmad Mahboob (2017).Testing the theory of social networking on empowerment of people Specially women at two villages in Bangladesh: a filed investigation, Ecoforum , 6(2) ,May
- Ali, M. M. (2018). Need to test proposed theory on social networking, community banking and empowerment of people: A conceptual view. *Amity Business Journal*, 7 (1), 22-37. https://www.amity.edu/lucknow/abs/pdf/vol_7_no_1.pdf
- Ali, M. M. (2025). The impact of micro banking expansion on macroeconomic outcomes: A time series and PLS-SEM analysis of unemployment and poverty in Bangladesh. *The Journal of Social, Political and Economic Studies*, 50 (2), 186–201. <https://thejspes.com/vol50-a17>
- Ali, M. M. (2026). Macroeconomics, governance, and economic development in Bangladesh (1999-2024): An econometric analysis of structural breaks and a proposed SGI. *Scientific Culture*, 12 (2.1), 4159–4172. <https://doi.org/10.5281/zenodo.18930689>
- Arvidsson, Adam and Niessen, Bertram (2015), “Creative mass. Consumption, creativity and innovation on Bangkok's fashion markets”, *Consumption, Markets & Culture*. April, Vol. 18 Issue 2, pp.111-132.
- Bangladesh Awami league (2017). “HPM Sheikh Hasina launches Palli Sanchay Bank”, <https://albd.org/index.php/en/updates/news/3805-hpm-sheikh-hasina-launches-palli-sanchay-bank> viewed on 21st February,2017
- Bank for International Settlements (2019). Welfare implications of digital financial innovation, <https://www.bis.org/speeches/sp191120.pdf> (viewed on 1st April,2022)
- BarNir ,Anat and Smith, Ken A. (2002), “Inter firm Alliances in the Small Business: The Role of Social Networks” ,*Journal of Small Business Management* ,Volume 40, Issue 3,pages 219–232, July.
- Batool, Bano Fakhra (2013). Emotional Intelligence and Effective Leadership *Journal of Business Studies Quarterly*, Volume 4, Number 3, pp.85-92
- Bhattacharya, D. (Chair). (2024). *White paper on the state of Bangladesh's economy* [Unpublished manuscript]. Committee on the White Paper on the State of Bangladesh's Economy, Interim Government of Bangladesh.
- BRDB (2017). Bangladesh Rural Development Board, http://brdb.gov.bd/index.php?option=com_content&task=view&id=318&Itemid=376 (viewed on 21 st February, 2017).
- Chambers, Majbritt and Vejle,Knud Erik Serup (2011). “Thematic Working Group Report on Incubators for Creative Entrepreneurs based on 27 case studies-Creative Growth”, Interreg IVC,Denmark, pp.3-63.
- Daily Star, Bangladesh (2011): Multilevel marketing business-Swindlers thrive on missing regulations, Janaury, 18
- Dhaka Tribune (2017). Budget FY2017-18: Govt to widen social safety net, 2nd June
- de Bruin, A. (2005). Multi-Level Entrepreneurship in the Creative Industries: New Zealand’s Screen Production Industry, *International Journal of Entrepreneurship and Innovation*, 6(3) August, 143-150.
- Dollinger, Marc J. (2008).*Entrepreneurship: strategies and resources*, 4th ed., pp.208-237.
- Dupas, Pascaline et al.(2012). Challenges in Banking the Rural Poor: Evidence from Kenya’s Western Province, https://web.stanford.edu/~pdupas/Challenges_DupasEtAl2011.pdf viewed on 1st March, 2017, pp.1-19

- Foord, Jo (2008). "Strategies for creative industries: an international review", *Creative Industries Journal*, Volume 1 Number 2, Pages 91-113. <http://ilo.org/dhaka/Areasofwork/informal-economy/lang--en/index.htm>, viewed on 1st March, 2017
- Halim, Mohammed Abdul et al. (2016). *Savings and Income Inequality in Bangladesh*, Working Paper Series: WP No 1617, Bangladesh Bank
- Hicks, John R. (1939). "The Foundations of Welfare Economics." *The Economic Journal*, 49(196), 696–712. (Also related: Hicks, J.R. (1940). "The Valuation of the Social Income." *Economica*).
- Jahan, Sabnam and Ullah, Md. Mamin (2016). *Entrepreneurship in a social context: A conceptual view*, Daffodil international university *Journal of Business and Economics*, Vol.10, No.1, June, pp.204-21.
- Kaldor, N. (1939). *Welfare propositions of economics and interpersonal comparisons of utility*. *The Economic Journal*, 49(195), 549–552. [Oxford Academic](#)
- Khan, Mohammad Mahbbat (2008). "From Government to Governance-Expanding the Horizon of public administration and public management," *The UPL*, pp.258-270.
- Kaldor, Nicholas (1939). "Welfare Propositions of Economics and Interpersonal Comparisons of Utility." *The Economic Journal*, 49(195), 549–552.
- Karnani, Aneel (2007). "Microfinance Misses Its Mark", *Stanford Social Innovation Review*, Summer, https://ssir.org/articles/entry/microfinance_misses_its_mark (Viewed on 1st January, 2017)
- Kochanek Stanley A. (2009). "The Growing commercialization of Power", *Bangladesh – Promise and Performance*, Rounaq Jahn (editor), *The UPL*, p.149
- Lake, Ronald La Due and Huckfeldt, Robert (1998), *Social Capital, Social Networks, and Political Participation*, *Political Psychology* 19(3) 567-584.
- Lapenu, Cécile (2009). *The role of the state in promoting microfinance institutions*, FCND discussion paper no. 89, International Food Policy Research Institute, pp.1-35
- Leadbeater, Charles (1997), "The rise of the social entrepreneur", <https://www.demos.co.uk/files/theriseofthesocialentrepreneur.pdf>
- Marinova E. and Borza A. (2015). "Entrepreneurship and innovation management in the cultural and creative industries", *Managerial*. 2015, Vol. 8 Issue 2, pp.1-6.
- Müller, Klaus et al. (2011). "The Craft and Trade Sector in the Culture and Creative Industries", <https://www.kultur-kreativ-wirtschaft.de/KuK/Redaktion/PDF/handwerk-in-der-kultur-und-kreativwirtschaft-englische-fassung,property=pdf,bereich=kuk,sprache=de,rwb=true.pdf> (accessed on 26th March, 2016).
- Moving on (2016). "Too Much Social Networking Stunted Your Social Intelligence?", <http://movingonmagazine.co.uk/has-too-much-social-networking-stunted-your-social-intelligence/> (Viewed on 1st January, 2017)
- <http://www.undp.org/content/undp/en/home/sustainable-development-goals.html>, 1st March, 2017)
- Ngalemwa, Deborah Mukungu (2013). *The contribution of village community banks to income Poverty alleviation in RUFJI delta*, A dissertation submitted in partial fulfillment of the Requirements for the degree of Master of Arts in rural Development of so Koine university of agriculture, Morogoro, Tanzania, pp.52-53

- <http://suair.suanet.ac.tz:8080/xmlui/bitstream/handle/123456789/479/DEBORAH%20MUKUNGU%20NGALEMWA.pdf?sequence=1&isAllowed=y>(Viewed on 1st March,2017)
- Pareto, V. (1906). *Manuale d'economia politica* [Manual of political economy]. Società editrice libraria
- Phillips, Ronnie J.(2010).“Arts Entrepreneurship and Economic Development: Can Every City be 'Austintatious'? “, *Foundations and Trends in Entrepreneurship*, 6(4) ,264-270.
- Rahman,Atiur (2013). *Incisive Finance and sustainable Development*, Bangladesh Institute of bank management, pp.153-158.
- Rahman, Ishtiaq (2017). “ Labor Force Survey Bangladesh 2015-16: Economic Realignment Imperative for Addressing Unemployment”, <http://www.lightcastlebd.com/blog/2017/06/labor-force-survey-bangladesh-2015-16-economic-realignment-imperative-addressing-unemployment> (Viewed on 20 June, 2017)
- Rattanawiboonsom, Vichayan and Ali, Muhammad Mahaboob (2016). Factors affecting entrepreneurial management in Bangladesh: an empirical analysis, *Student Ways*, Dhaka, Bangladesh, 21September.
- Riggio, Ronald E (2014).” Cutting-Edge Leadership -What Is Social Intelligence? Why Does It Matter?” July 1, <https://www.psychologytoday.com/blog/cutting-edge-leadership/201407/what-is-social-intelligence-why-does-it-matter>(viewed on 1st March, 2017)
- Mallick, Debdulal (2009). *Microfinance and Moneylender Interest Rate: Evidence from Bangladesh*, https://mpra.ub.uni-muenchen.de/17800/1/MPRA_paper_17800.pdf(Viewed on 1st June, 2017).
- Mishra, D., Kandpal, V., Agarwal, N., & Srivastava, B. (2024). Financial Inclusion and Its Ripple Effects on Socio-Economic Development: A Comprehensive Review. *Journal of Risk and Financial Management*, 17(3), 105. <https://doi.org/10.3390/jrfm17030105>
- Ritzer, G. (2001). *Contemporary Sociological Theory and Its Classical Roots: The Basics* (2nd edition). The McGraw-HILL Companies, INC
- Sarker, S., & Rahman, I. (2025). *Digital financial inclusion in Bangladesh: Unlocking opportunities for marginalized populations*, *Asian Journal of Economics, Business and Accounting*, 25 (3), 10.9734/ajeba/2025/v25i31704
- Scherdin, Mikael and Zander, Ivo (2011). “Art Entrepreneurship: An introduction” in *Art Entrepreneurship*, Edward Elgar Publishing, pp.1-4.
- Scitovsky, Tibor (1941). "A Note on Welfare Propositions in Economics." *The Review of Economic Studies*, 9(1), 77–88. (Introduces the Scitovsky paradox and double criterion).
- Scroope, C. (2017). Core concepts. In *Bangladeshi culture. Cultural Atlas. Mosaica*. <https://culturalatlas.sbs.com.au/bangladeshi-culture/bangladeshi-culture-core-concepts>
- Siddique, Abul K. (2008). ”Bank Credit for the Missing Middle in Bangladesh”, *The Bangladesh Economy-Diagnoses and Prescriptions*, Syed Saad Andaleeb (Editor), The University Press limited,pp.235-259
- SME Foundation (2017). SME WEBPORTAL, http://www.smef.org.bd/v2/index.php?popup_anywhere_preview=true (viewed on 21 st February, 2017).
- Teece, David J. (2010). “Business Models, Business Strategy and Innovation”, *Long Range Planning*, Volume 43, Issues 2–3, Pages 172–194.

The Rabobank View (2005).” Access to financial services in developing countries”, September, pp.3-27

Valkenburg, Patti M.and Piotrowski, Jessica Taylor(2017).” plugged In How Media Attract and Affect Youth ‘’, Yale University Press

Williams, Aime(2016). Millennia’s set to embrace micro-investing, The Financial Times Limited, June.

United Nations (2006). Building Inclusive Financial Sectors for Development, pp.1-159

Appendix:

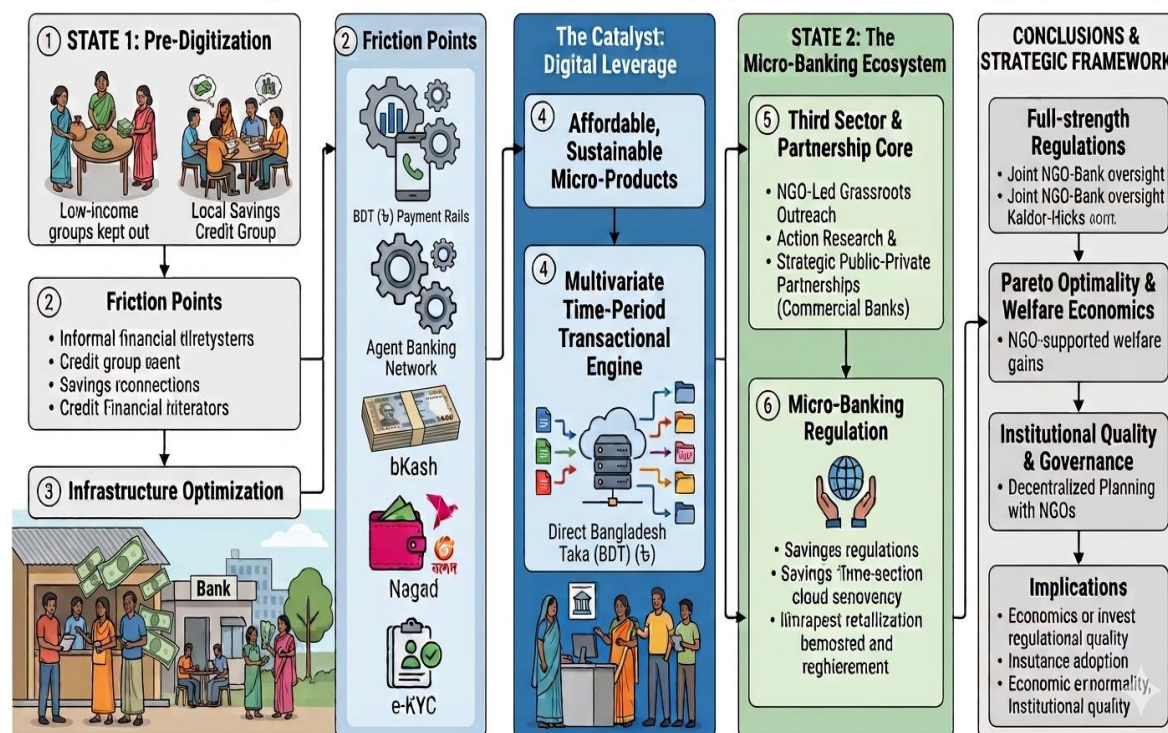
Table: 1A. Important Terms Definitions

Micro, social, community banking: Bringing underserved people into formal banking through trusted local intermediaries. Microsavings (little, regular deposits) generate micro-investments (local revenue generating firms) that increase social welfare. Society banking is based on collective benefit, not on profit, as is the case with microfinance and macro-credit.
The unbanked: In the absence of savings, credit or insurance, people and enterprises turn to informal sources. They are the target of social banking to convert micro-savings into micro-investments.
Micro savings: Low-income persons and households often contribute to support micro-investments through community based institutions.
The Social Capital: Trust, norms, reciprocity and knowledge in social networks enhance collective action, reduce transaction costs and allow the aggregation and use of micro-savings in community banking.
Micro-investment: Invest in small companies, cattle or equipment to improve livelihoods via micro savings or microcredit Micro-investments embedded in the community prioritize local resilience over profit.
Social Networking Theory of Empowerment: A model of community network empowerment based on social capital, social intelligence and entrepreneurship. These networks invest micro-savings in social banking micro-investments, creating a better financial inclusion than microfinance loans.
Inclusion in finance: Providing low-cost financial products to all strata of society. Social banking connects micro-savings and micro-investments, enhancing microfinance and setting it apart from macro-credit which leaves the poor behind.
Self-empowerment: The poor’s capacity to budget and save. Social banking handles micro-savings and micro-investments and increases household decision-making, unlike microfinance or centralized macro-credit.
Culture of Bangladesh: Economic and financial activities of Bangladesh are characterized by social conventions, attitudes, religious rites, familial frameworks, gender roles and informal organizations. We find that culture shapes social banking solutions through collective decision-making, trust in local leaders, gendered mobility norms, and savings club acceptability.
Economic Sociology: Economics is not only about money, it is also about the social structures, cultural norms, institutions and networks that shape economic outcomes. Economic sociology shows that social banking micro-savings, micro-investments, financial inclusion and empowerment are affected by community ties, trust, power relations and cultural traditions.

(Source: Author)

Figure:1 A, From informal to integrated: Micro-banking ecosystem using digital leverage and strategic partnerships

From informal to integrated: Micro-banking ecosystem using digital leverage and strategic partnerships



In the Figure :1 A, from informal to integrated: Micro-banking ecosystem using digital leverage and strategic partnerships, illustrates the financial inclusion journey of Bangladesh. Steps for formal & inclusive micro-banking environment through pre-digitization. Detail Schematic:

“Digital innovation, breaking down barriers.

The illustration depicts how financial institutions can make sustainable and cheap micro-products available to the poor using digital technologies and smart collaboration. It extends formal market to unbanked and poor income. strengthens the macro economy.

Non-digital financial instruments

IT security was social, and localized. Community funds were used.

Rotary credit associations, local savings circles.

And the physical distance, the lack of faith in institutions, and the high structural overheads of those on low incomes keep them out of the traditional financial networks.

Catalysts for Leveraging Digital Infrastructure

Digital technology eases hardships of unbanked at bank branches

Options available are bKash, Nagad mobile wallets, USSD and low cost e-KYC.

Micrometer

This operational core is why micro-banking costs so little.

High volume transactional processing pipelines, scalable cloud architectures and automated API's reduce the operational expenses of institutions to pennies per transaction.

Micro Banking Ecosystem (Central Third Sector and Cooperation)

Financial institutions leverage key ties to create micro-banking systems via technology.

Focus: Grassroots outreach driven by NGOs, action research, new public-private cooperation with commercial banks

Micro-banking guidelines

In order to prevent exploitation and to ensure wellbeing of society, rigorous management of ecosystem is essential.

Focus on debt collection, interest rate ceilings, complaint procedures to avoid over-indebtedness.

Microproducts: Affordable & Green

This technique enables the unbanked and historically disadvantaged to produce low cost sustainable micro-products. Product(s) included:

The no minimum yield provides for small scale cash conserving.

Now users may turn their pocket change into fractional ownership of assets and micro-mutual funds via mobile apps.

Macro-Robustness (Summary and Tactic)

The figure examines the possibility of micro-banking to address structural unemployment and climate vulnerability of Bangladesh's agriculture and service-informal sectors from welfare economics perspective. Three factors of positive social welfare technique (Pareto optimality)

Microfinance options that include climate-health methods include weather insurance and loan repayment connected to harvest.

9% home loans for raised plinths, cyclone proof roofing and salinity proof materials.

Food security loans and drought and salt tolerance crops are associated with microcredit and climate-smart agriculture.

Micro-Banking: Impact

Some of the advantages of micro-banking as a formal finance are:

Create jobs Formalize the informal economy Reduce the Gini coefficient

UN Sustainable Development Goals Gender Equality Decent Work Progress on

Healthy human capital: better nutrition, less inherited poverty