

ELECTRONIC PAYMENT SYSTEM IN BANGLADESH

FROM PAGE 8

should be reduced to a convenient level. Now all the garment factories provide ID cards to their workers. So if we can make an arrangement where the ID card can be used as debt card then a large number of the working population will get access to banking services.

Kamal Quadir, CEO, bKash

Mobile financial service is a highly regulated service now. Bangladesh Bank has clearly defined the role of each stakeholder, from the sale of handsets to the provision of financial services through it. And that has given birth to fifteen million accounts in the last three years. bKash like companies are designed to serve the poor. In Bangladesh there are two major advantages in creating mobile financial services: robust presence of mobile network and possibility of building an efficient distribution arrangement. bKash has capitalised both of these strengths. Another important contributor is the clear role of regulators. If we look at the price sector, 80% revenue goes to the agent. They are playing the biggest role. Then come the mobile financial service operators, who are providing the major resource and, finally, the service provider. In Bangladesh service of electronic payment is significantly cheap and quite affordable for the poor. On the security side, with the rise of smart phones the electronic payment service will be safer.

Mohammad Badrul Ahsan, Editor, Weekly First News

I was closely involved with the introduction of the ATM booth service. We are still talking about the same problem that was 19 years ago. Initially we arranged electronic camera, telephone and restricted entrance of more than one person as a safety measure. I am very happy to see the advancement in this sector. Customer experience is much better than in the past. Now people do not go for TT anymore. Now the challenge lies in expansion of this service and engagement of the rural population. Now people are using more than one mobile because there are so many mobile companies and people can afford it. It happens due to the economic growth of the country. If the economic power can be generated more people will certainly look for banking services.

Kh. Ali Kamran Al Zahid, Deputy Director, Bangladesh Bank Payment Systems Dept.

The role of Bangladesh Bank is to regulate a safe and secure payment system. To ensure this Bangladesh Bank has taken some initiatives to implement the electronic payment like Bangladesh Automated Clearing House, BFTN, electronic payment gateway and so on. Now, we are on RTGS which stands for Real Time Gross Settlement.

We divide the payment system into two broad categories. One is user based that means retail payment segment where the customers use the payment system to operate business transactions. And the other one is the high value payment segment where the business to business transaction or corporate to corporate transaction happens. In the retail payment segment we are improving a lot through introducing BFTN, national payment switch, mobile banking like services. Currently we are focusing on the high value payment segment which will be based on RTGS. Our regulation system is focused on innovation. Through innovation we will meet the challenges.

We have already prepared a draft of Payment System Act. We are trying to implement it within a very short time. I hope implementation of the Act will automatically resolve many problems in our existing payment system.

A N MN Nurul Haque, Ex Banker It is said that electric banking is more secure. But a private sector bank experienced a major fault in credit card where 21 credit cards were used for forging about 100 million taka. Similar thing happened with another private and one public sector bank. So how secure is the electronic bank-

ing system? Some banks are charging high amount of service charge in the name of electronic

banking. It is not friendly to poor clients. Muhammad A. (Rumee) Ali, Director, **BRAC Bank**

We first need to understand the definition of e-payment that is electronic payment. It is not new in Bangladesh. People used telephones for payment and that is also a form of electronic payment. Card is also a form of e-payment. So e-payment has been in Bangladesh for sometime.

In the recent past, improvement in technology has allowed a significant increase in inclusivity through e-payment and that means a section of people who earlier had no access to formal financial system of the country are now getting access. Who are these people? They are the vulnerable section of our population.

Now I want to focus on two things: security and access. They converge with each other. Sometimes in giving access you

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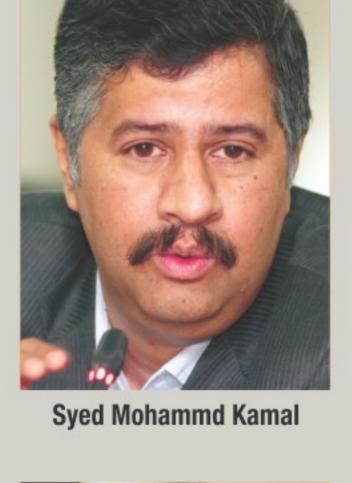
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access. Both are extremely important and

bank that they are regulating it. This is

protecting poor people. If you lose their

trust you lose them. A regulator needs to

hold constant dialogue with all the stake-

holders to keep track of changes and chal-

lenges. If we want to create access we have

security system. They are interlinked. The

nomic system the longer they are poor. By

economic system. That is why a tremen-

technology. I think Grameenphone has

such an inclusive platform.

dous benefit has come through cell phone

been playing an important role in creating

to cut down price and if you want lower

price you have to make sure about the

longer you keep people out of the eco-



Pial Islam



A M M Moyen Uddin



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create risk and in lower security you create Pial Islam, pi Strategy Two things I want to highlight. One is the need to be managed. I fully support central skill dimension. You cannot be successful for a long period with limited skill. So we need innovative partnerships not only with important not only for money but also for banks but also with the MFIs and telcos.

> The second comment is on regulation. There are three dimensions of regulation: right kind of policy, enforceability and fraud. Beyond these we also need consistency of policies. We have multiple players in the electronic payment system and all of them need to be treated equally. We have to provide the same kind of flexibility and competitive environment to all of them.

In Bangladesh, mobile banking is at a mobile banking we can involve them in the very early stage. When people see a report on fraud it creates negative perception about mobile banking. So our reporters should consider this from a responsible and long term point of view. I want to mention that this does not anyhow imply

to hide incidents of fraud and forgery.

A M M Moyen Uddin, Head of IT, Eastern Bank Ltd.

In Bangladesh, there are some challenges to maintain a secure electronic payment system. SIM replacement is one of the big challenges. Anyone can withdraw anyone's SIM. Some banks send OTP (One Time Password) through SMS. But anyone can get the OTP by replacing the SIM. Bangladesh Bank has introduced one type of second factor authentication from first April. But that is also coming through SMS That's why SIM replacement issue is so important.

Another important thing is to get access to the NID database. Identity is a main factor in the banking sector. Anybody can open an account through manipulating anyone's NID. If banks are allowed to get access to NID database we can easily verify

the real customer.

To reduce the fraud SMS alert after every transaction can be another important step. We can also use call centres for that purpose.

Debdulal Roy, Joint Secretary

General, CTO Forum Bangladesh Bangladesh Bank is working with the election commission to provide access to NID data base. Initially we are developing a web portal. As per regulation, the election commission will only share this NID database with the government agencies. If election commission permits us we will open up this database to commercial and private banks.

M. Manjur Mahmud, Director & COO, DataSoft

I think we need a platform where a customer can get all the financial services. It has to ensure three things: I can safely identify myself meaning the common KYC. In Latvia there is crowd funding platform where if I want I can lend money and if somebody wants he can take money from that platform. And all sorts of payment things are built into the same platform. And the same thing is only given by two types of agencies. One identifies the KYC is correct and second is the ability to cross platform by everyone that means I can take out money from my bank, I can put that money across where the telcos can carry somewhere and is delivered by one of the microfinance institutes or one of the stores. If the similar thing can be done in Bangladesh it will bring a big change. I would request Bangladesh Bank to look into this innovative solution. It will drastically reduce the cost of transaction.

Dr. Salehuddin Ahmed, Managing Editor, The Daily Star

Bangladesh is a fascinating country. If we put our heads together we can do miracles. Mobile banking services have to listen deeper to your consumers. You may be very satisfied with your extraordinary horizontal expansion. But if you want to go deeper you have to listen more. You are yet to reach the poorest.

There are many services where you have to give your signature and pin number of you card. This system is really vulnerable. I think this system should be changed to increase security of the system.

Ali Reza Iftekhar

No service provider will give you free service whether it is visible or invisible. If we can reduce transaction cost we can reduce charge. That's why Bangladesh Bank along with all the banks, financial institutions and telcos should create a common platform. I would also urge telcos to develop some system so that SIM replacement becomes difficult because frequent SIM replacement is a threat for electronic payment system.

Dr. Hassan Zaman, Chief Economist, Bangladesh Bank

From the macro point of view, the facilitation of e-commerce is good for growth, particularly for service sector related growth. We are concerned about security. The core function of Bangladesh Bank is consumer protection across different banking systems. Every year Bangladesh Bank spends 400 crore taka just in printing notes. In developed countries, use of cash is going down and e-commerce is coming up. In our growing economy we are experiencing growth both in cash and ecommerce. Within 10-15 years, the economy will reach at an inflection point where use of cash will go down and use of e-

commerce will be on rise. We have not talked much about Electronic Fund Transfer Network (EFTN) which is growing in our country but not fast enough. We would like to request media to promote EFTN. This is a much secured system.

For the last one and a half years we are trying to bring PayPal in Bangaldesh. They are in the process of signing an agreement with a local partner. It will foster trust in the m-commerce field, especially for international transactions.

In the mobile financial system, we are at the first stage that means transferring money from one person to another person. Currently MFIs have their own pricing system based on revenue sharing model. We need to set up a level playing field between banks and telcos. We have set up a committee to work on this issue. It will facilitate new entry and greater competition as well. On the competition side, it is not all about pricing. If you look at BRAC Bank, they have created a separate entity for mobile financial service that is bKash. And that's why it is working better. In the traditional banking structure growth of MFIs will be very limited.

Now the second stage is financial inclusion. Presently the number of active users of mobile banking is very low. They just do money transfer. But the concept of mobile banking should be that it will be like any other bank account.

Financial literacy is very important. We do not have financial literacy programme on mobile banking. We urge industries and media to come forward and work together to work on this issue.