

# Is Bangladesh ready to move towards a cashless society?

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The Covid-19 pandemic has accelerated the expansion of digital payments all over the world. Bangladesh too has witnessed robust growth in digital payments during the pandemic. The countrywide lockdown for more than three months has proved beneficial to such growth as people have become familiar with various digital payment systems.

The latest Bangladesh Bank data shows that credit card transactions rose 23.68 percent year-on-year to Tk 1,244 crore in September 2020 while debit card transactions saw 14.59 percent growth year-on-year. Moreover, monthly transactions through mobile phones in September this year were recorded at Tk 491.21 billion, 152 percent higher than the corresponding month of 2016.

Digital payment in Bangladesh, despite rapid advances in recent times, is still in its infancy. 71 percent of transactions are not yet carried out digitally in Bangladesh. A major portion of digital transactions eventually end in withdrawal of cash which defeats the purpose of cashless payment.

There are several key areas that need to be focused on to maintain the growth spurt and develop a strong digital payment ecosystem in Bangladesh.

Let's begin with financial inclusion. More than half the adults in the country do not have a bank account. Mobile financial service providers such as bKash and Nagad have helped greatly to draw first-time consumers to digital payment services but to get access to the full spectrum of digital financial services a person is required to have a bank account. The government's national financial inclusion strategy states that all the citizens will have bank accounts by 2024. Therefore, a lot of work remains to be done in the field of financial inclusion. The industry and the government should put their resources together to scale up financial literacy programmes across the country. It will also help build trust on innovations in financial services including digital financial services.

We have to bring uniformity among the existing digital financial services and ensure integration and interoperability. All banks and MFS must be covered in this process.

It is equally important to increase the number of merchants and small businesses which accept digital payments because digital payments are as good as the number of places where these services are used.

Recently, Bangladesh Bank has taken an initiative to introduce personal retain account (PRA) with banks and MFS providers to bring small merchants and micro businesses under a digital payment ecosystem. It will also cover those who operate businesses or services personally



through different online and social media platforms.

An acceptance development fund can also be established to encourage and support banks and acquirers to deploy points of sale infrastructure, both physical and digital, outside city areas.

Next comes building enabling infrastructure for digital payment. Increasing internet coverage and creating affordable access to digital devices are two action items in this regard.

During the pandemic, internet usage has increased by around 40 percent. BRTC data shows that the number of internet users rose 10.6 percent to 10.64 crore at the end of July 2020 up from 9.9 crore in February 2020. Back in January 2020, the bandwidth usage was about 1,000 Gbps, and in August it almost doubled reaching 2,100 Gbps. The number of voice calls has seen a decrease of around 20 percent. This data shows the rapid growth of internet usage in the country. But the quality of internet (both mobile and broadband) is still poor and many parts of the country are out of internet coverage. The Digital Quality of Life Index 2020 by Surfshark placed Bangladesh in the bottom 10 due to poor internet structure and services in the country.

The government's Info-Sarker Phase 3 programme plans to connect 2,600 unions to the internet by the end of this December. The government is also looking into providing internet access to remote and hard-to-reach areas via the Bangabandhu Satellite. These initiatives will definitely increase internet coverage in the rural areas.

Currently, the government is setting up a 20,000 km optical fibre cable to connect the unions.

But the capacity of this network largely remains unused. If the unused portion of the cable were shared with the private sector at a nominal cost, it would help provide internet to small towns and villages at a cheaper cost.

While we are investing in basic infrastructure, we also need to adopt the innovations in financial technology because globally it is driving expansion in digital payment. Blockchain is one such technology that we need to start working on as it can significantly reduce the cost of transaction and, at the same time, lock out multiple risk factors associated in the process.

Besides building necessary physical infrastructure for promoting digital payment, the government should also consider

ways to reduce the use of cash. A Boston Consultancy Group (BCG) research study shows that digital payments could add three percent to the overall GDP of a country. Merchants and customers should be provided with incentives to use digital payment and keep the money within the digital system instead of withdrawing cash.

As the digital payment system is growing in Bangladesh, ensuring security of the system is also becoming a challenge. The service providers must ensure the security of the technology as well as that of the customers. Our legal infrastructure also needs to be strengthened to preempt fraudulent attempts and give exemplary punishment to the criminals. If we can minimise withdrawal of cash, fraudulent cases will automatically decrease. Proper use of e-KYC would also help in this regard.

Last but not least, we have to

bring uniformity among the existing digital financial services and ensure integration and interoperability. All banks and MFS must be covered in this process.

A country is considered to be a cash-lite society when more than 50 percent of all financial transactions are done through digital means. Currently, the digital transaction rate is around 29 percent in Bangladesh. While an imminent cashless society is unrealistic to expect at this stage, a gradual drift toward a cash-lite society is likely for us. Covid-19 has proven to be a blessing for the digital payment system of Bangladesh. Bangladesh should build on the growth momentum. There should be a roadmap where the important milestones and the roles of the stakeholders are clearly laid out. A national taskforce comprising the key players should also be formed to ensure proper implementation of the roadmap.



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