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Digital transformation unfolding a new chapter in fintech

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Transforming financial technologies through digital innovations is enabling and empowering citizens and companies to do more, which played a unique role during the pandemic.

The number of cards, both debit and credit, is still very nominal in Bangladesh. The number of people with banking accounts is also below average. So, for cashless payments, the mobile financial service (MFS) has opened the window for numerous consumers to experience touchless

payments facilities. But it's now a ground reality. The wait for three to seven days has come down to only a few seconds and filling up of two to 10 pages of form have vanished from the process.

The introduction of digital KYC (know your customer) played a key role in this process. Banks that are conventionally conservative also embrace this facility and have started opening their regular banking accounts with this innovation.

In my view, this has been the most significant innovation from the transformation point of view in the financial industry of Bangladesh in recent years. Credit also goes to the Bangladesh Bank for accepting the digital KYC, which was developed by the local youths at Nagad and inaugurated by Prime Minister Sheikh Hasina on March 26, 2019.

There is another innovation of Nagad that made the industry vibrant and very popular for account opening and caught the attention of international experts. Nagad account opening is now only a matter of dialling *167# from a mobile phone. We partnered with mobile phone carriers and hope this innovation will empower people and allow us to bring in those who were not part of any sort of financial services. In the digital age partnership with digital companies is very vital for transformation as well.

Riding on these facilities, the overall number of registered mobile money clients stood close to 10 crores at the end of December 2020 in the country and almost half of the population is financially included with these payment facilities. The share of bank accounts to the inclusion segment is close to 20 per cent, who are also using the mobile

money service.

So, the credit also goes to the mobile money industry that helps the fast-growing nation to push the financial inclusion agenda forward, a major pillar of the Sustainable Development Goals. And we, the industry people, would also thank the government for the policy support extended to disruptive technology adoption.

With the advancement of mobile financial carriers, particularly Nagad, the citizens of the country can now transfer money, make payments and pay all kinds of bills electronically. This is contributing to making money available to the people whenever they need it, thus bringing about socio-economic development. There is no available data on how many ways mobile payment companies are pushing economic growth but it is also true that in the early stage of the pandemic in the country when everything was almost off, MFS has played a vital role to run the economy, especially for the SMEs.

When we launched our partnership with the Bangladesh Post Office two years back, our initial target was to upgrade citizens' lives by digitising the payment system. I think we have done quite well in this segment. Other carriers also did their part and combining all these efforts, people are now enjoying easy access to digital payment facilities. A few days ago, I went through a report of the UK where it mentioned that currently 50 per cent of the country's total sales are online and people also can do 40 per cent of their regular official activities sitting at home. We are still far from that but at least we can achieve this very near future.

MFS carriers, particularly Nagad, are now working with blockchain and

artificial intelligence, and this will expand the horizon of the service and ensure convenient digital life to users. Using MFS transactions, the credit rating will be easier, and the financial industry will leapfrog. This will ease distributing funds securely and transparently.

In October 2018, Gartner, the world's leading research and advisory company, predicted that digitalisation would make 80 per cent of traditional financial firms irrelevant by 2030. Two years have passed since the prediction was made and 10 years are left.

In Bangladesh, the changes are already taking place. I will not be surprised if Gartner's forecast turns into reality even before 2030.

Indeed, before and after Covid-19, there have been two separate worlds in every aspect, not only in the financial sector. Technologies started reshaping the financial industry even before the pandemic, and the process accelerated after the health crisis hit the globe. Digital adoption took a quantum leap at both organisational and customer levels in just a few months. This can be seen in users' transaction pattern and volume.

The Covid-19 crisis brought about changes in the way companies in all sectors and regions operate. Traditional sectors like education, health, and finance embrace technology and will be forced to change – which may not have happened in the next few years. These benefits industries such as the MFS that try to improve people's lives.

During the pandemic, customers shifted dramatically towards online channels. We offered various facilities for the traders and the users to adopt digital payments. And only because

of the reason, there is no queue in the banks for utility bill payments as people are quite happy to pay their bills with the MFS platform. Nagad users frequently use the platform to meet daily payment needs, including buying and selling things online, paying bills for e-shopping, depositing insurance premiums, paying internet and utility bills, tuition fees and much more. Some philanthropy organisations are using this payment system to collect donations, helping them run their operations smoothly.

The mobile financial carrier has solved the challenges the government had faced in disbursing funds under the safety net programmes. The ultimate result is ensured transparency, improved efficacy and time saved. This transformation is empowering people.

In Bangladesh, we are awaiting digital banking regulations. We hope regulators will act fast to introduce this kind of banking, which has already been introduced in India and has been available in the developed countries for years. Nagad is an interested party to take a digital banking licence. If we are awarded the licence, our service level will improve, and users will get all the banking facilities on their mobile devices at cheaper rates.

Banks are gradually moving online. Still, most of the banking services are dependent on documents, and people need to visit branches for most of their banking activities. If the digital banking regime is introduced, everything will be available on mobile phones, and the economic growth will accelerate.

The author is the managing director of Nagad, a digital financial service of Bangladesh Post Office.

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The transformation started years ago, and thanks to digital innovations, the MFS industry has taken a new shape, allowing people to combat the challenge of Covid-19.

The digital transformation has touched many sectors of the country over the years, along with the financial industry, helping the financial service to rise to the next level.

Even a couple of years ago, it was unthinkable to open a financial account sitting at home only using digital tools.