

BANGLADESH CONSUMER PROTECTION IN THE DIGITAL AGE

The Daily Star in association with Policy Research Institute organised an online discussion titled "Bangladesh Consumer Protection in The Digital Age" on August 28, 2021. Here we publish a summary of the discussion.



DR AHSAN H MANSUR,
Executive Director, Policy Research Institute of Bangladesh (PRI)

In our country, we have always been reactive instead of proactive. As we are seeing now, a large number of consumers have been exploited by some unscrupulous e-commerce enterprises. The government and the Bangladesh Bank are now trying to fix the issues by formulating new guidelines. However, there is an absence of an overarching framework for consumer protection.

While Bangladesh has made some headway in financial inclusion, it still has a long way to go. But the issue that we must address first, is the new risks associated with our progress. We don't need to reinvent the wheel, because we can look to developed countries to see how they established their own framework for consumer protection. This will allow us to replicate something similar in the context of Bangladesh.

Another issue that we must resolve is the ambiguity around our redress mechanisms. Redress mechanism and dispute resolution are essential to consumer rights protection. However, sometimes consumers are not aware of these mechanisms and as a result do not report their grievances. Other times, there are no mechanisms in place. We must ensure that consumers are at least aware of the existing dispute resolution and redress mechanisms.

Information asymmetry plays a role here. We cannot expect consumers to possess the same level of knowledge that a Mobile Financial Service (MFS) provider has. Lack of financial literacy and awareness also contributes to the information asymmetry further and weakens consumer protection.

The future of e-commerce is bright. The value of transactions in e-commerce was rising. But all of this progress was brought to a halt by Evaly and other fraudulent companies. We must address this issue. This will allow consumers to once again be confident in the services of e-commerce.



DR M A RAZZAQUE,
Research Director, Policy Research Institute of Bangladesh (PRI)

Financial services are evolving rapidly. And this evolution is extremely important to expand financial inclusion in our country. However, it simultaneously brings new and greater risks. Therefore, in any society where digital financial inclusion expands rapidly, consumer protection is one of the most critical aspects of the overall enabling environment.

PRI has been working on financial inclusion for a long time. We believe in the digital transformation of the economy because through this, there will be efficiency gains for the overall economy. This will drive financial inclusion even further. Furthermore, digital technology empowers consumers through better information and product reviews that are available online.

Such technologies, however, also pose challenges to consumer rights protection. The digital footprint left behind by consumers is used by companies to provide personalised advertisements.

Sometimes the personalised information can also be used for fraudulent activities. Misleading, unethical, and fraudulent commercial practices are also possible using personal data. These days, we hear a lot about data leaks, and how people's data can be used by criminals in an unethical manner. The pace of the development of digital technology is faster than that of the established legal provisions to protect consumers.

Network security for online payments is also a concern. Scams and frauds target consumers and their online accounts.

This is why we need a solid framework for consumer protection.

Amongst the widely known practices, the Organisation for Economic Co-operation and Development (OECD) has created a risk matrix and come up with certain principles for protection of customers. The matrix

has four elements, market-driven risks, regulations and supervision-driven risks, consumer-driven risks, and technology-driven risks.

The OECD also established 10 principles for financial consumer protection. Some of the important principles include legal, regulatory and supervisory framework, the role of oversight bodies, financial education and awareness, and the role of competitive financial markets. PRI applied these 10 principles to the context of Bangladesh. The broad result indicated that, Bangladesh has some rules and regulations in all 10 areas. However, there are significant gaps and enforcement of these rules and regulations is also a major challenge.

The Economist Intelligence Unit (EIU) in a 2020 ranking exercise gave Bangladesh an overall financial inclusion score of 42. This put Bangladesh at the 44th place out of a total of 55 middle- and low-income countries. Even when compared to countries with similar per capita GDP and purchasing power parity, we are far behind. Some countries, with lower per capita GDP, such as Tanzania and Rwanda, received a higher score. Amongst many unfavourable characteristics of Bangladesh's digital financial market, it is found that about 28 percent of Bangladesh's financial customers can be considered financially literate and 34 percent of our banks are vulnerable to cyber security risks.

Bangladesh is also at the bottom of the scale in terms of protection for digital financial service users and the promotion of financial inclusion and digital literacy. Some of the other countries in the EIU ranking have digital service and e-money providers who are subject to all the consumer protection requirements that banking and non-banking financial institutions must adhere to. Overall, Bangladesh is severely lagging behind and needs to address the issues of financial inclusion and digital consumer protection.

I would like to make the following recommendations. Firstly, we need a comprehensive and robust consumer protection framework. We have some regulations for MFS and e-money services, but these are not comprehensive. I would suggest creating a dedicated and robust regulatory system for digital financial users.

We must also formulate and implement a comprehensive data protection and privacy act. And even when the regulations are created, we must monitor and uphold these regulations strictly.

There is also a need for the capacity building of consumer rights groups so that they can act as watchdogs for digital consumers' rights and protection. Simultaneously, we must also increase our digital financial literacy to increase financial inclusion. This can be done by introducing effective financial literacy programmes, providing user education during the sign-up procedures, and introducing financial education lessons in school textbooks.



FARHANA RAHMAN,
Senior Vice President, Bangladesh Association of Software and Information Services (BASIS)

The digital path along which we are walking does not only involve e-commerce. There are a variety of services that are being digitised and subsequently being adopted by citizens. There are both positives and negatives to digital services such as e-commerce. Even with legal protection in place, it can be a challenge to ensure all companies are operating properly. That is why awareness is the key to ensuring consumer protection rights. We must inform consumers what kinds of activities to avoid and how to protect themselves on the internet. A common issue is sharing NID and other private details online. We need to ensure that consumers are aware that this data should not be shared with anyone.

Due to lack of access to smartphones and technology, women are often left behind. As a result, online awareness activities do not reach these women. As such, we need to ensure that awareness is raised among women. We need a course at the school level to raise awareness. It must also be ensured that, we are providing this awareness in such a way so that they are able to understand it.

E-commerce is a global phenomenon, so Bangladesh's e-commerce policies should be aligned with policies that are followed worldwide. Otherwise, consumers will not enjoy protection of international standards. A legal regulatory and supervisory framework should also be developed.



SYED YUSUF SAADAT,
Senior Research Associate, CPD

E-commerce companies in Bangladesh are of two types: those who purely operate online using their websites and those who do brick-and-mortar business alongside selling online. There are also f-commerce companies that use Facebook to run their businesses. All complaints and controversies are surrounding companies that only sell online. There are some complaints about f-commerce companies as well but on a smaller scale.

During the COVID-19 pandemic, there has been an e-commerce boom. Many irregularities were discovered during this

RECOMMENDATIONS

- Create a dedicated financial consumer protection regulation system
- Increase digital financial literacy by introducing effective programmes
- Introduce digital financial literacy in the secondary and higher secondary education curriculum
- Formulate and implement a comprehensive data protection and privacy act
- Strengthen consumer rights' groups so that they can act as watchdogs for consumer rights' protection
- A robust redress mechanism and dispute resolution system should be developed
- A separate taskforce for e-commerce and digital payments needs to be established to ensure consumer rights

boom as well. We must remember that e-commerce is not an investor's platform but a consumer's platform. However, due to the e-commerce boom, it has become an alternative investment platform. Under normal circumstances, apart from the Bangladesh Bank Order 1972, even non-banking financial institutions cannot keep cash from consumers. Hence, it is not acceptable that e-commerce companies take and keep consumers' cash without delivering their products for months.

Consumers themselves need to be aware of their rights. Many consumers are unaware that many clauses under the Consumer Rights Protection Act 2009 give consumers sufficient protection despite e-commerce being relatively new to the country. For example, Clause 38 says that if the producer doesn't share their price list, they will face punishment. Clause 44 talks about the consequences of false advertising. Clause 45 says that a producer that takes money and doesn't deliver the product will be punished. So, consumers can issue legal complaints under these clauses for their e-commerce related problems. Due to the massive volume of complaints, the authorities of the Consumer Rights Protection Act are overburdened. Therefore, the government needs to hire more people, and they also need to create a separate e-commerce taskforce or cell which will ensure consumer rights in e-commerce.

E-commerce is a growing industry that will bring the government a lot of tax revenue, so it must be guaranteed that justice for e-commerce consumers is not delayed. However, there shouldn't be overregulation in the e-commerce industry. Many e-commerce companies have worked hard for a long time to gain consumers' trust, so that should be maintained. Those who are doing genuine work in the industry should not be discouraged. However, companies using Ponzi schemes and with ulterior motives should be punished for their actions.



S M NAZER HOSSAIN,
Vice President, Consumers Association of Bangladesh

Regulatory authorities have seen how e-commerce companies like Evaly made unrealistic offers and caused irregularities. Yet, these authorities played no role in stopping the companies until Bangladesh Bank intervened. Unfortunately, consumers are one of the most vulnerable groups in Bangladesh. They have no voice or participation. The recent policy for e-commerce was developed without the

involvement of any consumer representatives. Regulatory policies are created while keeping in mind the interest of businessmen, not the consumers. Ultimately, the consumers are the ones who suffer. Therefore, the role of regulatory authorities is vital.

The big gap between consumers and entrepreneurs stands as a barrier to fair trade. This is why we are seeing a high prevalence of fraudulent activities. E-commerce is a promising industry. But thousands of people have faced fraud and lost crores of taka. The government should have regulated this from the beginning. E-commerce companies have an obligation here as well and should consider self-regulation to try to protect their community.

There is a need to increase consumer literacy in Bangladesh. However, organisations working on this are usually voluntary organisations. Hence, it is a challenge to continue promoting financial literacy in a landscape where digital services are growing quite fast. International donors are also not very interested in voluntary organisations like Consumers Association of Bangladesh that are working with consumer education and the overall consumer movement. They should come forward to support and strengthen these organisations.



MAHABUBUL ISLAM,
Head of Mobile Banking Division, Dutch-Bangla Bank Limited

Our services should be designed by taking into consideration the consumer segment's education and income level.

Consumers also have some responsibilities. One can't buy motorcycles in bulk just because they are on sale at a 50 percent discount. There's a chance that the consumer intends to use the products for their own business.

Regulators need to pre-assess new businesses to ensure they aren't providing aggressive offers just to grab customers. These offers are unsustainable and are usually used to build brand value. Later on, the businesses are sold. So, the offers are not meant to actually benefit customers.

One issue with MFS is that people make transactions using photocopies of NIDs that don't even belong to them. Low-income segments also use MFS and they are not aware about account security, such as the importance of the confidentiality of PIN. Sometimes they share their PIN with family members. Later on, women complain about losing money from their accounts without realising that their family member is the one who withdrew it. We must educate consumers on the importance of not sharing their PIN or account information with anyone.

The issue with e-commerce or f-commerce platforms is that they can sell the databases they create using customer information. These marketers should be held accountable for such consumer data breaches. Such issues do not exist with MFS operators. The data protection mechanisms of MFS providers are adequate, and I have yet to hear of any privacy breaches. However, we will surely follow any law that is passed for data protection.



TANVIR A MISHUK,
Managing Director, Nagad
In the fourth industrial revolution, data

is like currency. In May 2017, a report in The Economist had stated that the most precious resource in the world right now isn't fuel but data. Protecting the data of consumers is, therefore, the responsibility of every operator. Since all activities are shifting towards online platforms, operators are amassing a lot of data every second. So, this is the time to focus on data protection.

Operators cannot sell consumer data. Yet, many operators in different markets still do so. So, there should be policies or laws created for data protection. At Nagad, we have been ensuring consumer data protection from the beginning without waiting for any policy. All our consumer data is fully encrypted in such a way that even our employees cannot access them. We have 21 policies protecting the data. Anyone needing to access the data has to go through four layers of protection. So, downloading and then selling the data is not possible. We are also using next-generation firewalls to prevent any data breaches. However, there is no point in only one company ensuring data protection. All mobile operators, banks, and MFS have a responsibility to protect their consumers' data.

Many people think that data protection is not that important. However, if we consider a NID leak, for example, the data can be easily used to change credit card, debit card or MFS PINs.

Operators can play a role in educating consumers on financial literacy. However, 37 percent of people in Bangladesh are outside formal communication channels. So, it is up to the government to reach them with financial literacy and awareness campaigns.

DR M A RAZZAQUE,
Research Director, Policy Research Institute of Bangladesh (PRI)

Digital financial system is mostly technical in nature. Most users are not habituated in using digital system. That's why we have to build the capacity of consumers to use these digital services.

We need to identify the gaps in our legal and regulatory framework. The crimes that have been happening in our country are not anything new. It's already happening in other countries. We must observe how other countries have handled these situations and then apply the lessons to situation.

DR AHSAN H MANSUR,
Executive Director, Policy Research Institute of Bangladesh (PRI)

Consumers are the main element of the industry. They have driven the industry, and they will continue to do so in the future. No industry will thrive if we cannot ensure and increase consumers' participation. The industry must remain devoted to achieving consumers' trust.

It is high time we introduced financial and digital literacy in the secondary and higher secondary education curriculum. It will enlighten a new generation of students about digital financial services. This will also allow them to teach their parents about digital services and how scams can be avoided.

We need a separate taskforce for e-commerce and digital payment issues to get speedy solutions. The participation of both e-commerce and consumer associations is needed to make it effective. NGOs can also play a part in the process. CAB is doing great, but it's a voluntary organisation. That is why the government should try and help CAB with some financial support so they can continue to work for consumer rights' protection.



SHAMSUDDOZA SAJEN,
Editor, Commercial Supplements, The Daily Star and moderator of the session

Today we have discussed a topic that is extremely important and relevant at the present time. The purpose of fintech and the digital revolution is to take financial services to the maximum number of people possible. Alongside digital financial services, we have also seen a rise in e-commerce platforms. While these services have increased the ease of use for customers, they have also given rise to a new set of unique risks. These risks did not exist within traditional banking services. Therefore, we need to protect the rights of the consumers who are using these digital services.