

How innovations are transforming banking in Bangladesh

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The adoption of digital technology has significantly transformed Bangladesh's financial sector in the last one-and-a-half decades, bringing millions under banking services that have even reached the village level.

The transformation made it easier for customers to get these services as they can perform their transactions from the comfort of home.

Apart from the modernisation of the traditional banking system, the

introduction of Mobile Financial Service (MFS) providers, payment service providers, and fintech has also played a vital role in adopting technology in the country's banking system.

Besides, agent banking took banking services to villages; banks are rolling out cash recycling machines (CRMs) that provide faster deposits; and internet banking is facilitating the customer's smooth cash withdrawal, deposit and fund transfer services.

MFS

Over a decade earlier, availing financial products and access to financial services were unavailable and unaffordable for many individuals and businesses in Bangladesh.

But the introduction of MFS, which allows its customers to conduct financial transactions remotely using a mobile device, has paved the way for millions of people to be included in the financial system.

Over 18 crore account holders now conduct 2 crore transactions through MFS each day.

Dutch Bangla Bank appeared first in March 2011 with its "DBBL Mobile", later rebranded as "Rocket".

Today, MFS operators register Tk 3,000 crore in average daily transactions, employing 11.23 lakh agents.

Now it is possible to top-up mobiles, pay at shops and e-commerce platforms, utility bills and various educational fees, transfer money among banks, send remittance, receive education stipends and much more.

"In just a decade, within a clear regulatory framework, Mobile Financial Services (MFS) have made money's toughest last mile journey much smoother in Bangladesh. Unbanked, and underbanked, millions now have access to some of the most advanced financial services through just their basic mobile phones. MFS is now a powerful tool for people's financial freedom," shared Mahfuz Sadique, Chief Communications Officer at bKash.

AGENT BANKING

In 2012, Bangladesh Bank introduced agent banking in the country by issuing a guideline, aiming to provide a safe alternate delivery channel of banking services to the underprivileged and under-served population who generally live in geographically remote areas beyond the reach of traditional banking networks.

The agent banking sector saw rapid growth as an alternative to the branch-based banking model in Bangladesh, especially in rural areas, where setting up full-fledged offices is not commercially viable because of their low business volume.

Usually, basic banking services

such as cash deposits, cash withdrawals, and receipt of remittances are provided through agent banking. Apart from that, banks have also started disbursing loans through their agents.

Transactions through agent banking accounts rose 43 per cent year-on-year to Tk 5,64,844 crore in fiscal year 2021-22 as a growing number of people are now using the new banking window, shows Bangladesh Bank data.

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In fiscal year 2020-21, the amount passing through these accounts, opened through agent banking services, stood at Tk 3,94,068 crore.

Bank Asia introduced the country's first agent banking services in January 2014.

Apart from the sharp growth in transactions, the number of agent banking accounts, meaning accounts opened by agents, has also increased year-on-year.

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