



Evolution of Digitalization in Bangladesh's Financial Sector

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Bangladesh's financial sector has undergone a paradigm shift, experiencing a surge in digitization over the last one-and-a-half decades, bringing millions under banking services that have even reached the village level.

has rapidly integrated into the banking industry.

In 2010, banks began taking up a wide range of initiatives as part of their efforts to encourage customers to adopt the digital window.

Thanks to the growing use of internet banking, people can now deposit and transfer funds anytime, from anywhere,

agent banking in the country by issuing guidelines, aiming to provide a safe alternate delivery channel of banking services to the underprivileged and underserved population who generally live in geographically remote areas beyond the reach of traditional banking networks.

Bank Asia introduced the country's

accounts stood at 2.04 crore in August 2023, up by about 23 percent from the same month a year earlier.

CRM

Banks in Bangladesh are consistently introducing new technology to make banking services easier for customers. Cash recycling machines (CRMs) are one such technology that transforms the country's financial sector. The new technology allows users to deposit and transfer cash to others' accounts. In Bangladesh, banks started setting up CRMs in 2017. As of August this year, the number of machines was 3,652, up from 1,930 a year ago, according to data from Bangladesh Bank.

e-KYC

Opening an account has always been a cumbersome task for customers. In January 2020, the Bangladesh Financial Intelligence Unit (BFIU) rolled out the Electronic Know Your Customer (e-KYC), facilitating clients to open bank accounts in just five minutes, a procedure that previously took two to four days.

Mobile Financial Service (MFS)

Over a decade ago, access to financial services were unavailable and unaffordable for many individuals and businesses in Bangladesh. In 2011, the Mobile Financial Service (MFS) was introduced in Bangladesh, with 27 banks obtaining approval from the central bank. Not all licensees saw the light of the day. However, 19 firms rolled out the service by 2016. Of these, 13 entities currently operate in a market that witnesses more than Tk 3,500 crore worth of transactions every day, and the amount is increasing day by day. Dutch-Bangla Bank Ltd pioneered the country's first MFS operation in March 2011 with its "DBBL Mobile," later rebranded as "Rocket." Besides, bKash, a subsidiary of BRAC Bank, followed suit three months later. The number of MFS accounts stood at 21.24 crore in August 2023, and the number of transactions was Tk 51.22 crore in the same month.

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DIGITAL EVOLUTION IN BANGLADESH'S FINANCIAL SECTOR

Early 2000s: Standard Chartered Bangladesh introduces internet banking in Bangladesh.



2011: Dutch-Bangla Bank Ltd pioneers the country's first Mobile Financial Service (MFS) operation in March with "DBBL Mobile," later rebranded as "Rocket." bKash follows suit around June, introducing its Mobile Financial Service.



2012: Bangladesh Bank issues guidelines and introduces agent banking.



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



2020: Bangladesh Financial Intelligence Unit rolls out electronic Know Your Customer (e-KYC) in January, facilitating clients in opening bank accounts in just five minutes.



2021: bKash pioneers digital nano loans in collaboration with City Bank in December.



2023: In October, the Bangladesh Bank granted digital banking licenses to the country's first two digital banks -- Nagad Digital Bank Plc and Kori Digital Bank Plc.



In addition to modernizing the traditional banking system, the introduction of Mobile Financial Service (MFS), payment services, and fintech has played a vital role in adopting technology in the country's financial sector.

Internet Banking

The country's online banking first started in the early 2000s with Standard Chartered Bangladesh, and ever since, it

eliminating the necessity to visit a physical branch of a bank.

The number of Internet Banking Customers was 76.32 lakh as of August '23, and its transactions were Tk 52,099.67 crore in the same month, an increase of 104 percent year-on-year from Tk 25,543 crore, according to data from Bangladesh Bank.

Agent Banking

In 2012, Bangladesh Bank introduced

first agent banking services in January 2014. Besides the sharp growth in transactions, the number of accounts opened by agents has also increased year-on-year. The number of agents across the country stood at 15,671 as of August 2023, while it was 14,509 in the same month the previous year. The number of agent banking outlets rose to 21,559 from 19,981 during the period. The total number of agent banking

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