

How we entered the era of digital money

A Bangladeshi tale of transition from money orders to electronic payments



PHOTO: PALASH KHAN

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TAHIRA SHAMSI UTSA

Rahman Ali, a 68-year-old retired primary school teacher, begins his day in a serene village in the northwestern district of Bogura with a routine he has perfected over the decades. He methodically prepares tea, reads the newspaper, then walks around the locality, visiting the school premises or taking a stroll through the market. Today, however, he has a different purpose. He is going to the local post office to send a money order to his daughter in Dhaka, just as he has done countless times before. But when he goes there nowadays, something feels different – the once bustling post office has only a few people.

THE COMFORT OF TRADITION

For Rahman, the process of sending a money order is more than a mere transaction – it is a ritual. He meticulously fills out the form, carefully counts the notes, and hands them over to the postmaster with a familiar nod. “I trust this method,” he says with a sense of nostalgia. “It’s reliable. I know my daughter will receive the money safely.” In contrast, Ayman Siddique, a 25-year-old entrepreneur, runs a handicraft business from his small office in Dhaka. He is busy with orders and payments. For him, time is of the essence. “I used to hate the wait at the post office,” he recalls. “But now, thanks to mobile financial services, I can send and receive money in seconds. It’s a game-changer.”



A GENERATION GAP

The contrasting experiences of Rahman and Ayman highlight the generational divide in Bangladesh’s financial landscape. While the older generation continues to hold onto the familiarity of money orders, the younger generation has swiftly adapted to the convenience of digital payments. According to the Bangladesh Bureau of Statistics, the heyday of money orders came over a decade ago in 2011-12, when 2,218 transactions, totaling Tk 625.92 crore were conducted. These figures illustrate the significant reliance on this traditional method at the time. But by 2015-16, the number reduced by nearly two-thirds as only 796 money orders amounting to Tk 197.91 crore were dispatched. This represents the initial phase of digital adoption. Fast forward a few years, the decline became even more apparent: by 2019-20, transactions plummeted 62.19 percent to 301 worth Tk 114.34 crore. In July-December of 2023-24, the last fiscal year, only 99 money orders were booked, involving Tk 22.76 crore, underscoring a near-

complete transition to digital methods. Also reflecting the increasing reliance on digital financial transactions has been the significant growth of the mobile financial service (MFS) sector in Bangladesh over the years. The number of cash-out transactions and the money involved have consistently increased. In January 2019, the total amounted to Tk 13,282 crore. It skyrocketed to Tk 42,230 crore by March 2024, according to Bangladesh Bank data. This reflects both higher frequency and larger individual transaction values. The remarkable transition of Bangladesh from traditional money transfer methods to digital payments through internet banking is also worth showcasing. Over the years, the number of internet banking customers has steadily risen, hitting over 85 lakh in April. Simultaneously, the volume and value of internet banking transactions have significantly increased, with the total transaction amount surpassing Tk 97,100 crore in April, a substantial leap from Tk 3,790 crore in December 2018. Sayema Haque Bidisha, research director at the South Asian Network on Economic Modeling, and a professor of economics at the University of Dhaka, said technologies are more advanced nowadays, allowing technological adoption to take place for both senders and receivers. Digital systems have increased convenience as there is no need to drive home or face traffic to get services. Covid-19 was also a big push towards adoption of digital services as people needed to get everything without going outside. Speaking of the challenges, Prof Bidisha highlighted that the whole cashless economy system depends on electricity and internet, which are not always available in rural areas. “A lack of digital and financial literacy is another barrier as the full process is self-administered. For example, sharing your PIN code can harm customers because they can be tricked, but many do so due to a lack of awareness.” The digital money transfer system impacts the economy since the more money is transacted, the more money spreads and circulation increases. Also, people, especially females, who are out of the market system, can get involved through such services, which fosters an inclusive economy, she added. The Directorate of Posts has an electronic money transfer service (EMTS) at a very low cost, said Farid Ahmed, postmaster general for metropolitan circle in Dhaka. “But the facility must be strengthened at the union level to make it more effective by including rural parts of the country. Notably, sub-post offices of upazilas provide EMTS effectively.”

EMBRACING CHANGE

Sharifa Oishee, a third-year university student, shared her experience. “Managing finances was always a hassle. I remember my parents sending money orders to my grandparents before festivals. It was a slow process.” “Nowadays, I never use money orders. With bKash and Nagad, I can pay tuition, buy books,

and even split bills with friends instantly. I even get the tuition from the students who receive lessons privately.” Oishee’s story echoes those of millions of young Bangladeshis who have embraced digital wallets. These platforms offer unprecedented convenience – no long waits, no need for physical currency, and the ability to handle transactions anytime, anywhere. Muhammad Zahidul Islam, vice-president and head of media and communications at Nagad Ltd, opined that the maximum utilisation of technological advancement has been possible in the last 13 to 14 years regarding digital money transfer. “Sending money now takes a fraction of a second. If we can ensure the benefits of digital banking, rural communities will easily adapt to the process.” Awareness must be raised to make the rural people more knowledgeable about these facilities and systems, he added.

THE STRUGGLE TO ADAPT

However, not everyone finds the transition easy. Yasmin Ara, a 55-year-old, struggles with the technology-based service. “I have always trusted the post office,” she confesses. “This digital system feels complicated and confusing. I once sent money to the wrong number, and it was a nightmare to get it back.”



Her experience is not unique. Many older Bangladeshis find digital payments intimidating and worry about security. They also miss the personal interaction and assurance that comes with traditional methods. Yasmin, with the help of his tech-savvy younger son, recently started to make payments through digital transactions. “It was easier than I thought,” she admitted, though still wary of abandoning her trusted money orders entirely. As Bangladesh continues to innovate, the future of financial transactions looks increasingly digital. The decline in money orders is not just a statistic but a reflection of a broader shift towards a more connected, efficient, and inclusive financial ecosystem. For Ayman, Oishee, and millions like them, digital payments are a testament to progress and convenience. For Rahman and Yasmin, they represent a challenging but inevitable transition. The journey from money orders to digital payments is a story of adaptation, resilience, and the promise of a better, more efficient future. In the heart of the bustling city and the quiet corners of rural villages, the echoes of this transition resonate. Ali Ahmed, chief commercial officer of bKash, added: “If time-befitting guidance from the regulator continues along with support from stakeholders, it won’t be hard to strengthen the country’s digital financial ecosystem with continuous innovation in the MFS sector.” There are 22.6 crore MFS accounts in the country, of which 56.21 percent are owned by people living in rural areas. Women account for 57.07 percent of rural MFS users. These numbers indicate that people living in the countryside are ahead in terms of owning MFS accounts compared to urbanites. Such financial inclusion, especially for women, through MFS has multifarious impacts on rural communities. At its heart, it is a tale of two generations, each navigating the changing tides of technology in their own way. As Bangladesh steps boldly into the digital age, this transformation promises to bring greater convenience and financial inclusion to every corner of the nation.



EMTS: The cheapest way to send money across Bangladesh

TAHIRA SHAMSI UTSA

Many may be surprised to learn that the most cost-effective way to transfer money from one place to another without a bank is through the post office. The Bangladesh Postal Department provides this facility, named the Electronic Money Transfer Service (EMTS), widely known as a digital money order. EMTS keeps a commission or cost of Tk 5 per thousand, meaning an individual can send Tk 50,000 taka for a cost of just Tk 250. The process is simplified by the fact that customers, irrespective of their address, can send and withdraw money from any post office in the country. The Directorate of Posts took a significant step towards modernising its financial services by inaugurating the service on March 26, 2010. After necessary training, the service was launched on May 5, 2010. This system has allowed rapid and secure transfer of funds across the country. Al Mahbub, additional postmaster general of central circle, Dhaka, said the EMTS provides a way to send money at a low cost, with the caveat that deposits or withdrawals cannot be made after 5:00pm.

The fact that the post office is closed on Friday and Saturday also poses a barrier to popularity. But in some aspects, the EMTS bests modern technology. “Fortunately, a sender can freeze the transferred money and get a refund if he wants, which is not possible through mobile financial services,” he added. Speaking about security issues, Farid Ahmed, postmaster general of Metropolitan Circle, Dhaka said: “The security of the money is fully ensured as a PIN is provided to the sender and receiver. The post office also gives a receipt to confirm the transaction from both sides. “If there is any complaint, it is solved then and there.” A proposal to make the EMTS available through an app has been placed to the Ministry of Finance, he added. Currently, the EMTS service is available in 2,752 post offices across Bangladesh.



According to official data, from 2010 to 2023, more than 27,700,000 transactions, amounting to Tk 7,677 crore, were made through the EMTS. Notably, during this period, the Directorate of Posts made an income of about Tk 90 crore. Md Moneruzzaman, programmer of the central ICT cell of the directorate and desk officer of EMTS, said: “Generally, due to a weak financial infrastructure, there are no banks in many parts of the country. But a post office can be found in most places, even if it is not in the best shape. The only hope for marginalised people looking to send money is the post office. Hence, unbanked and rural communities mostly avail and still avail this service.” Increasing the budget for the Directorate of Posts and advancing ICT infrastructure can make the EMTS service more functional and efficient, he added.