

TRANSFORMING Traditional Banking with Islamic Wallet

The Daily Star (TDS): How are you collaborating with MFS providers to integrate mobile financial services within your banking operations, and how does this enhance the delivery of your services?
Farman R. Chowdhury (FRC): Our bank has seamlessly integrated Islamic Wallet into our traditional banking operations by

technological innovations are driving the evolution of mobile financial services, including:
• **e-KYC:** Onboarding our customers digitally. Customers no longer have to visit any agent point or branch to open their wallets; they can do it easily from

our bank. We have implemented several measures to achieve this, including:
• **Encryption:** All data transmitted through our mobile app is end-to-end encrypted to prevent unauthorized access.
• **Two-Factor Authentication (2FA):** Adding



FARMAN R. CHOWDHURY
Managing Director & CEO, Al-Arafah Islami Bank

developing a robust ecosystem. Islamic Wallet allows customers to perform a wide range of banking activities, such as checking account balances, wallet-to-wallet transfers, paying utility bills, and even transferring funds and paying credit card bills of any bank through BEFTN & NPSB channels. This integration has significantly enhanced the delivery of our services by providing customers with convenient 24/7 access to their accounts, reducing the need for physical branch visits, and streamlining various banking processes.

TDS: What products are you offering through MFS?
FRC: Currently, we are not offering any savings and loan products through Islamic Wallet. However, we are in the process of introducing Micro DPS, Micro FDR, BNPL, and many other savings and investment products in the coming days.

TDS: What technological innovations are shaping mobile financial services, and how is your bank incorporating these advancements?
FRC: Several fintech and

anywhere, at any time.
• **Biometric Authentication:** Ensuring secure access to mobile banking apps through fingerprint and facial recognition.
• **API Integration:** Allowing seamless connectivity with third-party services for enhanced functionality.

We aim to expand our range of services to include more advanced financial planning tools, investment options, and seamless integration with other digital platforms.

TDS: What steps is your bank taking to safeguard customer privacy and protect sensitive information?
FRC: Ensuring customer privacy and protecting sensitive information is a top priority for

an extra layer of security by requiring a second form of verification.
• **Regular Security Audits:** Conducting frequent security audits to identify and address potential vulnerabilities.
• **Privacy Policies:** Adhering to strict privacy policies and regulations to safeguard customer information.

TDS: What is your vision for the integration of MFS into traditional banking services?
FRC: Our vision for the future of mobile financial services is to continue leveraging cutting edge technologies to provide even more personalized, secure, and convenient banking experiences. We aim to expand our range of services to include more advanced financial planning tools, investment options, and seamless integration with other digital platforms. By staying at the forefront of technological advancements, we strive to meet the evolving needs of our customers and aim to become one of the prominent players in this industry.

ENABLING BUSINESSES for seamless loan repayments

The Daily Star (TDS): How BRAC Bank is digitally integrated with MFS platforms? How does its partnerships with multiple MFS providers empower its customers?
Selim R. F. Hussain (SRFH): BRAC Bank is one of the most connected banks for integrating mobile financial services (MFS) providers. Since 2019, it has been fully integrated with bKash and Rocket, the country's two largest MFS companies. Later, the bank onboarded Upay and Tap and payment services companies OK

2,200 crore. Such 24/7 Cash Management Services are also well-aligned with our strategy to position ourselves as the Preferred Transactional Bank for SMEs. The bank's corporate and institutional clients use bulk transfers to pay the salaries of garment factory employees through bKash. bKash merchants and other bank customers use BRAC Bank's online payment gateway for e-commerce

now send money and do digital transactions with bKash, Rocket, Upay, and TAP customers. A completely digital transaction opens up vast opportunities as there is no need for a branch or customer to visit a branch or outlet for the transaction. BRAC Bank has embarked on a digital transformation journey with massive technology overhaul projects, including integration with MFS



SELIM R. F. HUSSAIN,
Managing Director and CEO, BRAC Bank

Wallet, iPay, and Cashbaba. The respective customers of BRAC Bank and MFS partners can transfer money both ways—from bank to wallet and wallet to bank. BRAC Bank is proudly a pioneer as the first bank in Bangladesh to revolutionize SME loan instalment payments through the bKash App, enhancing our cutting edge omnichannel customer service strategy. This ground-breaking solution offers instant SME loan adjustments from bKash wallets, empowering businesses to make seamless loan repayments even on weekends. It provides unparalleled convenience for SME customers nationwide, eliminating the hassle of bank visits. Moreover, this innovative facility propels our CMSME clients towards embracing digital payments via bKash, significantly boosting cashless transactions and driving financial inclusion.

Furthermore, bKash agents and distributors can now enjoy 24/7 cash management services of BRAC Bank for emoney recharge and encashment. More than 6,000 agents and distributors from the SME segment have so far availed of the services, transacting BDT

transactions and pull money service. Another extraordinary convenience is that any bKash account holder can make cash out from BRAC Bank ATM. With seven crore bKash customers, the impact of ATM cash withdrawal is of great significance. The partnership with MFS aims to provide banking convenience and a delightful customer experience.

TDS: How MFS providers help BRAC Bank expand its outreach taking banking services to grassroots level where physical branch setup is not financially viable?
SRFH: Mobile financial services have revolutionized the financial and banking ecosystem in Bangladesh. People living in remote areas of the country can now avail themselves of everyday banking services, as many banks have forged partnerships with MFS companies. This collaboration serves the banks in a significant way, as the brick-and-mortar branch model is not financially viable in many rural areas. For example, more than 800,000 Astha App users can

companies. The bank has four objectives for digital transformation: the first is to enhance customer service, the second is to increase revenues and the number of customers, the third is to reduce operational costs, and the fourth is to make our system more transparent and auditable.
TDS: What new things BRAC Bank will bring to the customers in future to provide benefits through MFS partners?
SRFH: BRAC Bank will partner with other MFS companies to provide customers with more transaction options. Along with the SME customers, loan repayment and disbursement facilities through MFS will be expanded to other customers. MFS has boosted business growth, increased productivity, and helped small entrepreneurs expand their operations, particularly in rural areas. Moreover, mobile financial services have revolutionised the remittance landscape in Bangladesh. Given these multi-faceted benefits, BRAC Bank will scale up integration with MFS in many ways.

Transforming the Banking Landscape through MFS

FROM PAGE J3

Dhaka Bank, for example, has partnered with MFS providers to offer digital deposit products through mobile wallets. This has enabled customers to make small deposits easily, helping them secure their financial futures despite high inflation and low savings rates. "We are seeing a significant response to our deposit schemes through MFS platforms, which allow users to deposit money conveniently from home and access it directly in their wallets," says Mosleh Saad Mahmud, Head of the Liability & Cash Management Unit at Dhaka Bank.

Over 3.5 million DPS accounts have been opened by bKash customers with IDLC Finance, Mutual Trust Bank, Dhaka Bank, City Bank, and BRAC Bank, all conveniently managed through the bKash app from the comfort of their homes.

City Bank, another key player in the bank-MFS collaboration, has gone a step further by integrating digital loan products into the MFS ecosystem. Through its partnership with bKash, City Bank has provided digital loans to customers, offering a convenient and accessible way to access credit. As of the past two years, City Bank has disbursed approximately Tk 1,565 crore in loans to 500,000 unique customers through this platform. This partnership highlights how the integration of banking services with MFS can create new opportunities for customers to access loans and build financial security.

Al-Arafah Islami Bank obtained its MFS license in 2012 and launched its MFS platform, Hello Cash, in 2015. Later, in December 2019, the service was rebranded as Islamic Wallet.

"We support both USSD and app-based services, which are fundamental for MFS. Our USSD code, *434#, allows users to access Islamic Wallet services, including regular cash-in and cash-out operations. Other popular features include fund transfers, mobile recharges, person-to-person transactions, credit card bill payments, and utility bill payments, particularly for Dhaka's DPDC," says Md. Salah Uddin Tanvir, First Assistant Vice President and Head of Strategy & Business Planning for Digital Financial Services at Al-Arafah Islami Bank.

Challenges to Widespread MFS Adoption
Despite its significant success, MFS

adoption in Bangladesh faces several challenges that need to be addressed to unlock its full potential. One of the primary issues is the lack of sufficient infrastructure to support the growth of MFS. In particular, the high cost of IT infrastructure and the need for stronger technical literacy among users pose significant obstacles for MFS providers. Furthermore, limited

It is essential to promote financial literacy and digital education, especially for women and marginalized groups. Providing training on how to use MFS platforms, coupled with initiatives to improve access to smartphones and internet connectivity, can help bridge the digital divide and ensure that MFS benefits reach a wider audience.

access to smartphones, unreliable internet connectivity, and high data costs hinder the ability of many people to fully benefit from MFS.

According to Sabbir Hossain, Deputy Managing Director of Brac Bank, "The growth of MFS is constrained by the lack of infrastructure and a limited understanding of the financial products available. Additionally, the cost of data and limited internet connectivity are significant barriers for many users." This suggests that in order for MFS to reach its full potential, the government and private sector must collaborate to improve the country's digital infrastructure.

Another critical challenge is the gender gap in MFS usage. As Lila Rashid highlights, many women in Bangladesh still face barriers to accessing MFS services due to the lack of mobile device ownership in households. In many cases, male family members tend to own the devices, which limits women's ability to engage with mobile financial services. This gender disparity is compounded by lower levels of digital literacy among women.

To address these challenges, it is essential to promote financial literacy and digital education, especially for women and marginalized groups. Providing training on how to use MFS platforms, coupled with initiatives to improve access to smartphones and internet connectivity, can help bridge the digital divide and ensure that MFS benefits reach a wider audience.

The Future of MFS and Banking in Bangladesh

The future of MFS in Bangladesh looks promising, with continued growth expected in both the number of users and the range of services offered. According to Bangladesh Bank, the number of MFS transactions has been steadily increasing, with transaction volumes growing by over 34% in 2023 alone. This trend is expected to continue as more people embrace digital financial services.

To further expand the reach of MFS and promote financial inclusion, it is crucial to focus on enhancing the services provided through these platforms. MFS providers must continue to innovate and integrate new features that cater to the diverse needs of customers. For example, integrating credit scoring systems and offering more financial products such as insurance and pension schemes could help users build financial security and reduce their dependence on informal financial channels.

Moreover, collaboration between banks, MFS providers, fintech companies, and the government will be key to expanding the reach of MFS and addressing existing challenges. By working together, these stakeholders can create a more inclusive and efficient financial ecosystem that benefits everyone, from the unbanked population to small businesses and large corporations.

"Our vision is to seamlessly integrate traditional banking with mobile financial services to meet the evolving needs of our customers. By embedding MFS into our core operations, we aim to create a holistic financial ecosystem that enables customers to effortlessly navigate between digital and physical banking touchpoints," shares M Jamal Uddin, Managing Director & CEO of IDLC Finance.

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- * মাসে ৫০০, ১০০০, ২০০০, ২৫০০, ৩০০০, ৫০০০ এবং ১০০০০ টাকা করে সঞ্চয় করুন
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