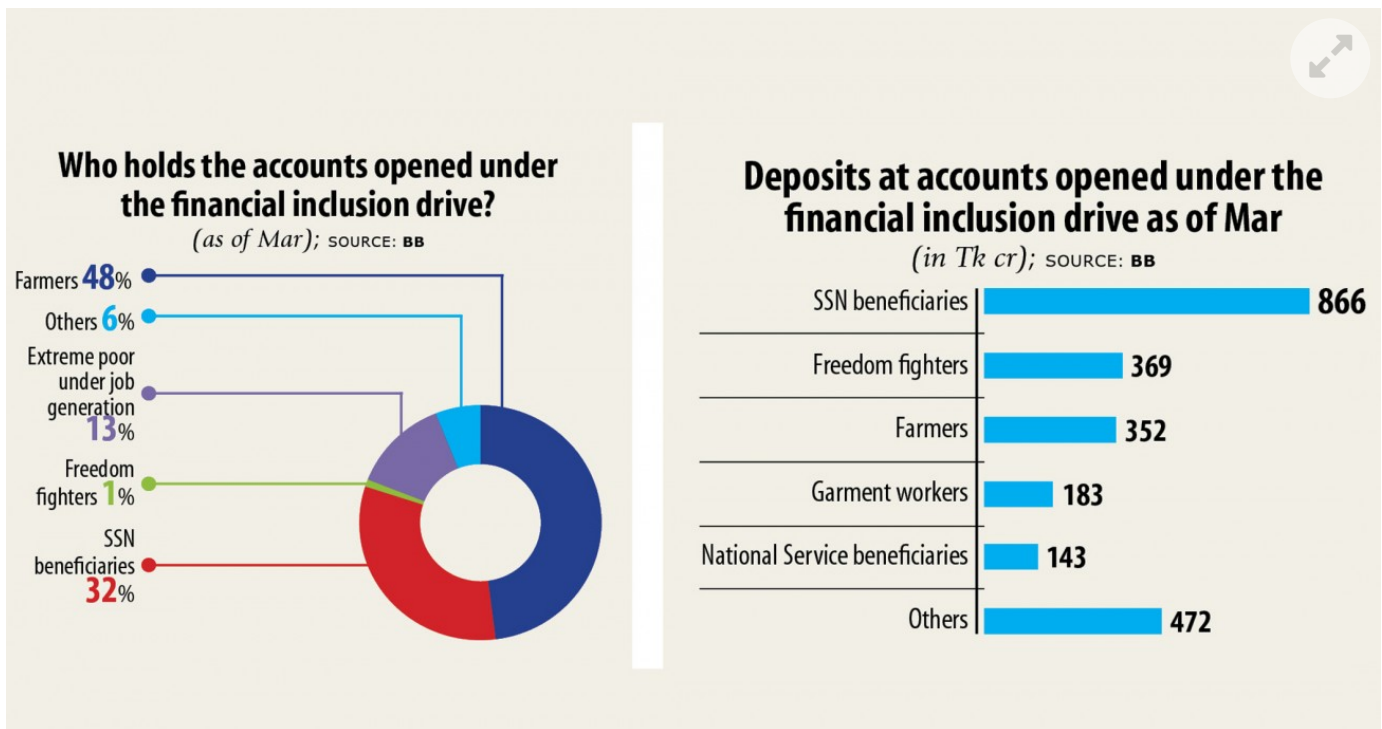


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Digital financial inclusion could help economic recovery

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Bangladesh has embraced a wide range of financial inclusion since 2010 by allowing a vast population to open an account with an initial deposit of Tk 10 to Tk 100 as the



government looked to bring the unbanked under the umbrella of the banking sector.

As of March 31, banks opened 2.13 crore accounts for those who receive allowances under social safety net schemes, farmers and extremely poor.

But now a question has arisen: how much a role is the financial inclusion playing in tackling the ongoing economic maelstrom brought on by the global coronavirus pandemic?

The International Monetary Fund has recently said that the countries whose financial inclusion agenda is strong and vibrant could absorb the shocks smoothly.

This is good news for Bangladesh given the gigantic number of accounts under the financial inclusion, which is 20 per cent of total accounts of 10.66 crore in the banking sector.

But the IMF research paper -- The Promise of Fintech: Financial Inclusion in the Post-COVID-19 Era -- has also given a message that the traditional inclusion will be unable to address the crisis.

There will have a requirement of digital financial inclusion to address the pandemic-stricken economy. Such financial system also helps people maintain social distancing to avoid the deadly pathogen.

Although the Bangladesh Bank does not have available data on how many of the 2.13 crore accounts opened under the drive are active, there has been a strong indication that the majority of them are inoperable given the amount of deposit trend with the accounts.

The outstanding deposit in the accounts stood at Tk 2,385 crore as of March.

A tiny portion of the accounts is used to receive farm loans while the government makes social safety net payments to the extreme poor, underprivileged populations and freedom fighters through the accounts.

The number of accounts under the financial inclusion programme has been increasing over the years, but the trend has failed to put a substantial impact on the economy, said two officials of the central bank who are working on the matter.

For instance, in the first quarter of the year, the marginal people opened 7.95 lakh accounts, which were hardly used.



As per the government and the central bank instruction, these accounts can't be rendered dormant. Banks treat an account inactive if they are not used for six months in a row.

The accounts will remain inoperable in the coming days if the account holders don't use them digitally like they use the accounts of mobile financial service (MFS).

But this is a tough job as 89.12 per cent of the accounts have been opened by state-run lenders, which have not brought their all branches under online coverage.

The higher-ups of the central bank should take an initiative promptly as the post-pandemic-era will be completely different from the current stage, said a BB official.

People from all walks of life who are settling transactions through banking channel are increasingly opting virtual banking to protect themselves from the deadly virus. This will form as a habit and the majority of the customers will carry out banking from home.

The IMF in its publication gave an anecdote about the future digital financial inclusion and lending scenario.

In a remote location in a low-income country, a woman wakes up early in the morning and dials her mobile. She is borrowing a very small amount digitally to buy vegetables from the local market.

During the day, she will sell her inventory at her shop located on the outskirts of the town. Some customers will pay her using a mobile wallet and others with cash.

She will transfer the cash onto her phone at the shop next door, where the merchant is also a mobile money agent.

At the end of the day, she will be able to pay back the loan and keep the profit on her mobile wallet. She can use mobile money to pay for the gas she uses to cook dinner, as the utility company has recently connected its payment system to the mobile money infrastructure.

Such a digital inclusion is also possible in Bangladesh in one year or two if required measures are taken right now, several central bankers say.

The accounts under the financial inclusion programmes will have to be linked to mobile phones like the operational system of MFS accounts. The clients have to be given a scope to operate the accounts through mobile phones.



The existing MFS agents could help them deposits and withdrawals and the government should provide subsidy to them to do so, said the central bankers.

The IMF paper found that adoption of digital payments is significantly and positively associated with growth.

During the pandemic, technology has created new opportunities for digital financial services to accelerate and enhance financial inclusion, amid social distancing and containment measures, it said.

During the crisis, smooth access to government electronic systems that are well-integrated with digital financial services platforms such as fintech firms and digital banking are proving to be critical in providing wide-reaching policy support promptly and without contact to the public.

If they are not easily accessible or not well-integrated, fiscal support announcements -- no matter how large -- will fail to reach the most vulnerable and needy, the paper said.

The government has provided funds to the garment sector under a stimulus package and the wages to the workers have been paid through MFS channel.

It should widen the digital financial inclusion for implementation of the total stimulus packages worth more than Tk 103,000 crore.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, echoed.

"The gigantic number of accounts could be enlisted with the agent banking as well to expedite the digital financial inclusion," he said.

The central bank is thinking about how to give a boost to digital financial inclusion to keep up with the time, said Md Anwarul Islam, general manager of the Financial Inclusion Department of the central bank.

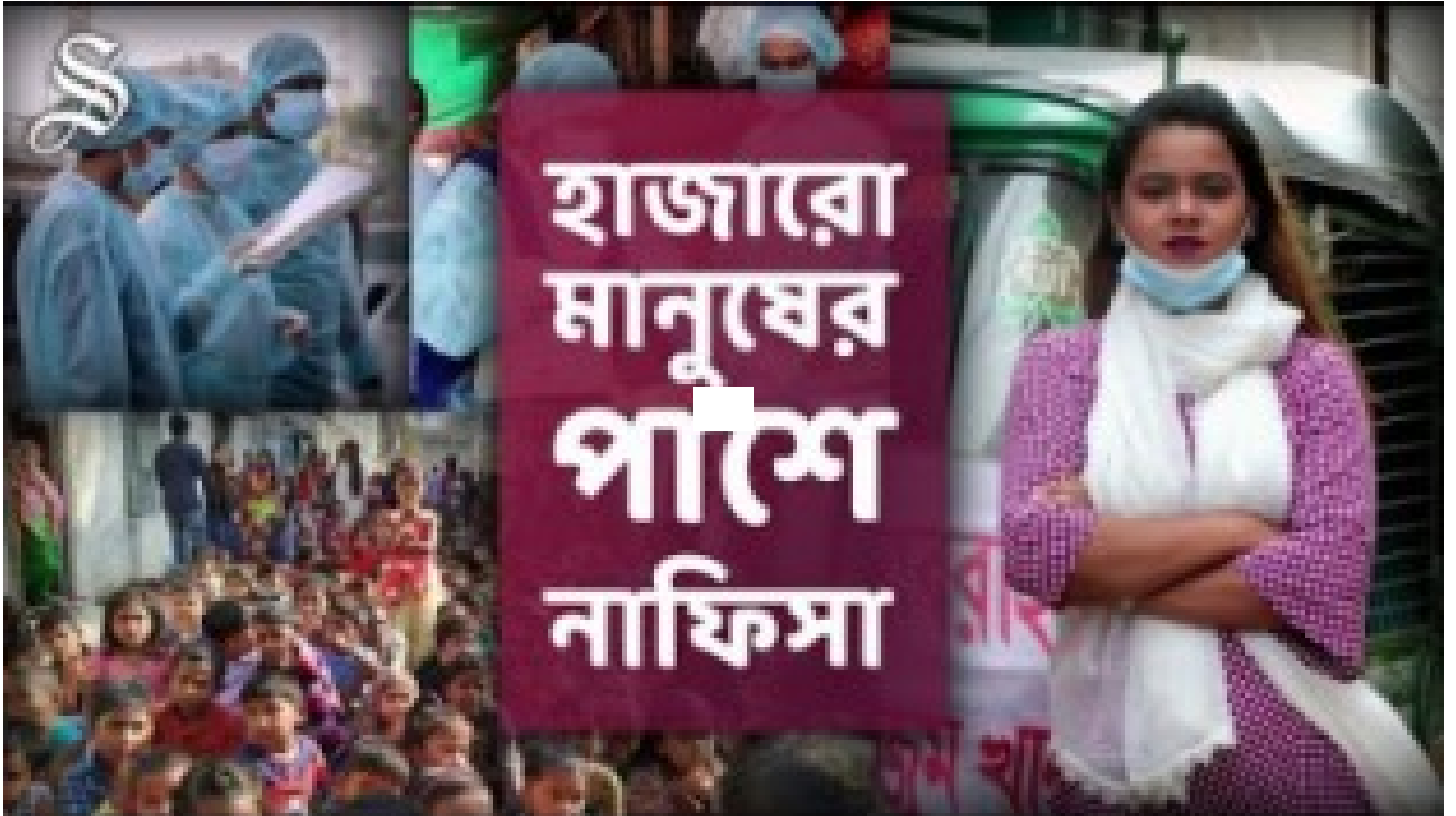
The move will be easier if state lenders embrace online banking in the quickest possible time.

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