EDITORIAL

Technology for financial inclusion

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BANGLADESH has many success stories to be shared at the global level. All these years this poor and mal-governed country has been cited for its strides in many areas of social development. Along with reduced poverty, gender parity in both primary and secondary education has been achieved. Life expectancy at birth has increased. Improvements in primary school enrolment rate, immunisation against early childhood diseases and reduction in infant mortality rates are commendable. Living conditions of a large number of people has improved with better sanitation and access to drinking water.

There is more to the story. Recently, while attending a meeting at the office of a communication technology and services provider in Stockholm in connection with my research, I was engulfed by a rush of pride. Sitting in the high-tech, plush meeting room of the company, I forgot that contrary to the achievements in several areas, there are also many missing links which pose the country with some formidable challenges. I only focused on how technology could be used for economic growth and job creation for developing countries which was the theme of the discussion. During the two day programme, the example of bKash came up a few times in the session on financial inclusion. Bangladesh has shown how the ICT sector can bring a large number of people in the loop of financial services. Of course, services provided by mobile phones have also been extended to other sectors including healthcare, education, agriculture, disaster management and livelihood programmes. Financial services through mobile telephones have been the most significant one for the creation of economic opportunities and empowerment of women.

Like some of the mobile money initiatives in the developing world, such as M-PESA in Kenya or Smart Money in the Philippines, bKash in Bangladesh has provided opportunities for a large number of people, enabling them to receive financial services through mobile technology. Workers in the Middle East or Singapore or Malaysia remit money to their homes in Bangladesh through this mobile money system. Moreover, when a RMG worker or a house help in the city wishes to send her salary to her village home, she does not need to open an account, walk to the bank, stand in the line and pay various charges. Lower charges means she gets to keep more of her income. This has also shown that even though a small section of people are connected to the formal banking system in the country, the excluded ones could still have access to financial services through mobile telephones.

The potential of financial inclusion through ICT is, however, much greater in Bangladesh. Even being aware of the positive aspects of technology, most of us still feel comfortable to pay our utility bills and other payments in cash rather than make digital payments. We are yet to fully understand that payments can be made in a much easier, cheaper and secure way online. The reluctance towards moving to digital transactions is due to various concerns like the security of payments and the privacy of personal information. Therefore, we have to have full back-ups through regulatory and legal frameworks to get support in case of any uncertainties over payments. The government should also scrutinise the quality and compliance of non-bank entities on a regular basis.

For higher benefits from technology induced financial inclusion, the scale matters as well. Studies show that ICT affects economic growth only when penetration rate reaches 40 lines per 100 inhabitants. The other challenge is to lower the cost for deepening ICT penetration. Supportive fiscal policies, as well as scaling up of investment in the ICT sector, can address the cost issue. The government has increased the allocation for ICT in the budget of FY2016, but this is too little compared to the need and objectives spelt out in the Seventh Five Year Plan. Extension of tax holiday periods for Information Technology Enabled Services and Nationwide Telecommunication Transmission Network sector from 2019 to 2024 is of course a positive measure. Given the potential of the sector towards economic growth, tax regimes for ICT equipment and services should indeed be favourable for further intensification of technology and information flow in the country at an affordable price.

The success of branchless banking services, like mobile financial services in Bangladesh, helps us to dream of full financial inclusion in future. This is not only because of higher demands by a large population, but also due to the need to have more diversified products of financial services. Not only as a payment method, but the use of ICT has to be extended in areas such as bill payments, merchant payments, insurance, credit and savings as well. It should be expanded to support e-commerce through providing opportunities to a broader section of customers such as small and medium enterprises, people in the rural areas and women who face higher barriers to access finance. This will also make financial inclusion commercially sustainable. And then, the transformation of financial inclusion into social inclusion will not be a far-off dream.

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