



Financial Services and New Technologies: Looking Ahead to 2020

Keynote Speech by **Dr. Atiur Rahman**, Governor, Bangladesh Bank

Conference on Branchless Banking organized by:

Department for International Development (DFID) and
Consultative Group to Assist the Poor (CGAP)

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Chief Guest

I am happy to be invited to this DFID-CGAP event launching a publication on branchless banking, and organizing deliberations on aspects and implementation issues of relevance for Bangladesh and our region. I expect the new publication and today's deliberations to bring up new insights and clearer roadmap options for optimal leveraging of potential synergies in partnerships between financial service providers and technology platforms in extending branchless banking, or remote delivery of financial services, particularly to the population segments that brick and mortar bank branches have so far been unable to reach out to cost effectively.

Branchless banking has for several decades now been a tantalizing and somewhat elusive promise of the new fast evolving information technologies that financial service providers have been eagerly embracing. Technology is yielding them high benefits in terms of scale efficiencies and cost savings, but the appeals of brick and mortar bank branches have not gone away. Financial services are based on mutual trust between providers and clients, thriving best in familiarity from face to face personal contacts. *I look forward to branchless banking in Bangladesh not as an alternative, but as a key supplement enabling traditional branch banking to reach out to new client segments in dispersed rural or otherwise remoter locations, a priority of Bangladesh in pursuit of rapid inclusive growth with fullest possible financial inclusion.*

The cultural homogeneity and high population density of Bangladesh are features auguring very well for success of a technology driven thrust in branchless banking. Six mobile phone companies have brought the entire country under comprehensive network coverage, with steady growth in number of mobile phones in use (already well above fifty million, in a total population nearing one hundred fifty million), and also with ample spare airtime and information processing capacity to

engage in partnerships with licensed and regulated financial service providers to devise and introduce innovative cost effective means of reaching out to the as yet financially excluded population segments (about a quarter of the adult population) with payment, deposit and other services including disbursement and recovery of loans.

Bangladesh Bank is on the lookout for such creative partnerships in regulated IT based remote delivery of financial services. A number of BB approved initiatives are already in operation (to begin with, mainly in utility bill payments and in delivery of remittances from Bangladeshi workers abroad to their families at home), others are at various stages of implementation, with some of these including smartcards and POS terminals in delivery networks besides mobile phones. Besides people in dispersed remoter locations, working internal migrants sending money home, urbanites paying utility bills and other routine expenses like insurance premium and school fees etc., senior citizens drawing pensions and social security benefits, and the technophile young can all be expected to be avid users of financial services afforded by branchless banking. Banks can usefully employ technology based branchless banking to disburse and recover loan installments to and from small landholder farmers and rural non farm enterprises cost effectively; with only occasional field visits to appraise borrowers and to complete documentations. Also, expansion of branchless banking will at least to some extent ease the demand pressure for cash currency notes; which are expensive to print, circulate and to dispose of when no longer usable. Of course, technology based branchless banking will have its own set of technical and operational risks to be mitigated and appropriately managed.

Let me conclude with my heartfelt thanks to DFID and CGAP for organizing this event to heighten awareness and engagement of our financial service providers and their potential partner technology platforms about the high promise that branchless banking holds in terms of business prospects and expanded customer base over the medium term, besides the above outlined broader benefits for the population and the overall economy. I wish all success for the deliberations in identifying viable roadmap options, aiming at full financial inclusion in Bangladesh by 2020 with optimal use of technology based branchless banking.
