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## Editorial Office

76 Purana Paltan Line, 3rd Floor  
Dhaka-1000. Contact : 09611656102  
E-mail: dailybdexpress94@gmail.com  
www.thebangladeshexpress.com

## News & Commercial Office

15 New Baily Road, (Building-2),  
Dhaka-1217

## Editor

FARUK AHMED

## Managing Editor

Shamim Ara

## Special Correspondents

K Masum Ahsan  
Anok Ali Hossain Shahidi

## UK Correspondents

Farhan Ishrak Ahmed  
Robina Yasmin

## BJFCI Project Head

PR Biswas

## Contributors

BJFCI Members

## Graphic Design

Md. Morsalin Rahman  
Abul Monsur Manik

## Production & Circulation

Mostafa Kamal  
Sheik Md Shamim Miah  
Mohammed Ali

## From the Desk of the Editor

# Eid shopping boosting cashless journey

Ramadan is not only a period of deep introspection and devotion for Muslims but also a time of joyous gathering and communal feasting. As Eid-ul-Fitr, the biggest celebration for the Muslim community approaches, people across the country are flocking to various shopping centres to purchase gift items for their near and dear ones. Sparkling illuminations around shopping centres, overcrowded roads and side lanes, and heavy rush in shopping areas are seen in cities and villages across the country.

Different news media say that this year, a large number of Eid shoppers are avoiding cash transactions as most sellers are accepting digital payments. According to reports published in dailies, cashless payments in Eid shopping have become popular among shoppers as the country's mobile financial service operators as well as banks are offering discounts and cashback deals on the digital payment method. Sellers also prefer cashless payments as the system is promoting their brands and giving them the advantage to collect payments smoothly during this busy time of the Eid rush.

Is Eid shopping boosting the journey towards a cashless society?

To find the answer, THE BANGLADESH EXPRESS has conducted a survey in some popular Eid markets in the capital city with the help of BJFCI. The survey findings are encouraging that show that more people this time are now avoiding cash transactions and paying through their mobile phones. This is boosting Bangladesh's journey towards a cashless society for building a strong digital economy. Here Mobile financial service innovation is playing the leading role. The government is also encouraging this payment innovation to speed up the cashless journey for building a strong and sustainable digital economy to achieve its millennium economic goals. While economic struggles will continue to dominate the headlines over the turn of the year, innovation must continue in the payments space.

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## Message from CHAIRMAN

# Happy Eid al-Fitr 2023

**A**fter observing a month-long fast from dawn to dusk during the holy period of Ramadan, we all Muslims across the world are set to celebrate Eid ul Fitr after the crescent moon is seen within a few days. Eid ul-Fitr is a very important festival in our life and was started by the Prophet Muhammad (pub) himself. It is also known as 'The Feast of Breaking the Fast' and is celebrated by Muslims worldwide to mark the end of Ramadan. There's a battle going on inside us in Ramadan, and for 30 days Allah gives us the power to win. This year, the holy month has come with the hottest weather and longest days. According to the met office, till 3:00 pm on April 16, the highest temperature recorded was 40.4 degrees Celsius. The people of Dhaka city experienced the hottest day in the capital in 58 years.

Eid-ul-Fitr is a day to be grateful to Allah for all his grace upon us. Let us show forgiveness, speak for justice and avoid the ignorant. May this Eid-ul-Fitr bring love, luck and happiness to your heart! On this special occasion of Eid, may Allah answers all our prayers. I pray to the Lord Almighty to shower His mercy on all of us and guide us on every path of our life. May Allah bring you lots of joy, happiness and good health.

**Happy Eid-ul-Fitr! Eid Mubarak!**

**FARUK AHMED**

Bangladesh Journalists' Foundation For Consumers & Investors (BJFCI) is the largest platform of senior journalists working in leading dailies of Bangladesh. It's members are working as Editors, Executive Editors, Economic Editors, Business Editors, News Editors, Chief Reporters, Special Correspondents and Senior Reporters/Sub Editors and committed to protect the rights of consumers and interest of inclusive investors through media interventions. BJFCI raises voice for the rights of consumers and promotes growth finance sector, digital innovations and mobile financial services in line with its vision to build a fair financial society for a better Bangladesh with inclusive growth.

# BB sets a goal for 75% retail transactions digitally by 2027



## Express Report

The central bank has set a goal so that at least 75 per cent of retail transactions are settled through digital technologies by 2027, a move that may give Bangladesh's digital transformation a massive fillip and turn the cash-based economy into cashless.

The Bangladesh Bank will heavily rely on Bangla QR, a uniform digital payment system launched by the central bank in January, to reach its goal of cutting cash-based retail transactions significantly.

On a number of occasions recently, Governor Abdur Rouf Talukder has talked about the BB plans to have at least 75 per cent of transactions settled online within four years.

Md Mezbaul Haque, the spokesperson of the BB, said the central bank has set a roadmap so that at least three-quarters of retail transactions are settled through digital methods by 2027.

"And an interoperable QR code will play a vital role in implementing the roadmap."

Digital transactions in Bangladesh were largely non-existent two decades ago. The scenario started to

change after the present government swept to power in December 2008.

In the following years, the BB introduced the Bangladesh Automated Clearing House, the Bangladesh Automated Cheque Processing Systems, the Bangladesh Electronic Funds Transfer Network, the National Payment Switch Bangladesh, the Bangladesh Real Time Gross Settlement, the MFS system, and the agent banking operation, building infrastructure for a digital transformation.

Covid-19 turbocharged the transformation as people were forced to use digital tools to communicate, work, purchase and find entertainment. Although the pandemic has petered out, many have habituated to the digital way of doing things.

The BB has now stepped up its efforts to expedite the cashless journey and moved to bring millions of small businesses such as street vendors and lower-income groups under the virtual transaction system. It has initiated a campaign to popularise the QR code in Dhaka city and four other districts - Gazipur, Gopalganj, Natore, and Rangpur - on a pilot basis.

A QR code is a barcode that stores information as a series of pixels in a square grid and can easily be read by smartphones.

Bangla QR is now helping clients pay bills for goods and services through mobile banking applications, mobile financial service (MFS) providers, and payments service providers (PSPs).

The initiative is cost-effective, secured, and cardless and is expected to help promote digital transactions to a large extent in an economy that relies almost entirely on paper currencies and notes to function.

The QR code-based payment is gaining popularity even in remote areas, helped by the relaxation of rules in November 2020 that paved the way for opening personal retail accounts for micro and underprivileged businesses.

Clients usually can pay bills by scanning a QR code using smartphones at major outlets if there is an agreement between the stores and the entity that holds the customer account. Bangla QR has taken the convenience one step further as it enables account-holders of any bank, MFS providers and PSPs to make payments if the facility is available at brick-and-mortar stores.

Around 7,000 Bangla QR code facilities have been set up and the number will reach 20,000 within the next couple of weeks, according to Haque.

Now, clients settle 1,500-2,000 transactions using QR codes every day and the amount of transaction volume stands at Tk 20 lakh to Tk 25 lakh. The central banker hopes that both transactions and volumes will go up substantially in the coming months.

"The cashless transaction will receive a boost in the coming days as the QR code-based system is highly user-friendly," said Haque.

Banks and MFS providers have put in place 7-8 lakh QR code facilities at checkout counters of outlets and service providers and even small retail shops. Now, these QR codes will have to be converted into the Bangla QR code system, according to a central bank instruction.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, thinks both the central bank and commer-

cial banks should carry out an extensive awareness programme among clients so that they feel comfortable in settling transactions through the digital system.

Eighteen banks are now using Bangla QR to settle transactions. This means that there are still 44 banks that is yet to join the initiative.

"So, it is important for all of us to speed up the programme," Rahman said.

Bangladesh's payment landscape industry has widened to a large extent in recent years, said Syed Mohammad Kamal, country manager of MasterCard Bangladesh.

A good number of clients have embraced various digital transaction tools such as credit and debit cards and banking apps.

The use of both credit and debit cards has been on the rise for the last couple of years and many people purchase goods and services through e-commerce platforms from the convenience of their homes or offices than in the past.

The total amount of credit card loans held by

lenders stood at Tk 2,506 crore in January this year, up 17 per cent year-on-year. Spending through debit cards increased 49 per cent to Tk 36,765 crore, data from the BB showed.

But Kamal says that a portion of people have gone back to the use of cash after the pandemic receded, so the government should think about it.

He recommended the government offer a 5 per cent incentive to both clients and merchants who settle transactions digitally.

"Such an incentive is available in India. We can follow the model to popularise digital transactions."

According to Kamal, when clients make payments digitally to traders for goods and services, it increases transparency, helping the government generate more revenues.

"Offering incentives will also help increase transactions through MFS providers."

In a country of nearly 17 crore people, the number of MFS accounts stood at 19.41 crore in January, up 12 per cent year-on-year. Transactions in the month increased 18.6 per cent to Tk 100,593 crore.



# Bangladesh emerges as a unique digital financial services market

Faruq, a twenty-something RMG worker living on Dhaka's outskirts, receives his salary into his Mobile Financial Service (MFS) account, sends money to his mother in the village in less than 5 minutes, pays his corner shop dues, and plans to put the rest of the money into a savings account.

Rima Begum, a resident of Sylhet Sadar, uses the recently launched bKash IDLC Online DPS. "I did not have the opportunity to open a savings account before," says Rima. "When I learned about IDLC Online DPS through the bKash app, I found it easily accessible and started saving a small amount each month."

Ahmed Faisal, a 28 years-old founder of an IT company in Dhaka, does not enjoy going to the bank and has been doing all his banking transactions online.

In Bangladesh, mobile financial services have transformed the financial services landscape over the last decade. It has changed how people send money from one place to another and has slowly given rise to digital payment. The country has seen a decent rise in online banking. Recent developments show financial service providers are willing to go further. Several NBFIs and Banks have introduced digital services such as online deposit, online DPS, and credit services independently and in partnership with MFS players to serve growing digital consumers and reach users who essentially don't have access to formal banking services.

These developments are not surprising, considering Bangladesh's digital financial landscape is still in its infancy but the market is growing fast. Data from Bangladesh Bank shows transactions through internet banking reached Tk 20,559 crore in December 2021, up 154% year-on-year. For MFS, Bangladesh Bank data shows a 28% increase in transactions between Jan 2021 and Jan 2022. Besides P2P transfer and payment, MFS use cases have expanded to payment of wages,

bonuses, various social security allowances, and government grants.

Judging by how digital financial services have scaled in India, China, Indonesia, and Vietnam, Bangladesh might just welcome a widespread penetration of digital financial services in the next few years.

## A distinct digital financial services market

India's Paytm took five years to become a unicorn. Unicorns are private companies valued at or above one billion dollars. Paytm went public in November last

year in what was termed India's largest-ever IPO. However, Paytm's public market experience has been challenging. Apart from Paytm, India has a long list of fintech companies operating across verticals such as Phonepe, Cred, Khatabook, Navi, Lendingkart, and Groww, among



others.

Vietnam, another Southeast Asian market known for rapid technology growth, has its fintech unicorns. In July last year, VNLife Corp, the owner of mobile wallet VNPAY, raised \$250 million from General Atlantic, Dragoner Investment Group, and PayPal Ventures with participation from SoftBank Vision Fund 1. In December, MoMo, Vietnam's biggest e-wallet company, became a unicorn after raising \$200 million in investment that valued the company past \$2 billion. Launched in 2013, the company claims it owns 60% of Vietnam's mobile payments market. Vietnam is one of the most competitive fintech markets in the region. Dozens of players, including Southeast Asian tech giants Sea and Grab, are investing heavily in the country.

In Bangladesh, bKash became a unicorn, the first private company in the country to be valued above one billion dollars, last year after Softbank invested north of \$250 million in the company. bKash is the largest MFS player in Bangladesh.

Compared to markets like Vietnam, Bangladesh's fintech market is still in its early days. And the country appears to be growing into a distinct digital financial services market as well. MFS market has seen several serious players including Nagad, Rocket, Upay, the newly launched Tap, and several others. There are several players in the digital payment market including Dmoney, iPay, etc. We're also seeing players in verticals like P2P lending, BNPL, etc. However, except for MFS players, no other player has yet experienced mainstream success.

### Grasping Bangladesh's digital finance landscape

In the last two years, Bangladesh has experienced rapid growth in various digital services. Ecommerce has seen excellent growth with several companies raising millions of dollars in funding. Digital healthcare has seen meaningful growth with companies like Amarlab, DocTime, and Digital Hospital unbundling healthcare. The growth of the digital economy essentially helps the overall growth of digital financial services.

However, the digital financial landscape isn't clear-cut for Bangladesh. Finance remains a highly regulated industry in the country. Thus, the trajectory of the industry has been different. Along with MFS growth, we're seeing a lot of Bank-led innovations in the fintech space, whereas independent fintech players remain on the periphery.

Syed Javed Noor, Deputy Managing Director of IDLC Finance explained this best in an interview with FS: "In Bangladesh, the Central Bank is cautious and maintains a supervisory mindset. The understanding is that no one player should monopolize the market." [...] "I think innovation in financial services in Bangladesh will probably be bank-led," he adds.

To that end, as mentioned before, financial institutions have been doing a lot of interesting work in the digital finance space by launching digital products including mobile apps and digital services.

As more financial institutions join the change, however, three main things differentiate one player from the next—the product categories, the distribution model, and the customer segment. Based on these three factors, there are many different ways to approach the market. And for every choice, there's always a trade-off.

For instance, leading NBFID IDLC introduced two digital financial products between 2021 and 2022. The first product, IDLC Online Deposit, allows customers to

create accounts online and make deposits from anywhere, anytime. The product targets urban and semi-urban technology literate users. The product has since received excellent responses, but it does not necessarily expand IDLC's customer base. The second product, bKash IDLC Online DPS, is designed to cater to the financial needs of the unbanked population. It creates opportunities for IDLC to serve a previously untapped segment of the market while providing previously unavailable savings opportunities to this population.

IDLC's strategy for online DPS suggests if a financial institute decides to explore remote, untapped regions, it'll have to figure out distribution and communication challenges.

Many financial institutions are now looking to expand beyond urban and semi-urban digitally literate customers and to serve customers who didn't have access to financial services before. The urban market is already saturated. While there are still opportunities in the segment, it is a red ocean.

One strategy that came out of this interest is agent banking. First introduced by Bangladesh Bank (BB) in 2013, the model has gained

excellent success in helping banks penetrate markets where they did not have a presence before. But it fell short in attracting customers who are not ideal bank target customers, limiting the reach within the periphery of old bank customers. Many banks are now trying new models to address this challenge.

One such approach that is gaining momentum is partnering with MFS companies for distribution. IDLC's online saving scheme for bKash app users is a good example of that. A leading private bank has also launched a collateral-free digital loan product in partnership with bKash.

The strategy for both of these products is to double down on second and third-tier cities, and rural areas, where the presence of traditional financial institutions is limited.

### Breaking out

Most bank users in Bangladesh are in metropolitan areas. Thus, overall banking services penetration remains low. Per World Bank's Global Findex database, access to bank accounts remains within 50% of the population, and only 9.1% of the population borrows from the formal sector. The state of savings product penetration is in a similar state. A 2018 MicroSave report suggests, "less than a quarter of the population save money, of which less than a third save at a formal financial institution."



The outlook, however, is different for mobile phones and MFS adoption. The Bangladesh Telecommunication Regulatory Commission (BRTC) data suggests the country has 126 million active internet subscriptions, of which 92% come from mobile users. MFS has seen excellent penetration-with approximately 60% of the adult population having active MFS accounts-and built an extensive country-wide agent network with more than 1.1 million agents. However, MFS usage remains limited to certain patterns. For instance, as of 2021, 95% of all MFS transaction value is in cash-in, cash-out, or P2P payments whereas only 5% are other usages such as merchant payments, salary, utility bills, government disbursements, etc.

Traditional financial institutions don't enjoy a similar level of penetration. Consequently, most MFS users don't have access to financial products like savings, credits, etc. The collaboration between financial institutions and MFS players can change this scenario and extend financial inclusion to the population who live outside of traditional banking services.

The first wave of big financial players was born and grew up as metropolitan kids. The next wave of growth for these companies will come from the villages. While the cost to serve these remote areas, considering the logistical challenges, is a big concern, technology can dramatically bring down that cost. With the excellent penetration of mobile phones and MFS services, the next layers of services can easily be built on the existing infrastructure.

The challenge for formal financial institutions is that relying on MFS companies for distribution reduces their control and can create potential competitive challenges in the long run. The advantage financial institutions have is the years of experience, expertise, and a proactive regulatory environment. But they need to find a model and distribution strategy that makes serving customers who are currently outside of the formal financial world feasible.

IDLC is hoping to do this via a coordinated strategy that includes digital products, partnerships, and tech adoption across operations. IDLC currently has 40 branches in 20 cities in Bangladesh. It is the largest NBFIs in the country and has excellent penetration among SMEs across the country. The digital adoption indicates the company understands the shifts in the market. Technology adoption can improve efficiency

and bring down costs, helping financial institutions save costs that may enable them to offer greater benefits to customers in the form of higher interest rates or cost-efficient services.

### An evolving world

The fintech playbook in a formal banks and financial institution-led world, thus, differs greatly from player to player. At this point, there's yet to be any clear winner in Bangladesh's fintech landscape. Many players are aware that there's a huge untapped market, but figuring out how to serve them is a puzzle. While MFS has seen the decent competition, other verticals remain slow.

So far the formal banks and financial institutions are leading the fintech landscape in Bangladesh. Financial institutions have launched various technology initiatives to serve their existing customers with mixed success. Many have tried to branch out into MFS. Others

are now looking to find an opportunity at the intersection of the two. On the payment side, PSP license holders are trying to transform the payment space. New players like Chaldal are entering the vertical hoping to tie their consumer ecommerce business with digital payment services.

The market will evolve further as the regulatory environment leaves room going forward for players to maneuver. There are discussions around giving permission to digital and neobank models.

Industry insiders have long predicted that access to financial services can transform the economic fate of a large number of people. And that handheld devices can be the next big thing in evolution. For instance, IDLC's digital savings program for bKash app users can change the financial future of a large group of people who did not have access to financial services before.

Fintech adoption in the country is just getting started. As more people go digital, financial institutions will have to double down on their investment in tech in the coming days. The recent enthusiasm over digital financial services from the banks offers a glimpse of that future.

There's no reason why a formal financial industry-led fintech model can't work. However, it will take the players to break out from the existing mental models and try new approaches and products.

Courtesy: Future Startup



Editor's Pick

# EID SHOPPING WITH MOBILE PAY

● FARUK AHMED



Cash is no longer king. This ongoing Eid shopping is a bright example as more shoppers are now using mobile payment tools to buy their Eid products. Most salesmen at the shopping malls said more Eid shoppers this year are now

avoiding cash.

A section of shoppers made payments through cards and mobile financial services (MFS) for around 40%-50% of purchases in the ongoing Eid shopping, salesmen of the capital city's different shopping malls said.

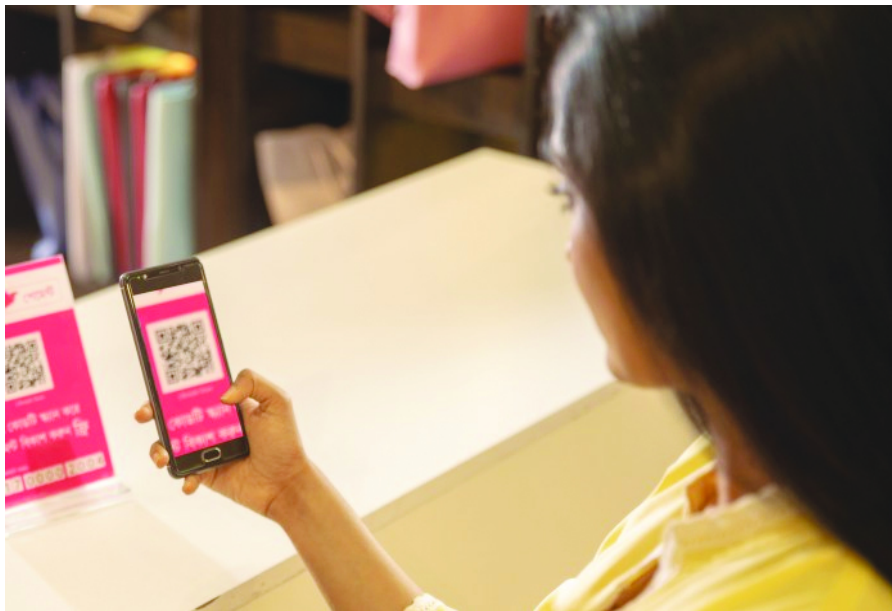
Almost five out of 10 payment transactions in the city's markets were made by digital payment tools like Visa, Mastercard and bKash App over the last week since Eid shopping started

to pick up, according to a survey among salesmen of the city's five shopping malls.

Last year, three out of 10 payment transactions were made through mobile payment tools during Eid shopping, which indicates that more people are now moving towards a cashless environment.

The survey was conducted by the Bangladesh Journalists' Foundation For Consumers And Investors-BJFCI, a non-profit organization of senior journalists of national dailies who are working for consumer rights protection and promoting digital innovations for inclusive economic growth since 2018.

An 11-member team employed by BJFCI conducted the survey in Jamuna City, Bashundhara City, City Heart, Baily Star at Shantinagar and Mouchak market at Malibagh area from April 01 to 15 April.



"Consumers increasing trends towards mobile payment has been showing an upward trend since the coronavirus outbreak which has prompted second thoughts about reaching for cash", explained Shamsuddin Haider Dalim, the head of Corporate Communications of bKash Limited.

In the pandemic era, he said, people's movement was restricted by lockdown and MFS appeared as a boon for people from all walks of life. Since then, people have realized that cash is no longer king as payment through mobile phones is easier, more secure and more convenient, he explains.





### Gen-Z looks To Lucrative Offers

Paying for goods and services has never been more convenient than using a mobile payment system. This has created a new group of customers who are not unbanked but feel comfortable shopping with mobile payment.

Younger generations are more inclined to reach for a smartphone rather than a wallet for many reasons including lucrative cashback offers and discounts. So, each of them has a smartphone and most of them have a bKash account or any other mobile payment account. Salesmen under the survey said the reason for increasing trends of Eid shopping with mobile payment is not only for easy, secure and convenient payment methods but also lucrative cash back from bKash and discounts from sellers which attracted these Gen-z consumers who are mostly students.

"Before going to a shopping mall, I load cash in my bKash account to enjoy cashback and discount offers", said Fahim, a student of North South University while he was busy with Eid shopping on Thursday at the city's Twin Tower shopping mall. "It's also convenient, easy, quick and secure", he explained.

Customers get around 10%-50% discounts on purchases from certain showrooms for payments through cards and MFSs like bKash, Rocket & Nagad. All most all MFS operators and their partner shops have offered lucrative discounts on transactions through their plat-

forms during Ramadan.

Like in previous years, customers can enjoy up to Tk2000 cashback and discount coupons on bKash payments while shopping on the occasion of Eid. Besides, every hour, three customers with maximum purchases through bKash payment will get up to Tk1000 cashback.

Besides, customers can enjoy up to Tk1000 cashback at selected restaurants while making bKash payments during Iftar and Sehri. Customers eagerly wait for cashback and discount offers from bKash during the Eid season.

Customers can avail of up to Tk300 instant cashback on purchasing any clothing, shoes and accessories from selected outlets through bKash payment. They can get up to Tk150 cashback per day and a maximum of Tk300 during the campaign and up to Tk500 instant cashback on online and Facebook-based shops.

Eid shopping has gained momentum across the country as hundreds of buyers are thronging the showrooms of top fashion brands and markets of the port city.

Eid Ul-Fitr is a significant Islamic festival that marks the end of the holy month of Ramadan, which is the month of fasting observed by Muslims around the world.

The celebration of Eid Ul-Fitr in 2023 is expected to take place on or around 21 April 2023, depending on the sighting of the moon.

### What Shoppers Say!

Lipi Akter, a housewife residing in the Bashabo area under the capital city last Friday completed almost 90% of her Eid shopping from Baily Star and Mauchak Market spending more than Tk 30,000.00. Most of the payments she made were through a Visa card and the bKash app.

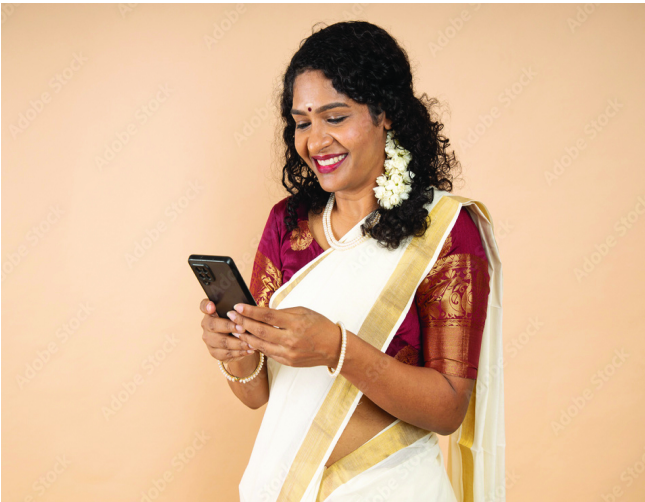


"We will celebrate the Eid festival in my village home. So, I am under pressure to complete my Eid shopping. bKash app helped me a lot to buy products quickly and enjoy some cash incentives", she said in a busy shop in Baily Star on Friday.

"More than 60 per cent of my payments were made through Visa card and bKash app", Lipi Akter replied to a question.

Faria Ahsan, a young housewife, residing in the Shahjahanpur area started shopping with the bKash app in 2021 after hearing that one of her relatives died from a coronavirus attack. The wife of the deceased informed her that her husband might be contaminated by the markets regularly he visited for buying essentials.

"Since then, I have been using bKash app to buy necessary goods from shops and even pay fishermen who supplied fish to my door and utility bills from my home", Faria said when she was buying goods from a store at Bashundhara City with mobile payment.



Shebika Rani Shaha, a journalist also expressed the same views. "bKash app is now an indispensable tool for us. Without it we can't live in our society", she said while paying a seller at Mauchak market with her mobile phone.

As the holy Eid is knocking at the door, Eid shopping is picking up day by day across the country from skyrocketing shopping malls to footpaths. This time billions of taka would be spent by Muslim people to buy goods and gifts for their near and dear ones.

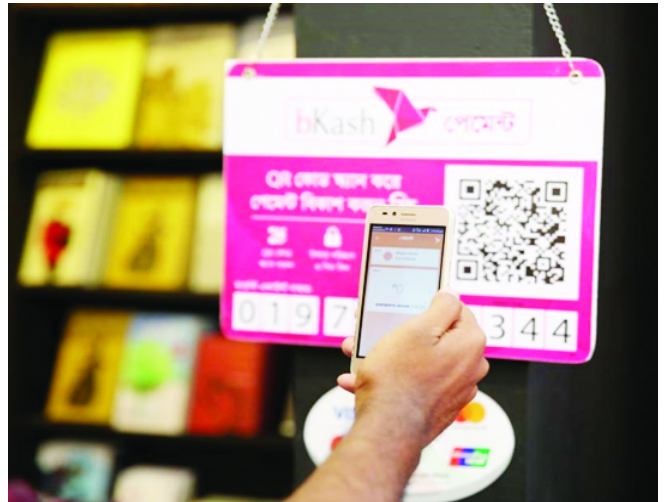
A large amount of money would be paid through digital channels.

"With bKash app, I feel easy to complete my shopping as most shoppers now accept bKash payment", Tomal, residing in Shanti Nagor area said.



Most shops of reputed shopping malls accept payments through Visa and Master cards and now accepting bKash payments to meet the growing demand from customers.

"I have lost some potential customers as didn't deploy any QR code to accept bKash payment. However, I am accepting direct bKash payment and my sales volume is rising day by day", Kamal Ahmed, the owner of the shop at City Heart said.





The Baily Star, a famous shopping mall in Dhaka city at Baily Road, was less crowded with shoppers at noon on Monday last. But salesmen of most shops said they are happy with the current sales trends thanks to online shopping by a large number of youngsters.

"It's an amazing shopping experience for me", said a salesman with a smile. "Our online sales volume is beyond our expectations", he said.

### **bKash Leads the Pick**

People spend billions of taka on Eid shopping every year and Bangladeshi people working abroad this time send millions of foreign currencies as remittances to their families mostly living in villages. And banks are delivering remittances quickly through mobile banking channels.

In this race, bKash, the country's leading mobile financial service (MFS) operator with more than 30 million customers across the country is leading the race. Most banks have joined hands with bKash to facilitate their customer's digital shopping and send receive money quickly for their needs at an affordable cost.

"This time we are experiencing a higher volume of transactions through bKash channel. With the bKash app, people are buying goods from shops and commer-

cial banks are sending remittances to the recipients living in villages and even in remote haor and chor areas where banks are yet to reach", Shamsuddin Haider Dalim, Head of Corporate Communications of bKash Limited said.

bKash, a Brac Bank subsidiary, is the leading MFS player in Bangladesh with more than 30 millions customers across the country. Rocket of Dutch Bangla Bank and Nagad of Bangladesh Post office are also active in this race.



A large number of poor people living in rural areas are waiting to receive "Eid money from their relatives and social and political leaders through mobile phones. bKash added a 'Donation' icon to its app to make the donation process easier and more systematic.

This initiative has enhanced the capacity of the charity organizations to collect donations and enabled the customers to donate more conveniently while sitting at home amid this pandemic.

Digital shopping through mobile banking and plastic cards is now a craze in Bangladesh. This pushed up e-shopping by 30 per cent last year, according to e-Cab association, an association of more than 900 e-shops.



"The number of e-shopping delivery orders was nearly 20,000 in 2021, which is now more than 25,000. "The yearly turnover of the country's online shopping is Tk 8-Tk 10 billion," said the general secretary of e-CAB.

The main reason for this upward e-shopping trend is mobile payment apps which are very easy, convenient, secured, robust very user friendly. Another obvious reason is most people fear carrying cash mostly during festival time as muggers are too active on roads and in front of ATM booths.

The volume of e-commerce in Bangladesh has exceeded Tk 4000 crore in 2021 thanks to the 'state of the art payment services offered by MFS operators like bKash, Rocket, U-Pay, and i-Pay under a conducive yet stringent regulatory environment. The e-commerce market would reach \$3 billion by 2023 as it is increasing at a rate of 50 per cent every year, according to a study presented in a recent webinar organised by the Dhaka Chamber of Commerce and Industry.

MFS allows consumers to transfer funds, pay bills, store value, make payments and receive foreign remittances via mobile phones-is trans-

forming the lives of individuals and small businesses globally. The ability to access funds anywhere, anytime saves time, improves security and provides a means for saving and managing money more effectively than traditional methods.

From offering services to migrant workers desperate to send wages home, to giving retailers new ways to provide instalment financing, to arming businesses with new cyber security tools, industry experts say the MFS will keep growing in the days ahead, industry experts say.



## MARKET UPDATE

# Digital banking key to keeping pace with global trend, says ex-BB governor Atiur



## DF Report

Former Bangladesh Bank governor economist Dr Atiur Rahman recently said there is no alternative to digital banking to keep pace with the global economy.

He put high emphasis on the digitalisation of money while speaking at a seminar titled "Conversion of Paper Money to Digital: Adoption of Digital Currency by Central Bank", held at a Dhaka city hotel, organised jointly by Scholars Bangladesh Society and Emerging Credit Rating Limited.

Dr Atiur Rahman stressed the importance of digital banking in keeping up with the pace of the current global economy, according to a press release.

He said, "There is no alternative to digital banking. I want digital Bangladesh; I want it for everyone."

Dr Rahman highlighted mobile financial services as the biggest example of digital banking and noted that cur-

rently, transactions worth around Tk 300 billion are daily made through such banking.

He also mentioned that Bangladesh Bank is slowly moving towards cashless payments through its Central Bank Digital Currency (CBDC) initiative.

Kamal S Quadir, chief executive officer of Bkash Limited, highlighted the importance of trust in transactions, stating that customers' trust must be gained even when transactions are done digitally.

Jamaluddin Ahmed, chairman of Emerging Credit Rating Limited, stressed the significance of mobile financial services in revolutionising the history of economic transactions in Bangladesh.

ME Chowdhury Shamim, founder and president of Scholars Bangladesh Society, announced that four more seminars on the central bank's digital currency will be organised within the month of June.

# Jamuna Bank launches new mobile app and web-based digital banking service 'Shadhin'



Textile and Jute Minister Golam Dastagir Gazi (fifth from right) attends the app launching ceremony as the chief guest while Jamuna Bank Limited and Jamuna Bank Foundation Chairman Al-Haj Nur Mohammed (sixth from right) presides over the event.

## DF Report

Jamuna Bank Limited recently launched a new mobile app and web-based digital banking service 'Shadhin' aimed at providing advanced and better services to its customers.

Textile and Jute Minister Golam Dastagir Gazi attended the app launching ceremony as the chief guest while Jamuna Bank Limited and Jamuna Bank Foundation Chairman Al-Haj Nur Mohammed presided over the event.

Directors, managing director and CEO of the bank

were also present on the occasion. Also, the officers and employees of all branches joined the event virtually.

With this app, Jamuna Bank customers can make balance inquiries, view statements, transfer balance, add money, send mobile top up, make positive pay, know branch/sub branch/atm location, pay utility bills, make merchant payments, pay tolls and avail many other services.

The app can be downloaded from Google Play Store and Apple App Store, or one can make self-registration on the web portal.

# Mitro, Bkash collaborate to facilitate receiving advance wages earned by workers



## DF Report

Financial wellness platform, Mitro and the leading Mobile Financial Service, Bkash will provide the facility of advance payment of earned wages to users of Bkash Payroll Solution.

As a result of this joint initiative, workers will be able to access their earned wages before the designated payday as per their requirement, reads a press release.

This facility will not only provide financial security to the workers but also play a crucial role in increasing their productivity and retention.

Bkash and Mitro signed a memorandum of understanding (MoU) at the main office of Bkash.

Present at the occasion were Ali Ahmed, the chief commercial officer of Bkash and Kishwar Ahmed Hashemee, managing director and co-founder of Mitro.

Along with them, from Bkash there were also, ATM Mahbub Alam, EVP and HoD, Payroll Business, Commercial, Sarabar Kumar Chanda, VP, Payroll Business, Commercial, Md Ashadun Nabi (Deputy

General Manager, Payroll Business, Commercial), and Tanvir Jubair, senior executive, Payroll Business, Commercial.

"Mitro" is the pioneer Bangladeshi financial wellness platform that increases the productivity and efficiency of workers by facilitating earned wage access which ensures their financial security.

As a result of this joint initiative, workers who receive wages through Bkash can easily receive this service in their own accounts.

More than 1000 organizations in the country are using the digital payroll solution of Bkash to provide salaries and wages to their employees and workers.

Bkash is not only providing salaries through digital methods but also working towards creating a sustainable financial ecosystem for the employees of these organizations.

Now, employees can use the salaries they receive through Bkash digitally to manage their finances more efficiently.



Pan Junfeng, President, Huawei South Asia Region and CEO, Huawei Bangladesh, signed a memorandum of understanding with Kamal Quadir, Founder and CEO of bKash, Bangladesh's largest mobile payments provider. Image: Huawei

# Huawei deepens partnership with bKash to boost financial inclusion

## DF Report

"bKash me!" has become synonymous with asking someone to send you money digitally, just as "Googling" became synonymous with online searching in the early 2000s. bKash, Bangladesh's largest mobile payments provider, has become a mainstay in the country's digital economy ecosystem, and currently serves more than 68 million users - or over one third of the population.

On Wednesday, 29th March 2023, Global ICT provider Huawei signed an agreement with bKash to deliver greater mobile financial services and drive financial inclusion for Bangladesh.

Pan Junfeng, President, Huawei South Asia Region and CEO, Huawei Bangladesh, said that the agreement aims to "empower and enable more people in Bangladesh to seize the benefits of the digital economy for development," at a press conference in Dhaka, Bangladesh.

As part of the agreements, the partners committed to further improve digital and financial inclusion in Bangladesh through smart fintech initiatives. Pan shared that Huawei is committed to supporting bKash with its best technologies to support more customers with superior services.

Pan highlighted that Huawei's fintech solutions are currently used by over 400 million people to access mobile financial services in markets worldwide. Huawei has deployed its platform across more than 30

markets in Asia and Africa, he added, and is the top supplier of mobile financial solutions across the world. Kamal Quadir, Founder and CEO of bKash, said that Huawei's robust fintech solutions has enabled bKash to support their high transaction volumes and remain customer-centric.

"At the advent of the fourth industrial revolution, we are working tirelessly towards a digital financial ecosystem and becoming a Smart Nation. The joint effort of bKash and Huawei aims at driving financial inclusion and eliminating poverty for SDGs with innovative solutions," said Kamal.

Sarder M Asaduzzaman, Assistant Resident Representative of the United Nations Development Programme and Susan Vize, Officer-in-Charge of the United Nations Educational, Scientific and Cultural Organization (UNESCO) Dhaka Office shared that these mobile financial services will be critical in driving financial inclusion and achieving the country's sustainable development goals by 2030.

Huawei has partnered with bKash since 2017, providing hardware, software, and service solutions such as its mobile money fintech solution, an e-wallet service that enables users to transfer cash, pay bills, save money and link bank accounts.

When the company was launched in 2011, it enabled unbanked people in rural areas without access to smartphones to pay bills and send money. Now, it offers a host of mobile financial services such as savings, e-wallet services, and microlending, or "nano-loans".



# Up to Tk 3000 cashback, discount coupon at Eid shopping on bKash payment

## DF Report

Like previous years, customers can enjoy up to Tk 2000 cashback and discount coupon on bKash payment while shopping on the occasion of Eid, said a press release.

Besides, in every hour, three customers with maximum purchase through bKash payment will get up to Tk 1000 cashback.

Alongside these offers, customers can enjoy up to Tk 1000 cashback at selected restaurants while making bKash payment during Iftar and Sehri.

Customers eagerly wait for cashback and discount offers from bKash during Eid season. As always, they are getting cashback and discount coupons on bKash payment while shopping from brand outlets, retail shops, online shops, Facebook shops, super shops and restaurants.

They can avail the offers till 22 April 2023 through bKash app, USSD code \*247#, or using payment gateway.

### Up to Tk 300 instant cashback

Customers can avail up to Tk 300 instant cashback on purchasing any clothing, shoes, and accessories from selected outlets through bKash payment. They can get up to Tk 150 cashback per day and a maximum of Tk 300 during the campaign.

### Up to Tk 500 instant cashback on online, Facebook based shops

Customers can enjoy up to 20 per cent instant cashback from selected online shops through bKash payment. A customer can enjoy up to Tk 150 cashback per day and up to Tk 300 during the campaign. Besides, bKash offers 5 per cent instant cashback, up to Tk 200 while shopping from selected Facebook shops through bKash payment. A customer can enjoy up to Tk 100 cashback in a day and up to Tk 200 during the campaign.

### Discount coupon up to Tk 600

This Eid, customers can enjoy up to Tk 600 discount coupons while purchasing favorite clothes and shoes or electronic appliances from selected outlets through bKash payment. A customer will get Tk 200 coupon on a minimum payment of Tk 1,500 through bKash from specific brand outlets.

A customer can avail coupon of Tk 200 for maximum



three times with a total of Tk 600 during the campaign. After receiving, the coupon will be valid for 7 days. Customers must make a minimum purchase of Tk 1,000 to use the coupon.

### Tk 600 discount coupon, cashback

Customers can enjoy a discount coupon of Tk 500 on grocery shopping from specific superstores. A coupon of Tk 100 can be availed every time they make a minimum payment of Tk 1,000 on grocery shopping from selected superstores.

Customers can receive the coupon for a maximum of 5 times during the campaign period. The offer is applicable for Thursday, Friday, and Saturday only. A customer can enjoy the coupon once a day. Besides, bKash offers 2.5 per cent and 5 per cent cashback while purchasing groceries online through bKash payment. A customer can enjoy Tk 100 cashback during the campaign.

### Hourly cashback offer

Three customers making the highest payment through bKash in every hour will get 100% cashback, up to BDT 1,000 from 10:00 am to 11:59 pm every day. A customer can avail of the offers once during the campaign. The Cashback will be received within 2-3 working days of the transaction.

### Up to Tk 1000 cashback on Iftar and Sehri

Alongside the shopping, customers can enjoy 10 per cent instant cashback at selected restaurants during Ramadan by making a payment of a minimum Tk 100 with bKash Payment. They can avail up to Tk 100 cashback in a day and a maximum of Tk 1000 throughout the campaign.

# Govt signs five-year agreement with Nagad for primary stipend disbursement



## DF Report

The Directorate of Primary Education (DPE) has signed a five-year tripartite agreement with Bangladesh Postal Department and Nagad, to entrust this state-owned MFS with the job of disbursing education stipends among primary school students.

Nagad will have to distribute primary education stipends in a transparent way for the next five years - from the current fiscal year 2022-23 to 2026-27 - based on their previous performance.

Shah Rezwan Hayat, director general (Grade-1) of DPE, Md Saleh Ahammad, director (planning) of Bangladesh Postal Department and Md Shafayet Alam, executive director of Nagad Limited, signed the agreement on their respective sides at the Ministry of Primary and Mass Education recently.

Secretary to Primary and Mass Education Ministry Farid Ahmed, Secretary to Posts and Telecommunications Division Abu Hena Morshed Zaman, Director General (additional duty) of Postal Department Md Harunur Rashid and Managing Director of Nagad Limited Tanvir A Mishuk were also present at the signing ceremony.

Posts and Telecommunications Minister Mustafa Jabbar said, "Reaching out stipends to mothers of students using technologies is a great job. I assure that Nagad will try its best to disburse education stipends

flawlessly."

"I think if the ministry takes an initiative that school authorities alert students' mothers so they do not fall into any traps, stipend disbursements will completely be faultless," he also said.

Mustafa Jabbar added, "It is a day of great importance for Nagad because it has been assigned to disburse primary stipends for the next five [fiscal] years."

State Minister for Primary and Mass Education Ministry Md Zakir Hossain said, "We have signed the five-year agreement with Nagad for stipend payouts. We will evaluate them too. There will be a constant monitoring. We hope Nagad will not be a reason for pain that we previously experienced because of bKash and SureCash."

Tanvir A Mishuk, founder and managing director of Nagad Limited, said, "The school dropouts have reduced significantly because of government stipend disbursements. Many students and their guardians do not even know from where such financial support comes."

According to the agreement, the government sets a target to disburse stipends among 1.3 crore primary students every year. The money is sent to mobile accounts of students' guardians through Government-to-Person (G2P) payment system. Every year around BDT 2,000 crore is released from the operating costs earmarked in the annual budget.

# Rise of digital banks: How fin-tech players are changing the banking game

Demand for digital platforms has grown as people realised benefits of digital banking



**Ramitha Ramesh**

Get ready for a banking revolution! The rise of digital banks is shaking up the industry and changing the game. Say 'goodbye' to traditional banking models and 'hello' to innovative, customer-focused solutions.

Commercial banks offer a range of banking services to individual consumers, small to mid-sized businesses, and the general public. With the advent of digital banking services, these products are now easily accessible to customers, and include services such as opening new bank accounts, transfers, and more.

Let us explore why digital banks are on the rise; how they are changing the banking game, and why you might want to consider making the switch.

## What is digital banking?

Initially, both banks and customers were hesitant to move away from traditional banking towards digital formats. However, the demand for digital platforms has

grown as people begin to realise the potential benefits of digital banking, such as improved customer relationships, brand image, and increased efficiency.

One of the key advantages is the reduction in operational costs. Automated applications and processes eliminate redundant labour, reduce the chance of errors, and lead to efficient results at a lower cost. Technologies like artificial intelligence (AI) further enhances automation possibilities while maintaining the fidelity of back-end processes.

Traditional banks sometimes face challenges with their outdated legacy systems, leading to weaker service offerings despite modern digital technology at the front end. To overcome this, banks are focusing on modernising their back-end systems to completely overhaul the delivery of banking services.

Banks that don't keep up with digital services may lose customers to those that do. However, those that rethink how they interact with customers can create an



outstanding experience and gain an edge over their competitors. In general, the move towards digital banking services provides an excellent opportunity for banks to improve their services.

### **What has been the impact of digital banking?**

Banking has changed a lot in the recent years, with more and more people preferring to do their transactions online or through their mobile devices. This means we are less likely to see those friendly faces behind the counter, and more likely to base our banking decisions on factors like rewards and fees.

But there is a downside to all this convenience—we are missing out on that personal touch that comes with face-to-face interaction with a financial advisor. Luckily, digital banking services have the potential to connect us with professionals who can give us the advice we need to make better financial decisions.

Of course, not all banks are created equal. Smaller banks may struggle to compete with the big ones in terms of tech and resources, which is where partnering with the right vendors comes in handy. By teaming up with experts, banks of all sizes can offer top-notch digital solutions that go beyond the basics of online banking.

So whether you are a big bank or a small one, it is clear that digital banking is the way of the future. It is up to us to make the most of it!

### **Difference between digital banks and fin-tech neobanking**

Neobanks are the cool kids on the block when it comes to banking, offering a streamlined and customer-centric approach that traditional banks can only dream of. They come with features like budget tools and spending insights that you won't find at your typical bank.

But beware, they are subject to different rules and regulations, which can be a double-edged sword. They can adapt and innovate quickly, but deposit insurance and

access to certain services may be limited.

The thing that sets neobanks apart from traditional banks is that they are 100 per cent digital—no stuffy old branches to deal with. And digital banking is a game-changer, making banking more accessible and convenient for everyone.

With the help of AI and other fancy technologies, neobanks are shaking up the banking industry and giving customers a fresh new way to manage their finances. As technology continues to evolve, it is no surprise that more and more people are turning to neobanks and digital banks for their banking needs.

### **How is digital banking disrupting fintech neo-banking?**

Banking used to be all about traditional banks with their brick-and-mortar buildings and in-person transactions. But now, with the rise of digital banks, the game has changed. You can do everything from your smartphone or computer, without even stepping inside a bank.

Digital banks offer customers a more convenient and accessible banking experience, with user-friendly apps and quick transactions. Traditional banks have to keep up by offering similar digital services, or risk falling behind in the technological race. So it is officially time to embrace the digital revolution in banking!

### **Flexible cloud infrastructure**

Digital banking uses super-smart cloud solutions that use AI to handle data and crunch analytics like nobody's business. This can make it tough for fin-tech companies to keep up as they are in direct competition with such digital services.

But if they want to stay relevant, they can take a cue from their hipper counterparts and start using these advanced technologies too. By doing so, they can build a more nimble system that lets everyone easily access

customer and account data.

This leads to better customer insights, more productivity, and fewer risks of data theft. One way to catch up is for traditional banks to team up with startups and quickly adopt cloud-based tools, giving their clients more flexibility when it comes to banking services.

### Advanced security and transparency

Traditional banks are placing more emphasis on transparency and security in their operations. Meanwhile, digital banks are already ahead of the game in data security regulations that safeguard customer information and prevent unauthorised account access.

Digital banking prioritises transparency by providing real-time updates on transactions and payments, and openly sharing information about fees and penalties.

They also use advanced technologies like encryption, biometric verification, two-factor authentication, and role-based access management to prevent fraud and cyber attacks.

### Hassle-free process

The utilisation of AI and technology by digital banks has disrupted the traditional banking system. These have an automated front- and back-end processes, reducing the operational cost for banks and eliminating the possibility of human error.

Therefore, fin-tech companies will need to leverage AI-powered tools to automate almost all of their operational tasks, such as loan administration, account opening, and document verification, to stay ahead of the game.

### Elevate customer experience

Traditional banks are struggling to provide a satisfactory online user experience due to their outdated technology. Meanwhile, digital banking has come to the rescue to provide a user-friendly design, cutting-edge tech stack, and an intuitive mobile app that offers 24/7 customer care via AI-enabled chatbots.

To stay competitive, fin-tech companies need to find a better balance between generating revenue and focus-

ing on the needs of their customers. By prioritising customer feedback and personalization, these companies gain a significant advantage in the market.

### Ease of use

Traditional banks are at a disadvantage compared to fin-tech companies, as they struggle to keep up with the technological advancements required to support effective consumer-driven programmes.

However, since traditional banks allocate significant portions of their budget towards digital banking, this problem may soon become redundant.



Traditional banks and neobanks can form a mutually beneficial partnership to improve the online banking experience for customers. By teaming up, traditional banks can enhance their online services and apps by leveraging the innovative features of neobanks.

This collaboration can make banking more user-friendly, with easy-to-use and understandable services.

Ultimately, this partnership can help traditional banks keep up with fintech companies and upgrade all aspects of their services.

### The bottom line

Can fin-tech pose a threat to digital banking? The short answer is 'yes', but the long answer is 'no'. In the long run, healthy competition between fin-tech and digital banking can only benefit consumers, leading to better services for clients.

However, in the fin-tech industry, one significant challenge companies may face in 2023 is dealing with SaaS/BaaS vendors. These vendors may present several challenges such as meeting regulatory standards, incomplete features, and limited flexibility.

While there may be some challenges for fin-tech companies and digital banks in dealing with SaaS/BaaS vendors, the overall relationship between fintech and digital banking is a positive one.

As the banking industry continues to evolve, it will be interesting to see how these two sectors work together to shape the future of financial services.

# Should You Swap Your Bank Account for a Digital Wallet?

Digital wallets provide cash storage and payment features, and they can complement bank account services.

Chanelle Bessette

Cashless and contactless payment options have been on the rise for years, spurred by the COVID-19 pandemic. Hand-in-hand with these options, digital wallet apps and services have also increased in popularity. An estimated 60% of the global population — 5.2 billion people — will be using digital wallets by 2026, according to a 2022 study from the data analytics group Juniper Research. As digital wallets have become more widespread, are they viable replacements for bank accounts? Here's what you need to know.

## What is a digital wallet?

A digital wallet is an application or service — typically on a smartphone — allowing users to store debit and credit card information and passwords. Some digital wallets can also store electronic tickets, passes, gift cards and personal identification cards, said Francisco Alvarez-Evangelista, advisor at the financial analysis company Aite-Novarica Group, by email. PayPal, Apple Wallet, Google Wallet and Samsung Wallet are some examples. Though you may lean toward using whatever app is associated with your smartphone, you can also download other digital wallet apps.

There is also some crossover between digital wallets and payment apps such as Venmo since many of these apps have begun to offer many of the same features, like peer-to-peer money transfers and special branded credit cards, as well as the ability to store a cash balance in the app. In some cases, such as when paying for an item or service, the terms "digital wallet" and "payment app" could be used interchangeably.

## Can I use a digital wallet instead of a bank account?

You can use a digital wallet instead of a bank account, but there are some significant caveats to consider.

A digital wallet is essentially a collection of your payment cards in one place, but it could also be a place to keep cash, such as your Apple Cash or Venmo balances. This tactic has some downsides, namely that you don't earn interest, and the Federal Deposit Insurance Corp. might not protect your funds. Some exceptions exist; Venmo, for example, takes funds directly deposited or deposited through the "cash a check" feature and sweeps them into partner bank accounts so that customer funds can be FDIC-insured. As far as interest goes, however, you're more likely to earn a good return on your money by putting it into a high-yield savings account instead, where interest rates have been increasing.



“While it is possible to replace a bank account with certain digital wallets, most consumers have banking needs that exceed what most digital wallets today offer,” Alvarez-Evangelista said. “While not all digital wallets are the same, most consumers look to digital wallets to augment their financial experiences online.”

A mix of digital wallet apps and bank accounts might meet your needs better than using one alone since you might need different apps when sending money to different people. Also, if you have credit cards compatible with specific digital wallet services — such as the Apple Card or the Venmo credit card — then having the companion app can lead to additional benefits, like bonus cash back.

## How to use a digital wallet

Open or download the app. If your mobile device has a built-in wallet, e.g., the Apple Wallet on an iPhone, you may want to explore the app to see if it suits your needs before downloading another app. If you'd prefer to use another service, perhaps to pay a merchant at a farmers market that only accepts a specific app, you can download a new one.

# How AI is transforming fraud prevention in ecommerce



T.R. Newcomb

Artificial Intelligence (AI) is transforming nearly all industries, and ecommerce is no exception. One of the areas where savvy online businesses are using AI to streamline operations is fraud detection. Where merchants once employed legions of employees dedicated to reviewing transactions, algorithms can now analyze millions of data points to flag irregularities and fraudulent behavior.

Successful fraud detection requires a delicate balance and extreme precision. On the one hand, merchants need to deny fraudulent transactions, which can be extremely expensive. On the other hand, they cannot deny legitimate transactions, which cause churn and reputational damage.

And, of course, there is no easy way to distinguish good from bad. As a result, an estimated \$600 billion in global ecommerce revenue was lost to payment declines in 2020. A Riskified study also found that 28% of customers will completely abandon a purchase after experiencing a payment decline and another 14% will shop with a competitor instead.

Striking this balance requires carefully calibrated AI that can predict the increasingly complex behavior of a

global consumer base.

## Fighting payment fraud

Online payment fraud is continually on the rise. A recent study from Juniper Research found that cumulative merchant losses due to online payment fraud will exceed \$343 billion globally by 2027.

Traditional fraud detection methods, often based on human-created rules that determined what would trigger a transaction decline, are giving way to more efficient, AI-based fraud detection. Rule-based fraud detection relies on policies that must prospectively predict impermissible customer behavior. This is cumbersome, inflexible and frequently inaccurate.

Fraud detection AI, on the other hand, is most often based on unsupervised learning models, wherein large data pools from multiple vendors and millions of transactions are analyzed by an algorithm. The algorithm isn't taught what to look for ahead of time; rather the system finds patterns based on behavioral patterns in the data. AI adds flexibility to fraud prevention and can spot anomalies and suspicious behavior without using pre-established rules. AI can also provide decisions instantly.

In this way, third-party fraud detection technologies are

also enabling more merchants to compete with massive marketplaces like Amazon and Alibaba. Fraud detection technologies aggregate data from thousands of merchants and millions of transactions, putting everyone on more even footing with giant marketplaces, both in terms of fraud detection and seamlessness of checkout experience.

### When shopping patterns change

AI-based fraud detection systems can adapt and make decisions that are increasingly nuanced as new behavior patterns emerge. For example, in the early days of the pandemic lockdown, people who had never purchased home improvement items or tools were suddenly making high-dollar purchases in those categories. eCommerce merchants had to adjust to avoid falsely declining purchases like these that would have appeared fraudulent prior to the pandemic. Fortunately, AI can adapt to changing market conditions like these in near real time.

Expedited shipping is another good example. This shipping method tends to be a red flag in fraud detection since it minimizes the amount of time a merchant has to cancel an order. But expedited shipping became much more common during the pandemic, and the practice has become increasingly safe over time. According to Riskified data, orders placed with expedited shipping increased 140% from January to December of 2020, while fraud levels decreased by 45% over the same period.

### New and challenging trends

Suspicious payment activity can be especially hard to detect if it is perpetrated by historically legitimate customers. “Friendly fraud” is a common example, and merchants are increasingly relying on AI to tackle situations where a customer disputes a charge with their credit card company to avoid paying for something they’ve already purchased from a physical goods retailer.

In these instances, the customer will claim an item wasn’t received by filing an “item not received” chargeback with their bank or credit card company. Some fraudsters even engage in large-scale charge-

backs, then sell items on the black market. This costs retailers millions of dollars each year and, if it occurred in a physical store, it would be classed as shoplifting.

There is also a rapidly growing customer trend in the form of policy abuse, which occurs when regular, paying customers break a retailer’s terms and conditions — usually with the motive of saving or making money. There are multiple types of policy abuse: One of the most common is connected to refunds and returns. For example, a customer may contact a retailer to falsely report a missing item, triggering a refund or duplicate to be sent. Similarly, a customer might post a return to

the retailer using an empty box (while keeping the original product) or send back used or worn items which is commonly referred to as ‘wardrobing’.

Policy abuse is not the same as traditional fraud but it has similar consequences for the retailer in terms of its potential for financial loss — a fact that can sometimes go unnoticed by the retailers involved. In these

situations, AI can spot sophisticated trends and patterns in the purchasing process to allow retailers to take action.

### More sophisticated chargeback fraud

Additionally, “chargeback dispute services” use AI to gather data such as IP addresses, device fingerprinting and behavioral analytics, then cross-reference this across past orders in the merchant networks. If the customer claims an order was fraudulent and not placed by them, the system can verify that it was placed using the same IP address and device where the shopper has placed orders in the past. This helps merchants decide how to prioritize disputes and tackle policy abuse from the greatest offenders. These services also automate the dispute process for merchants to make it scalable and more efficient.

As fraud tactics become more sophisticated, so too are fraud detection methods, which will soon go beyond purchasing patterns to analyze biometric aspects of ecommerce, such as “voiceprint” or the angle at which a mobile phone is held. These advancements will become increasingly necessary to protect customer accounts from fraud.

