



## Consumer protection of digital financial services is challenging

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A digital revolution is sweeping the globe propelling the speed with which we do financial transactions. Brick and mortar banks could soon become historical relics. But with this technological revolution comes the challenge of “cybersecurity” at the national level. On the ground, however, we have retail consumers making billions of transactions each day trusting the digital regime. That trust must be based on watertight digital system of consumer protection. How far along this route are we in Bangladesh?

Digital Financial Services (DFS) in Bangladesh is a technical innovation and a social revolution all rolled into one. But DFS is built on another platform, mobile telephony, which constitutes another technical innovation and social revolution for the Bangladesh economy and society.

The two parallel innovations are the building blocks fueling another revolution in the economic landscape — e-commerce.

Like many other growth accelerations, Bangladesh is well on its journey towards a fully paperless digital society in the coming years, a journey that will catapult Bangladesh society securely into the digital age well before this decade is out.

The Covid-19 pandemic has given a boost to the digital economy and e-commerce. That implies a rapid rise in human productivity and economic growth. This transformation is not likely to result in unemployment, as many would surmise. On the contrary, research evidence around the globe and across history suggests that such innovations create more jobs than getting eliminated in the transformation process.

With this good news comes the bad news – scams, theft, consumer security and privacy breaches. These have also become endemic around the world, with considerable investment being warranted to ensure that e-commerce is a boon to society as living standards rise rather than becoming a digital quagmire for national governments. Like unproductive defence spending, massive amounts are being invested by corporations and governments in cybersecurity to ensure that e-commerce and DFS are secure from the onslaught of hackers and scamsters.

As access to Digital Financial Services reaches the remote corners of Bangladesh and consumers of all shades, poor or non-poor, urban or rural, embrace e-commerce, digital governance must be made watertight with strong guardrails to ensure all consumers are fully protected. In particular, the rural population in remote areas, hitherto left out in the digital divide, must be given robust protection under a system of digital governance that imparts a good sense of security for their monetary transactions. Improved trust and confidence in the digital regime implies faster spread of the cashless economy and society that would be the game-changer in Bangladesh's post-LDC journey towards Upper-Middle Income Country.

Rapid growth and poverty reduction would be the handmaidens of such a societal transformation. There are a number of challenges and solutions for the millions of Bangladeshi consumers who have reposed trust in the system. That trust must be secured and strengthened over time.

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*The piece is his opening statement at the webinar on *The State of DFS Consumer Protection* which takes place Wednesday.*