

UNCDF SHIFT-DFCG

MONTHLY DFS AND SHIFT IN BANGLADESH NEWS



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News, Articles and Blogs on Digital Financial Services

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SHIFT IN BANGLADESH KEY EVENTS

HELD IN JULY

The Consultative Dialogue on Financial Literacy



Stakeholders urged for ‘a comprehensive National Financial Literacy Strategy and social/ customer segment specific long term action plans for promoting financial literacy in Bangladesh’ at the **Consultative Dialogue on Financial Literacy**, jointly organized by the UN Capital Development Fund and the Access to Information Programme on 18 July 2018.

The dialogue brought together regulators, development partners, private sector financial service providers, microfinance institutions, researchers and practitioners to share their insights and determining the way forward. Discussants recommended to undertake a stocktaking of the current initiatives, assess the diverse financial literacy needs of different segments and move forward for evidence based intervention design through utilizing digital channels and innovative community based techniques.



TRAINED MASTER TRAINERS PROVIDING CAPACITY BUILDING TRAINING TO THE MICRO-MERCHANTS IN FIELDS

UNCDF’s strategic partner, Dnet, organized a ToT (training of trainers) on micro-merchant development in Dhaka during 10-12 July 2018 under the SHIFT-MDDRM component. A pool of 16 trainers have been trained as master trainers of which 11 of them had previous experience to conduct different training sessions and the remaining 5 are well familiar about training skills earlier.

Through this capacity building initiative, the trained master trainers have been designing and facilitating training sessions for micro-merchants,



TRAINED MASTER TRAINERS PROVIDING CAPACITY BUILDING TRAINING TO THE MICRO-MERCHANTS IN FIELDS



micro-merchants associations, suppliers and BDS providers. The master trainers support to develop knowledge, awareness and skills of micro-merchants (including women entrepreneurs) to uplift their business competitiveness on the issues that they need focusing on FMCG, DFS and BDS. Around 2000 micro-merchants and the associate members of micro-merchants will be trained by these master trainers by 2019. From 24th July 2018, the series of respective trainings have been started where the master trainers would play a vital role for the micro-merchants development.

The Shaping Inclusive Finance Transformations : Merchants Development Driving Rural Markets (SHIFT-MDDRM) is a market-facilitation initiative that seeks to advance financial markets by improving the behavior of market actors. SHIFT-MDDRM aims to enhance the growth and competitiveness of retail micro-merchants in rural Bangladesh through vertical integration with fast moving consumer goods (FMCG) value chains and horizontal integration with financial service value chains, especially through introduction and use of digital business technologies and services. UNCDF, Dnet, FBCCI and BDMS are implementing SHIFT-MDDRM, A three-year project in Bangladesh with support from the Delegation of European Union.

EVENT IN AUGUST ON TRANSFORMING BUSINESSES THROUGH DIGITAL FINANCIAL SERVICES: CHALLENGES AND OPPORTUNITIES

FBCCI Institutional Workshop on
Transforming Businesses through Digital Financial Services: Challenges and Opportunities

Supported by

Wednesday, August 08, 2018
FBCCI Conference Room, Motijheel, Dhaka

The UN Capital Development Fund (UNCDF) and the Federation of Bangladesh Chambers of Commerce & Industry (FBCCI) will organize a workshop on **‘Transforming Businesses through Digital Financial Services: Challenges and Opportunities’** to be held on August 08, 2018 at the FBCCI Conference Room (7th Floor), 60 Motijheel C/A, Dhaka.

FBCCI is arranging this workshop as part of Merchants Development Driving Rural Markets in Bangladesh (MDDRM) initiative, jointly implemented by Bangladesh Dokan Malik Samity (BDMS), Dnet, Federation of Bangladesh Chambers of Commerce & Industry (FBCCI), UN Capital Development Fund (UNCDF) and funded by the European Union.

The workshop intends to share learnings and insights on benefits of business value chain digitization utilizing various digital financial services in the Bangladesh context with wider stakeholders.

মোবাইল ব্যাংকিং এক প্ল্যাটফর্মে আনার উদ্যোগ

Round table on Agent Banking: Becoming a strong source of deposit for banks in Bangladesh

Scope of agent banking

City Bank, bKash sign deal to enable interconnectivity

Improving e-Governance status

Financial inclusion

Focus more on financial stability: Atiur

Pay quickly, pay easily

The promise of FinTech for Bangladesh

Practice of carrying cash declining: experts

Gender development through digital financial services

At the core of our potential

A leap in e-governance : Bangladesh moves up nine notches in UN survey

Experts for greater interoperability, safety of digital payment system

Bankers say many challenges to building cashless economy

Bankers for interoperability at broader payment ecosystem

Our digital commerce policy in a nutshell

Dr Atiur stresses sustaining financial stability

Pros and cons of MFS regulations 2018

Access to financing the major barrier to e-commerce start-ups

Taking payments industry to next level

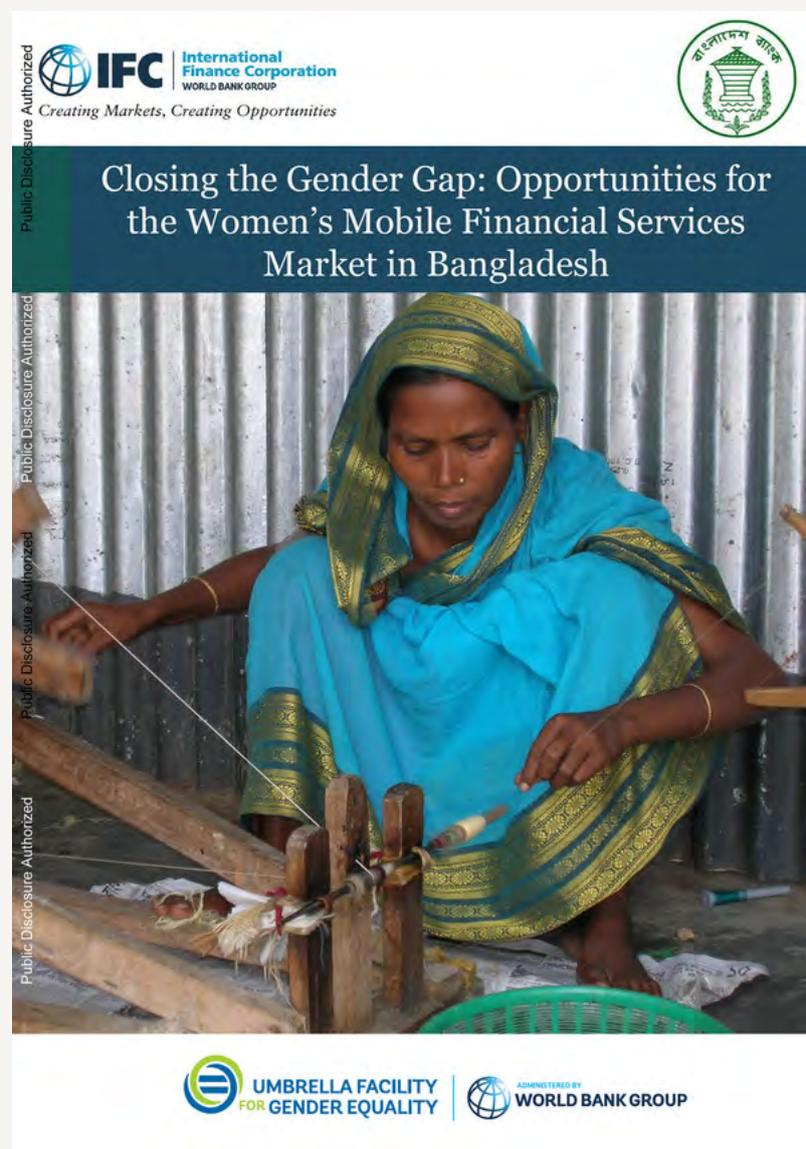
CLOSING THE GENDER GAP: OPPORTUNITIES FOR THE WOMEN'S MOBILE FINANCIAL SERVICES MARKET IN BANGLADESH

Bangladesh's financial sector has undergone rapid growth and has embraced technology solutions to improve the financial inclusion of the general population. However, certain segments remain disproportionately unbanked and financial inclusion for women remains a challenge, with only 26 percent of women owning a bank account (Global Findex 2014). Formal financial institutions have limited reach in rural areas, which restricts the spread of basic financial services among the rural population. Given such constraints and high mobile penetration, mobile financial services (MFS) can be a powerful catalyst in the near future, to bridge the gap between financial institutions (FIs) and those with fewer financial means or access to bank branches. Here, MFS is defined as the use of a mobile phone to access financial services and execute financial transactions. This includes both transactional services (such as funds transfer and payments) and non-transactional services, such as viewing financial information on a user's mobile phone. This report aims to catalyse the financial inclusion of financially underserved Bangladeshi women through improved MFS adoption. It contains extensive, in-depth research to understand the needs and requirements of women MFS users. The report consists of three distinct divisions:

1. The women MFS market's potential in Bangladesh. This division provides an extensive set of market data and analysis on overall women's market potential, and projected growth.
2. Product preferences of female MFS users in Bangladesh. This division identifies MFS product features that will appeal to women, and different segments of women users' product preferences.
3. Market assessment for female agent acquisition. This division offers a roadmap to help MFS providers build and expand a network of female agents.

See the detail report link

http://www.microsave.net/resource/closing_the_gender_gap_opportunities_for_the_women_s_mobile_financial_services_market_in_bangladesh



মোবাইল ব্যাংকিং এক প্ল্যাটফর্মে আনার উদ্যোগ

<https://bangla.bdnews24.com/economy/article1521667.bdnews>



দেশের মোবাইল ফাইন্যান্সিয়াল সার্ভিসদাতা (এমএফএস) কোম্পানিগুলোকে এক ছাতার নিচে আনার উদ্যোগ নেওয়া হচ্ছে বলে জানিয়েছেন তথ্য ও যোগাযোগ প্রযুক্তি প্রতিমন্ত্রী জুনাইদ আহমেদ পলক।

তিনি বলেছেন, এক প্ল্যাটফর্মে আনা গেলে এমএফএস সেবা হবে আরও সশ্রমী। বিকাশ থেকে রকেটে বা এক এমএফএস থেকে অন্য এমএফএসে লেনদেন আরও সহজ হবে।

জাতিসংঘের ই-গভার্নমেন্ট ডেভেলপমেন্ট সূচকে বাংলাদেশ ১২৪তম অবস্থান থেকে ১১৫তম অবস্থানে উঠে আসায় বোঝার তথ্য ও যোগাযোগ প্রযুক্তি বিভাগের সম্মেলনে কক্ষে এক সংবাদ সম্মেলনে এ কথা বলেন প্রতিমন্ত্রী পলক।

তিনি বলেন, বাংলাদেশে বর্তমানে মোবাইল অ্যাকাউন্টধারীর সংখ্যা চার কোটির মত। এর মধ্যে এক কোটি ৩০ লাখ মায়ের অ্যাকাউন্টে শিক্ষাবৃত্তি যাচ্ছে। প্রধানমন্ত্রী গ্রামের মায়াদের ২০ লাখ মোবাইল ফোন কিনে

দিয়েছেন। গত সপ্তাহে ১১টি উপজেলায় বিভিন্ন ডাতার টাকা ভাতাভোগীদের মোবাইল ব্যাংকিং অ্যাকাউন্টে পাঠানো শুরু হয়েছে।

বাংলাদেশ ব্যাংক এ পর্যন্ত ২৮টি ব্যাংককে এমএফএস সেবার অনুমোদন দিলেও তাদের মধ্যে মাত্র ১০টি ব্যাংক পুরোদমে সেবা দিচ্ছে। কিন্তু ডেরিফায়েবল ডিজিটাল আইডেন্টি সিস্টেম চালু না হওয়ায় এক এমএফএস থেকে আরেক এমএফএসে লেনদেন করা যায় না।

প্রতিমন্ত্রী বলেন, “বিকাশ থেকে সিওর ক্যাশে যদি টাকা পাঠাতে চান, সেটা সম্ভব নয়। যদি সিওর ক্যাশ থেকে রকেটে পাঠাতে চান, সেটাও সম্ভব নয়। এক মোবাইল থেকে যদি আরেকটায় ফোন করা যায়, তাহলে মোবাইল ফাইন্যান্সিয়ালে কেন পারব না?”

পলক বলেন, সরকারের নির্দেশে ইতোমধ্যে এ বিষয়ে কাজ শুরু হয়েছে। এমএফএসগুলোকে দ্রুত এক প্ল্যাটফর্মে আনা গেলে বাংলাদেশ এ খাতে বড় অগ্রগতি পাবে।

AGENT BANKING: BECOMING A STRONG SOURCE OF DEPOSIT FOR BANKS IN BANGLADESH

<https://www.thedailystar.net/round-tables/agent-banking-becoming-strong-source-deposit-banks-bangladesh-1611034>

Dissemination of DBBL Agent Banking Roll Out Experience Facilitated by BFP-B. Business Finance for the Poor in Bangladesh (BFP-B) facilitated a roundtable titled "Dissemination of DBBL Agent Banking Roll Out Experience" on July 18, 2018. Here a summary of the discussion.

Feisal Hussain, Team Leader, Business Finance for the Poor in Bangladesh (BFP-B); Moderator of the session



Business Finance for the Poor in Bangladesh is a £25m facility to create economic opportunities for small businesses by changing the behavior of market actors in the financial sector. We are improving the policy and regulatory environment for financial institutions, inducing private sector investment in expanding the frontiers of finance, and enhancing the credit worthiness of small businesses.

BFP-B is supporting the Government's ambition for private sector contribution to the country's development. We are doing this partly by deploying our Challenge Fund platform to induce the private sector to increase investment in innovation, technology and new business models and to leverage these to unlock finance for unserved and under-served businesses and people. For example, investment of 1 taka from BFP-B in the agent banking model, is generating approximately 5.72 taka investment

from the private sector. Additionally, the co-investment is triggering almost 6 taka of savings in the formal financial sector and unlocking approximately 12 taka of finance for small business at reasonable rates. The architects of BFP-B have to be commended for getting ahead of the curve in thinking about how the private sector investment can be realized. This includes the Financial Institutions Division of Ministry of Finance as the Executing Agency of BFP-B, and Bangladesh Bank and Microcredit Regulatory Authority as the implementing partners of the funder DFID, and Nathan Associates London as the implementing agent.

Today's programme focuses on sharing DBBL's pioneering agent banking experience among cross section of providers from the financial sector. A key focus of BFP-B is to co-invest with the private sector to test new innovations in three major areas: first area is investment readiness, which deals with third party B2B solutions that address the problem of readiness of small businesses and the confidence of Financial Institutions to finance them. The second area is last mile distribution, which deals with direct B2B solutions that make established distribution channel become more customer centric and efficient. And the third area is alternative financial platforms and instruments which deal with B2B solutions that enable businesses to share or transfer risks through, for example, access to equity and insurance to finance and protect their businesses. Our theory of change depends on ultimately proving a business case, without which a lot of our business models will not take off. We are hoping that every single co-investment we have made, including the first with DBBL,

will offer much greater visibility and will de-risk investment of other providers so that board members, as well as management, are able to more confidently invest in a new model that could improve financial inclusion as well as offer medium to long term profitability in a rapidly changing market.

Md Firoz Kabir, Head of Agent Banking Department, Dutch-Bangla Bank Limited



The banking sector now has 57 banks with about 10,000 branches in total. But the number of villages in Bangladesh is 86,000. We have been able to reach only 10,000 villages out of these 86,000 villages. When it comes to agent banking, 16 banks with approved licenses have provided 4,905 agent outlets in the past three years. We have been able to cater to about 14,500 villages. Still we have a long way to go in order to reach all the villages in Bangladesh. DBBL started its agent banking services only three and a half years ago. Currently, it has the highest number (60 percent) of agent banking customers. We have 1,562 agent outlets all over the country. We have

covered all the 64 districts including 480 upazilas. 81% (Eighty-one percent) of our agent banking occurs in rural areas while 19 percent takes place in urban regions. Presently, we have 954,000 agent banking customers. According to the Field survey data of Bangladesh Institute of Bank Management (BIBM), there are two existing models for agent banking. Most follow the traditional approach: Bank-Branch-Agent/Partner-Teller-Customer. DBBL has a different take on this. We have introduced the distribution model for Agent Banking operation. We have partnered with master agents who work as our distributor. These master agents help to source agent banking outlets in popular bazar areas in align with Bank own field force monitoring. This distribution model has helped us establish agent outlets all over Bangladesh in a much easier way. We have outlets even in the remote areas such as Monpura, Swandip and Hatiya. We have given great importance to ensure availability of banking services in rural areas. The agent banking outlets are open later than the usual closing time in order to be accessible to our customers.

We encourage women to take up entrepreneurship as an occupation. We have a woman entrepreneur who currently owns two agent banking outlets associated with DBBL. We started 'Uthan Boithok,' encourage rural customers to save money in accounts instead of spending all their earnings. Bangladesh Bank has a guideline which states that if one bank is established in the urban area, three must be set up in rural areas. DBBL maintains a 7: 1 policy, thereby establishing seven branches in rural areas for every branch made in Urban area.

Our agent banking services include deposits, withdrawals, fund transfers, DPS, FDR, disbursements, bill payment, merchant payment, foreign remittance, loan disbursement to name a few. We have 450 master agents who are in

charge of all the outlets. Customers can use person-to-person (P2P), person-to-business (P2B), Person 2 government (P2G) or even government-to-person (G2P) services at our agent banking locations. 50 percent of our Agent Banking customers are first time users of banking services. We have also introduced four loan products through agent banking channel: 'Jokhon Tokhon,' Term Loan, SME and Home Loan named 'Thikana.'

30% (Thirty) of total deposits in agent banking in Bangladesh are covered by DBBL. We are also the highest in remittance earnings through agent banking. We provide one percent additional bonus for inward remittance through agent banking. Thus, a person receiving BDT 1 lakh from a foreign country will receive BDT 1,01,000 without going through the trouble of any additional charges.

Currently, DBBL has 7.0 million core Banking customers. These customers can get almost all the banking facilities in our agent outlets. Low-income groups can even open accounts with BDT 10 through agent banking. Accounts are available to both literate and illiterate people, made possible by our fingerprint registration process. Deposit Premium Schemes (DPS) are usually activated with a monthly payment of BDT 500, but our agent banking facilities provide them at a rate of just BDT 100 per month. One of the national benefits which we have noticed after starting this project is the increase in cash flow from rural to urban areas and urban to rural areas. Over-the-counter transactions, 'hundi' system have been minimized to a large extent. Financial literacy and education are two areas we are working on extensively at present time. We also have a road map for G2P (government to person), P2G (person to government), P2B (person to business) and B2P (business to person) transactions as we are trying to bring all such expenditures into the agent banking

channel. We are diligently working to create more such accounts. Initially, when agent banking was being set up, we had to face various challenges. Finding locations was one. Agents often couldn't rent out a place or pay advance. Another barrier we faced was availability of trade licenses and proper documentation. Currently, we have overcome those problems. In Dhaka, we currently have 101 agent banking outlets. These outlets have 77,000 accounts totaling deposits up to BDT 50 crore. We are in a progressive state in comparison to the national benchmark. A major segment of customers of these outlets are rickshaw-pullers, CNG drivers and garments workers, who are not used to general banking procedures. Agent banking is a much more comfortable option for them. We try to promote our brand throughout the country. However, reaching the remote chars had been a big challenge. Nonetheless, we have conducted regular awareness-building events in these areas involving local representatives to instill faith in agent banking. Now, we have about seven such outlets based in remote char areas, where deposits have totaled BDT 8.50 crore. We hope that we can grow with time and reach all the chars and isolated islands in the country.

Mahbubur Rahman, Deputy Challenge Fund Manager, BFP-B



do not reach millions of small businesses due to geographical dispersion, poor infrastructure, and complex institutional processes. When we partnered with DBBL in late 2016, our aim was to test a model to further extend the benefits of agent-banking by deploying active door-to-door services.

To assess the impact of this project, we have done two surveys. A baseline study and an endline study. The baseline was conducted to capture the scenario of the beginning of the project (first quarter of 2016). The sample size of the baseline study was 330. An endline study was completed during July 2018 after completion of the project for which sample size was 449 including customers, agents and bank officials.

The key outcomes of this project were creating agent outlets involving Medium and Small Enterprises (MSEs) and the total number of clients. When this project started, less than 2,000 customers were using DBBL's agent banking services. Currently, that number stands at almost a million. Among these, there are approximately 20,000 MSEs who have updated trade licenses and proper documentation. However, if we include the informal small business (who do not have a valid trade license) the number is more than 200,000. Our study shows that 47 percent of the transactions that are taking place through DBBL are business transactions. The project has seen an increase in the number of account holders who are women. We have also seen that on average each DBBL's agent banking outlets is employing two workers, thus the total number of jobs created so far is about 3,000 (1,562 outlets).

The agent banking channels of DBBL has triggered great deal of savings from its clients. At the baseline survey, the 134 agent outlets that were in operation had a cumulative savings portfolio of BDT 15 crore. Until June 30, 2018, that number has

increased to BDT 427 crore. There are two major reasons as to why customers are increasingly using this channel: lesser costs of transactions and greater convenience. In Bangladesh, there are roughly six bank branches in the rural areas for every 100,000 adults. But the agent banking platforms have facilitated the customers in such a way that they needn't travel too far to benefit from banking services. Before agent banking was introduced on a large-scale, rural customers had to on average, travel seven kilometres to reach banking services. Now, the average has come down to two kilometres.

Md Abul Kashem Khan, SEVP & Chief Technology Officer, Dutch-Bangla Bank Limited



Dutch-Bangla Bank has always been a pioneer in the effort of financial inclusion and providing services to the last-mile-people. DBBL agent banking is a part of this endeavor. In terms of agent banking we found that branch model is not effective for reaching remote areas. Also, it is difficult to provide 24/7 services through branches. That's why we have adopted the distribution model in line with Bangladesh Bank Agent banking Guideline that can overcome both of these limitations. We started our journey in 2015. Currently, we are at the investment phase. Recently, we have started giving MSE loans and individual loan and Home loans through agent

banking. Since, Dutch-Bangla Bank is very popular & well-known bank throughout the country; we don't face any problem of "Trust" to the Bank from the customer. We are running different awareness programme through Uthan Boithok, discussion meeting and electronic media.

In our agent banking system, we provide agents with all the necessary infrastructural support including furniture and two POS machines. The agent is required to have the money to run daily transactions. Agent selection is very important to make this model successful. We choose an agent after thoroughly reviewing his or her financial capability and investment capacity. Many of our agents are still making loss.

According to our plan, an agent can make profit within two years. All our banking services including Core Banking, Rocket and agent banking are interoperable. The agent banking itself is core banking. Customers who have core banking accounts can withdraw and deposit money through the agent banking system without opening new accounts. Agent Banking customer can also use our 176 Branches, 820 Fast Tracks, 77 Business Development Centres and 24 hour hotline services. In addition the customer can use all the facilities of DBBL APPS "NexusPay" where customer can use the latest technology like QR Code & NFC. Moreover, we have a dedicated cash counter for agent banking services at every branch.

Md Arafat Hossain, Challenge Fund Manager, BFP-B

The most important lesson we learnt from the DBBL project is that doing the same thing repeatedly and expecting a different result will not help in improving the financial inclusion scenario in Bangladesh. I would like to congratulate the DBBL team for being bold enough to break out of the traditional model and adopt an adventurous model. It

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proves that the financial sector needs to come up with an alternative channel for reaching out to the customers. This initiative excites me more as DBBL has been a great example of private sector leading from front. In implementing this project DBBL spent 78% of the total project cost and we have contributed 22%. It is also evident from our end-line impact assessment that with every BDT 1000 investment from BFP-B, 3 small business had access to the formal financial sector. To drive innovation, we can't follow a linear process where one will only execute pre-set activities. There must be scope for drawing lessons and incorporating them into the design for making the product or services market relevant. DBBL used learning from MFI sector and conducted regular courtyard meetings to educate people about banking services which significantly helped the community to place their trust on DBBL's agent banking

Mohammad Jasim Uddin, Assistant Vice President, Bank Asia



Agent banking has tremendous potential. Bank Asia has been a pioneer in this business. Recently, when the banking sector was going through a tumultuous time we found that although our core banking was affected, agent banking kept growing. There are large unexplored areas in the country where we can expand our agent banking services. This kind of diversification also reduces risks for banks.

Syed Abdul Momen, Head of SME, BRAC Bank



BRAC Bank has 450 unit offices through which we operate our lending services. These offices do not have transaction facilities. Our deposit is brought by retail and corporate business. There is a huge opportunity of providing low-cost finance across the country through agent banking. We want to embark on agent banking to provide transaction capacity to all 450 units. In the future we will be able to fund our lending business with our own deposit.

Md Khirkil Nowaz, EVP & Head of Agent Banking, United Commercial Bank Limited

We are following the mini-branch model. Our goal is little different than DBBL's at this moment. We want to start small and gradually expand. We would like to ensure an agent can have equivalent of GBP 300,000 in his or her savings portfolio. This will help them to



reach breakeven within one year of operation. We have 180 branches all over the country. We will start with agent banking around the branches where the branch manager will be the cluster head of all the outlets in respective territory.

Madan Mahan Karmoker, Head of Agent Banking, Mutual Trust Bank Limited



We started our agent banking service in 2016. We are following the mini-branch model. As of now, we have 59 agent banking outlets. We have at least ten agents who have deposit of BDT 4 crore and above. More than 30 agents are now making profit from their agent banking business. Our agent banking outlets provide all the facilities of a branch. All of our outlets are supervised from the head office through CCTV.

Rabeya Yesmin, Manager MF-CIB, Business Finance for the Poor in Bangladesh



There is a great possibility of partnerships with the development sector regarding this. I have learnt from my experience of working in the development sector that after completion of project, beneficiaries face great challenge with their savings and financing requirements. If partnerships can be made between agent banking providers and NGOs both sides will be benefitted. It will ensure sustainability, easier access and informed clients.

Feisal Hussain

I want to highlight some important points from today's discussion.

• Public money to de-risk private sector investment

Even though 16 banks have been given license for agent banking in the past three years, only two were to capture significant market share, both partnered with development organisations to expand the business. Public-private partnership can help de-risking private sector investment to test out alternate innovative solutions.

• Value Proposition

It is evident from DBBL's experience that micro and small enterprises prefer to keep their money in a safe place if it is easily accessible. In a market which is experiencing liquidity shortages this provides an alternative approach to generate significant liquidity and helps to spread risk of the lending portfolio of the balance sheet.

• Investment decision: market share vs payback period

There are two models emerging for agent banking. One is patient capital approach with a longer payback period but deeper reach geographically serving groups who are underserved or unserved. The other has a quicker payback but shorter horizon. There is space for both. However, in any market, the player who has been able to move faster and acquire customers quickly has been to acquire significant market share faster. Hence, it is evident that gaining market share requires a decision to take a patient capital approach.

• Collaborate where you can, compete where you must

We also need to think about what the common infrastructures are where industry players can collaborate so that there is no need for making independent investments and, how they can compete on areas such as brand and services so that the industry grows.

• Disruption

It is very likely that technology will be disruptive and our banking models have to adapt to that. In future one potential disruption the agent banking will have to manage is the advancement of mobile phones

for mobile financial services. As customer become more familiar with technology, the value proposition of agent banking has to be very different than the value proposition those are offered through low cost channels such as MFS.

Afsana Islam, Private Sector Development Advisor, DFID



There is funding available both for micro-institutions and large corporates but small businesses could neither go to large banks nor MFIs. We want to fill this gap by providing finance to small and medium enterprises which will be affordable for them both in terms of locality and prices. Agent banking is such a model that pushes down prices and reaches their doorstep. This is one of the reasons why we became interested to invest in this agent banking model of both Dutch Bangla Bank Limited and Bank Asia. I would like to request all the banks that while you design your business plans, please bring in the regulators and provide them with the information and tools they need to understand your business better so that they can support you better.

SCOPE OF AGENT BANKING

<http://today.thefinancialexpress.com.bd/editorial/scope-of-agent-banking-1532356337>

AGENT BANKING



Bangladesh Bank (BB) has defined agent banking as limited-scale banking and financial services of a bank to the under-served population through agents under a valid agency agreement. This is replacing a teller or cashier in mainstream banking. Agent banking is like a dealership or distribution business where all maintenance cost is incurred by the agent, whereas branch banking involves huge expenditure. Government aim is to take banking services to the poorest segments of society as well as to existing banking customers, especially located at geographically distant locations. Deposit collection, remittance inflow, small loan disbursement and recovery, various social safety programme of the government, utility bill collection etc are primary functions of agent banking.

BB introduced agent banking system a few years ago. Some private banks have already opened agent banking outlets across the country. BB also introduced mobile banking services a few years ago. But the transactions in mobile banking services are taking place at a limited scale. Agent banking is much better than mobile banking services but presently most unbanked people are confused about agent banking. Some consider 'agent banking' to be equivalent to some non-governmental organisations (NGOs) working at grassroots level. BB needs to popularise agent banking and encourage the unbanked people of the country to seek banking services through these.

Md. Zillur Rahaman, Islami Bank Bangladesh Ltd., Lalmohan Branch, Bhola.

CITY BANK, BKASH SIGN DEAL TO ENABLE INTERCONNECTIVITY

<http://www.unb.com.bd/business-news/City-Bank-bKash-sign-deal-to-enable-interconnectivity/76555>

UNB News



Dhaka, July 29 (UNB) – City Bank and bKash Limited on Sunday announced a strategic partnership, enabling their customers to enjoy a bundle of services, including instant fund transfer between bank account to bKash account, credit card bill payment and cash withdrawal from ATM by bKash customers.

Managing Director and CEO of City Bank Sohail RK Hussain and Chief Executive Officer of bKash Kamal Quadir signed an agreement in this regard on behalf of their respective organizations at the head office of City Bank.

Under this agreement, City Bank customers will be able to transfer fund instantly from their City Bank account to bKash wallet using Bank's digital banking platform called Citytouch via mobile app and web.

Similar facility of instant fund transfer from bKash account to City Bank account will also be available. Moreover, City Bank credit card members will be able to pay their credit card bills from their bKash wallet while bKash customers will be able to withdraw cash from any of the 350 City Bank ATMs across the country.

Sohail Hussain said the strategic partnership will begin a new era in country's payment system. "We have always been very proud of our digital banking platform Citytouch and this integration with the top mobile financial company like bKash will give some unique benefits to our customers."

Commenting on the partnership, Kamal Quadir said bKash, City Bank partnership creates tremendous opportunities for City Bank customers to avail all bKash services including reaching out 30 million bKash customers.

The agreement signing ceremony was also attended by Mashrur Arefin, Additional MD, Kazi Azizur Rahman, DMD and Chief Information Officer, Arup Haider, Head of Retail Banking, Mustafizur Rahman, Head of Alternate Delivery Channel of City Bank and Mizanur Rashid, Chief Commercial Officer, Mohammad Azmal Huda, Chief Technology Officer, Mir Nawbut Ali, Chief Marketing Officer and Major General Sheikh Md Monirul Islam (retd), Chief External and Corporate Affairs Officer of bKash and other senior officials from both organizations.

IMPROVING E-GOVERNANCE STATUS

<https://thefinancialexpress.com.bd/editorial/improving-e-governance-status-1532707358>



It is heartening to note that Bangladesh has improved its ranking by nine steps -- from 124th to 115th -- in the United Nations E-Government Survey 2018. The country also ranked top amongst the least developed countries. Side by side, the survey titled 'Gearing E-Government to Support Transformation towards Sustainable and Resilient Societies' showed Bangladesh's E-Participation standing improving by 33 notches to reach 51st in 2018 from 84th in 2016. But paradoxically, these developments have taken place despite the fact that Bangladesh suffers from an all-pervasive digital divide as well as widespread social exclusion, where a vast segment of the population remains outside the reach of digital services due to various reasons including poverty and illiteracy. Regrettably, Bangladesh also lags behind its smaller neighbours Sri Lanka, the Maldives and Bhutan as well as the bigger one India. The world is now in the midst of a digital revolution, which is not only about technology but also about the centrality of people and the planet. Digital or e-government has ushered in significant changes in the way people live and interact with each

other, their surroundings and the public services. The 2018 UN survey has highlighted the many and complex opportunities for deploying e-government to build resilient societies, and outlined the necessary preconditions, ways and means through which it can carry forward the attainment of sustainable development goals. On Bangladesh, the report comments, "The country is expanding e-government in all possible sectors, including health, agriculture, transportation, education and poverty reduction, to make public services more transparent. It is also enhancing accessibility to mobile and online services to better implement a more digitised society".

The UN survey shows an improving trend in the online services all over the globe. The most commonly used services in this category have been found to be payment for utilities, submission of income tax and registration of businesses. A total of 140 countries now offer online payment for utilities, 139 countries allow online submission of income tax, and 126 offer registration of new businesses. But unfortunately, Bangladesh still lags far behind in the area of the last two mentioned

services. Comprehensive online services also could not be fully launched in many other areas like VAT payments, customs procedures and port operations. It appears that apart from government lethargy, vested quarters inside and outside the administration are responsible for this inexcusable delay.

Against this backdrop, quality ICT education from the primary to tertiary levels, building up sufficient ICT infrastructure, orienting the masses towards ICT and e-services should receive top priority. The country needs inclusive e-participation policy, broad-ranging e-services, extensive open-government data portals, more local contents in Bangla, extension of internet access to remote areas, wider e-ticketing for transportation, curbing of digital divide between different social segments, wider use of online transactions between government agencies, businesses and other entities, and a comprehensive strategy for reducing paper works by the government.

In many developing countries like Bangladesh, the public sector is not yet well-prepared for the digital transformation. The government agencies concerned can effectively respond by formulating required policies, rules, regulations and services by shunning delays. In this context, it should be pointed out that the principles of efficiency, effectiveness, inclusivity, accountability, trustworthiness and openness should be the guiding principles for these technologies.

The UN survey rightly opines: while e-government began with bringing services online, the future will be about the power of digital government to leverage societal innovation-cum-resilience, and transform governance for achieving the SDGs.



OVAIS, a cook in my neighborhood, borrowed money from his brother-in-law to help with the construction of his house. He was initially offered the money as an interest-free loan on the condition that he allow his brother-in-law to live with him. Following a disagreement, his brother-in-law demanded repayment in full, with interest. With no savings, Ovais found himself in a financial crisis and asked his employers for additional loans to help him pay off the initial one. Around the same time, a caretaker of the buildings in our area reached out for assistance as heavy rains had caused the roof of his house to collapse and he did not have any spare cash to repair it, and a driver in our neighborhood informed us of his daughter's upcoming marriage and requested assistance to meet the expenditures for the wedding and dowry. These are common scenarios for anybody who employs domestic help - the requests for financial assistance are unending. Some employers are generous and help their staff with expenses, such as children's schooling. At the same time, we adopt a disdainful attitude and internalise negative stereotypes about the poor; we grudge them for being lazy, unwilling to work for money and unable to manage their finances. The research shows that such stereotypes are far from true. Like other low-wage workers, domestic workers are not paid wages on which they can support their families. Informal employment also does not guarantee basic benefits that employers are required to provide, including health insurance,

maternity leave and provident funds, resulting in greater risk of financial shocks. Harsh terms of employment leave workers dependent on their employers' generosity for support. To worsen their plight, the financial system ignores the poor, forcing them to live without basic financial services and facilities - savings, credit, insurance. Consider how many of our domestic employees have bank accounts. Only 6.9pc of adults here had a mobile money account in 2017. Formal financial institutions see the poor as a risky customer segment that holds little potential for revenue and profits, and so the free market is not incentivised to create financial products and services to suit their needs. Financial resilience and the ability to save money for future expenses, to access loans, to make payments and to transfer money to friends and family, are basic necessities. Without these, the poor are at a greater risk of falling into poverty traps. They are also unable to improve their lives by investing in health and education, buying property or starting and growing their own businesses. According to the World Bank's 2017 Global Findex report, only 18 per cent of Pakistanis have an account with a financial institution. Compared with 68.4pc for South Asia and 56.1pc for the lower middle-income group of countries, it shows that Pakistan is lagging far behind. Eighty-two per cent of Pakistanis lack access to basic financial services that formal financial institutions provide, such as saving, borrowing, transferring

money and insurance. While mobile money providers are attempting to fill this gap, progress is slow; only 6.9pc of adults in Pakistan had a mobile money account in 2017, compared with 21pc in Sub-Saharan Africa. To survive on such low incomes, poor households maintain complex financial portfolios, managing several different informal channels of saving, borrowing and lending. This makes intuitive sense when we think about the minimum wage of Rs15,000 per month; how do families survive on this income and manage to keep food on the table and a roof above their heads, while also managing ad hoc expenditures for weddings, funerals, religious occasions, emergencies and so on. At any given time, a household may have several active informal channels of lending and borrowing in the form of money or goods (a loan from a family member, advance wages or vegetables from the local grocer), as well as savings (assets, cash stored in the home or savings clubs aka 'committees'). That the poor somehow manage to sustain their households on below subsistence incomes with little access to basic financial services, non-existent public services and inadequate employment opportunities is a testament to the fact that they have to be resourceful and innovative in running their financial lives. Financial inclusion, which has recently begun to be highlighted as a development priority, is key to reducing poverty and inequality.

As in many other sectors, digital technologies are now filling in the gap - democratising financial services and exploring new business models that are compatible with the needs of underserved populations. Understanding more about the day-to-day lives of the poor and the coping mechanisms and strategies they employ to survive could help us create a system that caters to them and develop a little more empathy in the process. Not only is it a moral obligation, but this large unbanked customer segment holds big potential if we understand how to service it.

FOCUS MORE ON FINANCIAL STABILITY AT IUR

<https://www.thedailystar.net/business/focus-more-financial-stability-atiur-1606690>

Star Business Desk



Atiur Rahman, former Bangladesh Bank governor, speaks at a capacity building session for government and non-government officials organised by the Bangladesh Institute of Governance and Management at Agargaon in Dhaka yesterday. Photo: Unnayan Shamannay

Bangladesh must continue to remain focused on its hard-earned financial stability to sustain its amazing macroeconomic transformation, said former Bangladesh Bank governor Atiur Rahman yesterday.

“We must remain focused on creating new employment opportunities, particularly for the educated youths, promoting green energy, encouraging regional and sub-regional cooperation, supporting productive and sustainable agriculture and export-led industries in addition to RMGs,” he said. The domestic consumer base must be tapping and above all financial stability must be maintained at any cost, he told a capacity building session for government officials.

Titled “Bangladesh macro-economic trends: achievements, challenges and opportunities”, the session was organised by the Bangladesh Institute of Governance and Management at Agargaon in Dhaka.

He said Bangladesh's story of macroeconomic transformation was still unfolding and yet to be told.

“It was indeed heartening to see how an economy of only \$8 billion in 1972 transformed itself into the world's 433rd largest economy of around \$280 billion within such a short span of time,” said Rahman.

He added that all the three sectors of industry, service and agriculture demonstrated consistently stable upward trends leading to more than doubling of per capita income during the last decade.

“This spectacular paradigm shift towards more inclusive and broader socio-economic transformation has been possible due to well-articulated smart development policies of the government and complemented by the financial inclusion strategy of the central bank,” Rahman added.

He suggested that the country continue to promote an inclusive growth process which was adaptive to climate change, led by the private sector, SME focused and supported by widespread digitisation, including the burgeoning e-commerce.

PAY QUICKLY, PAY EASILY

<http://www.theindependentbd.com/post/156971>



FAISAL MAHMUD

When you watch the FIFA World Cup on the telly, it becomes difficult to miss the glitzy advertisements broadcast during the half time of each match by a number of local commercial banks that have come up with their own digital payment platforms.

These advertisements show how a wallet full of cash, or even cards, belongs to the bygone days. The future lies not with paper or plastic money, but with digital money. The new digital payments platforms installed in smartphones would be the game-changer in the payments industry, say experts, as these combine and dovetail the advantages of the smartphone with the agility of cashless payments.

Money, and the idea of its exchange through payments, have evolved a lot from the time of its inception, said AE Abdul Muhaimen, chief executive officer (CEO) and managing director (MD) of United Commercial Bank (UCB), the bank which recently launched its payments platform Upay.

“Payments are now evolving at a rapid pace with new providers, new platforms, and new payment tools being launched on a regular basis. Our newest mobile payment platform Upay was launched to give our customers the true experience of digital payments,” explained Muhaimen.

“If a person downloads and installs the Upay app in his/her smartphone, it will work like a wallet. It has direct access to the bank account with UCB and would work like a debit card or a credit card. It will give you better security and agility,” said Muhaimen.

One-stop solution

While UCB has come up with Upay, Dutch-Bangla Bank Limited (DBBL), which has a reputation of bringing the newest technology to the market faster than any other bank, has come up with NexusPay, which it is branding as a one-stop solution for all payments.

“If you consider NexusPay to be in the middle, then you have to understand who is at its back-end and front-end,” said AKM Shirin, the MD of DBBL. Shirin said, “At the back-end, it first has the support of the core banking software of the DBBL. Then it has the support of DBBL’s mobile banking, agent banking and credit card. These four are at the back-end to give NexusPay access to the entire repository of money.”

“So when a person installs the NexusPay app in his/her phone, s/he immediately get access to his/her bank account in DBBL, debit and credit card of DBBL, the Rocket account, agent banking account and credit cards of other banks.”

“At the front-end with NexusPay,” said Shirin, “money can be transferred in between—from bank account to Rocket, from agent banking account to DBBL debit card, and so on.” “You can make payments at the merchant’s counter with the app. You can also make payments for any e-commerce transaction. It can be used for buying airtime for all the mobile operators of the country. There are also options to pay utility bills through NexusPay.”

DBBL’s MD told The Independent that the main target of NexusPay is merchant payments. “Our main targets to make the society cashless and cardless. Just think, when we make payments in e-commerce, we don’t actually use any card, we use some numbers. So, it’s not hard to replace the card.”

Payments process

All these apps—NexusPay or Upay—have the option of scanning QR codes. At the counter of any merchant, whether a large super shop or the small grocery store at the corner, there will be an option to generate a QR code.

Moazzem Hossain Khan, the head of IT development of DBBL, explained: “The QR code can be of two kinds—static and dynamic. The static QR code is obviously cheaper and can be printed in a paper and placed on the counter. One just needs to open the app, scan the QR code, enter the amount and the payment will then be made.”

In the case of static QR code, the merchant has to confirm the transaction after receiving a confirmation SMS in the mobile phone. “But in the dynamic QR code system, the POS machine will generate a QR code every single time a payment is made and the POS machine

will confirm the transaction. These POS machines—which can generate QR codes—are more expensive and suitable for large stores.”

In NexusPay, aside from QR code, there is also the scope for making NFC payments. NFC stands for near-field communication, which many of today’s smartphone have in-built in their systems. In NFC payments, one just needs to touch the smartphone to the POS, and the payment is made.

Challenges ahead

Talking with The Independent, Minoar Hossain Tanzil, MD of Kona Software Lab Limited, who has developed Konapay—one of the most popular mobile payments platforms in South Korea—said digital payments platforms are the future. These will change the way we use money now, he observed. Kona has also developed NexusPay for DBBL.

“Mobile-based payments systems, in a way, combine the benefits of mobile phones and bank cards. It basically carries the credit card in the phone. So it means that if you have a smartphone, you have your wallet in it as well.”

Tanzil, however, said: “We have to understand that the app which carries out financial transactions is not like any other app. The most important aspect of an app that does a financial transaction is its security. To develop such an app, first of all, you need to conduct your R&D properly. You need to measure the whole scenario from a vantage point so that you can fool-proof your system. If you leave any loophole, then the system could be compromised through that.”

THE PROMISE OF FINTECH FOR BANGLADESH

<https://www.thedailystar.net/business/the-promise-fintech-bangladesh-1602703>



Arijit Chakraborti

The modern financial services industry is more than 400 years old. Cheques were introduced in the seventeenth century for settling payments and insurance contracts were used a few centuries before that. Over the years, financial services institutions have enabled more people to subscribe to their services. Yet, today, more than 35 million people in Bangladesh don't have a bank account and their economic activities are not part of the formal economy of the country. FinTech can change this scenario, if adopted with the right regulatory framework and technological support.

FinTech, or financial technology, aims to compete with traditional financial methods in the delivery of financial services. It is a new industry that uses technology to improve activities in finance by reducing cycle time and costs of services and by improving the quality of services. FinTech is poised to accelerate financial inclusion in emerging countries like Bangladesh. Financial

institutions in other emerging countries like India have already adopted many components of FinTech and are reaping its benefits. FinTech can reform payments processing activities within the economy of Bangladesh. Today, a significant amount of payments are made through cash or through informal economic transactions. Facilitating payments through specialised financial institutions will help bring a large segment of the informal economy into the formal economy. Increasing payments through the formal economy will improve transparency within the economic system and will improve the effectiveness of tax collection.

FinTech-enabled payments processing will also reduce the amount of cash required for the printing and distribution of currency notes. Additionally, it will help mitigate the risks of counterfeit currencies getting circulated in the country. Reduced requirement of cash will help the central bank reduce costs and manage risks.

Specialised financial institutions for facilitating payments are generally called payments banks. Payments banks are particularly useful for people who don't have any bank account but participate in payments activities. FinTech enables such banks to keep their operating costs at a minimum. Payments banks leverage mobile telecommunication infrastructure and their large subscriber base to remove the barrier of entry. They compete with cash transactions to provide an easier, faster and inexpensive option to their customers. FinTech can help achieve all these for the payments banks. With the right kind of guidelines from the regulators, the payments sector in Bangladesh can grow rapidly.

FinTech has the capability to automate traditional financial activities in a significant way. Retail financial activities such as granting of loans or approval of an insurance proposal require verification of the applications using standardised techniques. FinTech can automate these verification processes entirely.

Thus, an individual can submit a loan application or an insurance proposal online with all the supporting documents digitally, and the verification and approval process can be completed within minutes. The applicant will receive a response regarding his/her application online or via email as soon as the process is complete. Such a technology-led service brings consistency in business operations and reduces the risk of error and bias. Moreover, it reduces the time to sell a financial product significantly and, thus, improves the satisfaction of customers.

FinTech is set to disrupt the business of financial advisory services. Traditionally, financial advisors used to be humans with a finite set of clients of high net worth. FinTech can help in setting up a robotic platform for financial advisory services where the services are delivered by robotic software, also known as robo advisors. Robo advisors are inexpensive, fast and consistent and can deliver services to multiple customers simultaneously.

As robo advisors are inexpensive, a large group of individuals can avail their services, including individuals of high net worth. Robo advisors help financial institutions to grow their revenue by increasing the customer base without compromising on the quality of services.

FinTech is also redefining customer interactions in financial services institutions.

Traditionally, customers used to call service centres for any assistance or service. They would also visit the branch or write to the branch officers. Now, customers have the option to chat with their financial service providers online. On FinTech-enabled platforms, chat discussions are facilitated by software robots, also known as chatbots.

Similarly, when customers call service centres, their calls get answered by digital voice assistants or humanoid software. Newer technologies like machine learning and artificial intelligence have made such achievements possible. Such technologies help financial services institutions reduce costs and improve the speed and consistency of their services.

Bangladesh is at an advantageous position and can benefit greatly from FinTech. The country has a large younger population who can adopt technology faster and potentially become avid users of FinTech. The mobile subscription density of the country is at an all-time high, thereby reducing the last mile connectivity challenge. Macroeconomic growth factors are also favourable to catalyse the joining of more people into the formal financial services network. With encouragements from the regulators, the financial services institutions of Bangladesh should embrace and adopt FinTech in their transformation journey.

The writer is partner at PwC. The views expressed here are personal.

PRACTICE OF CARRYING CASH DECLINING: EXPERTS

<https://www.thedailystar.net/business/banking/practice-carrying-cash-declining-experts-1603285>

Arijit Chakraborti



The practice of carrying cash is gradually declining in Bangladesh as people are getting to understand the financial benefits of digital payment systems like debit and credit cards, said experts and policymakers yesterday.

Billions of taka is being transferred through digital channels every day, so security needs to be enhanced to ensure that this money reaches desired destinations, they told a seminar titled “Payments, Identity and Security”.

Entrust Datacard, a global provider of trusted identity and secure transaction technologies, and LEADS Corporation Ltd, Bangladesh organised the event at The Westin Dhaka.

Bangladesh still does not have a payment system act, but it is a prerequisite to pushing the industry to the next level, said Lila Rashid, general manager of the payment systems department of the Bangladesh Bank.

“We have drafted an act which, we hope, will be placed in parliament within a short time, and after getting the law we can move for digitisation in a more secure way,” she said.

Rashid also criticised banks, mostly leading private ones, for not pushing the regulator into introducing the latest technological solutions.

“The regulator always lags behind and private banks need to push the regulator to allow more modern solutions which will help their customers,” she added.

There are 9.80 lakh credit cards and about 1.1 crore debit cards in the country, said speakers, adding that people were also using a huge number of digital financial services, pushing the market to become cashless.

GENDER DEVELOPMENT THROUGH DIGITAL FINANCIAL SERVICES

EMPIRICALLY THE PROSPECT OF DIGITAL FINANCIAL SERVICES AS A POLICY OF FINANCIAL INCLUSION HAS BEEN A SIGNIFICANT FACTOR FOR WOMEN EMPOWERMENT

<http://m.theindependentbd.com/printversion/details/157335>

Ahmed Al Asheq



In recent times, Bangladesh has made a substantial progress in the international gender development index. According to the 'Human Development Report' (HDR) 2016 published by UNDP, Bangladesh is positioned as 139th out of 188 countries globally with an index value of 0.579 in 'Human Development Indicators' (HDI); and Bangladesh scores 0.927 index point in 'Gender Development Index' (GDI) which is remarkable among South-Asian countries.

In the report of 'Global Gender Gap ranking 2017' World Economic Forum (WEF) has graded Bangladesh 47th rank globally (with a score point of 0.719) and in the South-Asian region Bangladesh has remained top performer in the list, signifying the evident progression in gender development. Nevertheless, our women are dropped behind in leveraging the fundamental potential of digital financial services (DFS) in this digitalized age, which is attainable through promoting financial literacy.

In the reference of DFS, two things are more noticeable in Bangladesh: (i) mobile financial services (MFS) and (ii) agent banking. Mobile financial services (MFS) are referred to functional mechanism of a smart phone, through which financial transaction is usually facilitated, with the help of an agent. Bangladeshi MFS providers i.e. Bkash, Rocket,

Upay are being incorporated with mobile operators, providing different facets of financial services such as, foreign remittance withdrawal, cash in/out from ATM & authorized dealer agents, P2P (person-to-person) transaction, P2G (person-to-Govt.) transaction, G2P (Government-to-person), payment of utility bills, stipend and insurance premium and so on. Agent banking appears as a new financial banking model to enhance the degree of financial inclusion, in which a set of particular financial services are provided by the authorized agents in a specific geographic area.

Empirically, the prospect of digital financial services (DFS), as a policy of financial inclusion, has remained significant for women empowerment, through which women can be introduced with functional tools for financial transaction. Till date, in Bangladesh access to financial services has been considered as one of the basic impediments for women, especially for rural women; although Bangladesh Bank (BB) has already declared a strategic plan for advancing digital financial initiatives. According to the '2017 Global Findex database', more than half of the adult populations are still unbanked in Bangladesh, out of them 65 percent are women. The reasons for this increasing trend of unbanked women are multi-fold. World Bank (WB) data has revealed that adult women literacy rate is about 55 percent in Bangladesh and all functions in MFS

are translated in English language; that could be a significant barrier for women population particularly in rural areas. In Bangladesh, majority of banking agents are male, in turn less number of female agents might hinder women financial inclusion. Our socio-cultural factors are not always conducive to that. Bangladesh Institute of Social Research (BISR) Trust in its several researches substantiated the point where women depend on their husband for financial matters as well as handing their resources. In some parts of Bangladesh, distance and location of financial institutions, has been viewed as a critical hindrance for furthering women empowerment. Moreover, some of the women are having lack of identification proof for opening a digital financial account, due to ignorance about the benefits of having ID card. This phenomenon is more observed in the rural parts of Bangladesh.

Meanwhile Bangladesh government has already taken up some noticeable initiatives for promoting financial inclusion such as, opening bank account of farmers by taka 10 in the public banks. But without proper enhancement of e-literacy among women, it would be stringent path to strengthen digital financial inclusion. Taking into account of socio-economic-cultural aspects, a good number of strategic initiatives need to be taken up to expedite women empowerment through digital financial services (DFS): First of all,



ICT ministry, with the help of banking officials and mobile operators, can inaugurate a new training project for promoting e-literacy among the disadvantaged women in both rural and urban areas. This novel initiative might involve tech-savvy and unemployed educated female as a trainer/facilitator. Thus, it will create a partial employment opportunity for digitally literate female, whereas it will necessarily boost up the primary knowledge level of illiterate/semi-literate women about DFS; in turn would develop a 'Win-Win' situation for our government.

Secondly, English language embedded menu bar in the smart phones is deemed as a real life barrier for women to adopt digital financial services. This problem can be addressed by developing a native language (Bengali) orientated menu bar in the smart phones. This practice is well observed in China, Thailand, Taiwan and South-Korea, where their results are exemplary in advancing digitally financial inclusion. Additionally, pictorial menu bar can be introduced in the smart phone, which could be more appropriate for women according to their literacy level. Again, some women are numerically literate, but not by technology, which demands a holistic training approach needs to be considered under the program. Finally, a new digital knowledge integrated toolkit can be developed to educate the women population about e-literacy so that they would be able to minimally learn how to interact with the digital devices for financial transaction. Also, bank/non-bank financial institutions need to inform those women who don't have any ID proof to open a digital account.

It would thus increase the number of P2P transaction among women. Moreover, new services need to be integrated in the DFS such as, provision of access to small credit on a short term basis. Likewise, more comprehensive program on IOT ('Internet of Things') can be undertaken to promote the user friendliness of internet devices among the women who solely rely on traditional banking rather than internet banking/digital banking.

Bangladesh has been remarkable in addressing the gender needs in the South-Asian region. Still the country is lagging behind in regard of digital financial inclusion. Bangladesh government has already taken up an unprecedented new project called 'A2I', through which every possible facets of financial services are considered to push forward one step to build "Digital Bangladesh". It won't be literally possible without empowering the women in using digital financial services. Top business schools in the world have already anticipated that future transaction would take place in 'Block Chain' mechanism, where main medium of exchange would be 'Bitcoin' and 'Crypto currency'. It is high time for our regulatory bodies to develop and implement user friendly measures to ensure the application of digitized financial tools for women population to increase their participation rate in the financial transaction.

The writer is Research officer, Bangladesh Institute of Social Research (BISR) Trust

AT THE CORE OF OUR POTENTIAL

<https://www.dhakatribune.com/opinion/2018/07/12/at-the-core-of-our-potential-2>

Tarique Afzal



SMEs are key to sustainable growth. This is the second of a two-part op-ed. Today, electronic banking has almost reached every household. However, banks are yet to capitalize on the dimension of opportunities that wait among all the consumers of the country at large.

Though banking has graduated to new levels, the added convenience and value to customers across the country are yet to reach the desired levels.

Research shows till date, 50-53% of SMEs have no access to formal sources of finance. About 35% enjoys unrestricted finance and the rest have restricted access to formal credit. The reasons for such deficit in SME lending are multiple:

- Banks are more focused on urban-based lending
- Banks are at times reluctant to delegate to rural branch levels
- Lack of interest among skilled bankers to relocate to rural areas
- Uncertainties of the small industries due to lack of skills and knowledge of the borrower
- Economic fluctuations
- Financing cost
- Double digit interest rates in SME

The above are mostly the formidable deterrents for lending to smaller businesses. Also, there is a distinct institutional bias on the part of the banks towards lending to the larger corporate sector. In many cases, there are links with directors and other affluent clients of the industry, which induces finances towards their preferred borrowers. However, the financiers should carry an open mind to accommodate the set of changes to relate to the potential

avenues of economical growth streams in a fashion of flexibility with a tone of corporate governance in the emerging new dimension of change. The speculations of further crisis could lay scars on the economy of the country, so one must adopt diversity to prevail in the thoughts, discipline, and practice. Though challenges are multi-dimensional, SMEs are required to add more value to their products to stay ahead and compete with lower cost rivals. Consumer demand is changing rapidly as incomes rise and choices increase, when imported products become easily available in domestic markets.

Technological advances create new products and transform almost every stage of business, from production to marketing, sourcing, and logistics. New rules introduced through the multilateral trade system and foreign buyers require SMEs to comply with higher technical capability. BPO or Business Process Outsourcing has recently become a matter of great curiosity and interest, especially among the youth in Bangladesh.

The architect of Digital Bangladesh, Sajeb Wazed, adviser of ICT affairs to the honourable Prime Minister of Bangladesh, has emphasized towards growing the BPO sector in Bangladesh. Today, the Bangladesh BPO sector employs over 40,000 employees.

Such growth in the sector is surely an indicator of growth in the SME field of the country, as multinational enterprises are seeking out new markets and investments to offer capable SMEs the opportunity to insert themselves into global value chains, while those that are unable to do so increasingly face the

danger of losing their existing markets. Competition within the developing world for export markets, foreign investment, and resources is also intensifying. Against this backdrop of increased global competition, SMEs, SME associations, support institutions, and developing countries should adjust and adopt new approaches and invent new ways of working together to foster SME competitiveness.

While we have some promising starts like BPO, we need more and more initiatives on financing for small and medium enterprises (SMEs), especially now.

It is essential to ratify the nature of lending and to create a whole new cycle of entrepreneurs. By this only, the definition of sustainable growth can be completed for robust financial industry. A lot of work has been done on access to finance at the SME level, but we should continue to build on these efforts and experiences. Enterprises need more and diverse kinds of local financial services, and more quantity of all of them. They also need of non-financial support, such as technical assistance and capacity building, labour laws, access to markets, enabling legal regimes, and many more.

We are counting on the commitment of the entire banking industry and government authorities to make a meaningful difference in access to SME development and growth. We wish to maintain the enthusiasm and energy of the ongoing progress and look forward to the continued support and collaboration of all local and international stake-holders.

Tarique Afzal is a banker

A LEAP IN E-GOVERNANCE

BANGLADESH MOVES UP NINE NOTCHES IN UN SURVEY

<https://www.thedailystar.net/business/leap-e-governance-1609675>



Bangladesh has ranked 115th among 193 United Nations member countries in using information technologies to promote access and inclusion of people, progressing nine steps from its position two years ago following the government's move towards digitalisation.

With respect to Saarc countries, it lags behind Sri Lanka (94th), India (96th) and the Maldives (97th) and is ahead of Nepal (117th), Bhutan (126th), Pakistan (148th) and Afghanistan (177th). Myanmar has secured the 157th position.

The figures came on the UN E-Government Survey 2018 which was published on Friday. Conducted every two years, it comprises an E-Government Development Index (EGDI) and an E-participation Index. Along with an assessment of website development patterns, the EGDI incorporates access characteristics, such as the infrastructure and educational levels, to give a composite measure of three important dimensions of e-government: provision of online services, human capacity and telecommunication connectivity.

ICT Minister Mustafa Jabbar expressed satisfaction on the development over the years but lamented that the results could have been much better.

"Bangladesh could have at least reached a two-digit ranking," he told a press conference on the survey at the ICT Tower of the capital's Sher-e-Bangla Nagar yesterday. "We are now in the highest position (achieved till date) in all the indexes. However, our improvement might have not been reflected in all the studies."

Bangladesh ranked 124th in 2016, 148th in 2014 and 150th in 2012. The country is improving its position with respect to digitalisation at a much satisfactory pace but it is not reflected in the study, Jabbar said. "There might be a problem in our reporting process. Without that, there is no other reason to stay 115th while Nepal is 117th," said Jabbar.

Denmark secured the top position with 0.9150 (an average of the scores in provision of online services, human capacity and telecommunication connectivity) followed by Australia with 0.9053. The remaining countries in the top 10 are Korea, the United Kingdom, Sweden, Finland, Singapore, New Zealand, France and Japan. Somalia ranked last. Bangladesh's average was 0.4862, scoring 0.7847, 0.4763 and 0.1976 in the three respective areas. "We have done a lot in establishing networks up to the remotest parts of the country but it might have not been shown in the report," said Jabbar.

The government aims to make Bangladesh one of the top 80 countries by 2021, 50 by 2030 and 20 by 2041. Zunaïd Ahmed Palak, state minister for ICT, said the government has already digitalised 40 percent of its services and the situation would improve within coming December when another 50 to 70 services would be brought under e-service platforms. "Within 2021, 90 percent of the 1,400 government services will be available online," said Palak.

He said the country's position would be much better if "we can ensure interoperability systems in mobile financial service (MFS) and our mobile financial transaction could be expanded more than what was at present".

Interoperability denotes the ability of an MFS provider to enable transactions with other providers.

The government is now working to establish an interoperable payment gateway and will pass an act to ensure the facility, which will boost e-services, Palak added.

Secretary to ICT Division Zuena Aziz, Access to Information Programme's (a2i) Senior Policy Fellow Anir Chowdhury and a2i Project Director Md Mustafizur Rahman also spoke at the event.

EXPERTS FOR GREATER INTEROPERABILITY, SAFETY OF DIGITAL PAYMENT SYSTEM

<http://www.thefinancialexpress.com.bd/trade/experts-for-greater-interoperability-safety-of-digital-payment-system-1533015238>



The banking industry leaders have called for greater interoperability and safety of the digital payment infrastructure to facilitate the country's move towards becoming a digital economy. At the same time, there should be increased investment in internet banking, as online will be the future of financial transactions, they also said. Their views came at a roundtable - "Building Payment Ecosystem for Digital Bangladesh: Challenges and Opportunities" - held at a city hotel on Monday.

The Association of Bankers, Bangladesh (ABB) organised the programme in collaboration with The Daily Star. "The key thing for boosting digital payment is building the necessary infrastructure," said ABB Chairman Syed Mahbubur Rahman. "For instance, there should be redundancy for the electronic platforms like the National Payment Switch Bangladesh (NPSB), so that there are necessary backups and enough choices for the customers," he added. The banking industry insiders also observed that there has been a huge proliferation of mobile money accounts in the country. But, still there is a pressing need for interoperability among the mobile financial service (MFS) providers. "There are currently 57 banks in the country, but only two MFS providers are truly active in the market," said Abul Kashem Md Shirin, Managing

Director and CEO of the Dutch-Bangla Bank Limited. "The MFSs are not at all interoperable, and they are not connected to the bank accounts also," he added. "Bangladesh needs to improve the regulatory environment to achieve more competition in the MFS market," said Dianne Rajaratnam of the Better than Cash Alliance. "It also needs to improve interoperability to create unrestricted flow of money among the user accounts of different MFS providers," she added. Addressing the issue, Lila Rashid, General Manager of the Bangladesh Bank (BB), said the central bank is planning to handover the NPSB to third party.

"We are very accommodative in this regard. We have already formed a committee to handover the system to a third party." She, however, focused on the lack of private sector initiatives in the scheme.

"There is no restriction to bring private players in the NPSB. However, the private sector is shying away from this due to the huge investment that is required." Lila Rashid also observed that the banks need to invest more in internet banking, as online banking would be the future of financial transactions.

"Although, around 30 to 32 banks have already introduced internet banking, many of them are not offering full-fledged internet bank services, while many of them are not interoperable."

The BB official also lamented the low proliferation of debit and credit cards in the country. "Only 5.0 percent of the total electronic payment in the country takes place through debit or credit cards. Even out of that small volume of card-based transactions, 89 percent is mainly characterized by ATM withdrawal." She suggested the banks to issue debit cards against all the deposit accounts to ensure greater proliferation of cards. Addressing the observations, the banking industry insiders pointed out that the proliferation of credit card is low, as it is currently mandatory for a customer to have a Tax Identification Number (TIN) to have a credit card. In this context, they called for relaxing such regulations to increase the usage of cards in country.

Meanwhile, experts attending the event identified greater room for innovation and competition in the emerging markets. "Security threats are universal in the digital payment system. We need a global collaborative approach to digital payment security," said Tom Crawford, Public Policy Advisor of FTI Consulting, a Washington-based global business advisory firm.

The Daily Star Editor Mahfuz Anam in his speech opined that there are scopes for greater awareness and motivation among the consumers to ensure higher usage of digital payment schemes.

"The next growth driver of Bangladesh, in terms of fast-moving consumer goods, will be the rural areas. Therefore, credit facilities need to reach those rural areas," said Shehzad Munim, President of Foreign Investors' Chamber of Commerce and Industry (FICCI).

Managing Director and CEO of Mutual Trust Bank Limited Anis A Khan as well as representatives from various banking and financial institutions also spoke on the occasion.

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BANKERS SAY MANY CHALLENGES TO BUILDING CASHLESS ECONOMY

<https://www.dhakatribune.com/business/banks/2018/07/30/bankers-say-many-challenges-to-building-cashless-economy>

Niaz Mahmud



Experts at 'Building Payment Ecosystem for Digital Bangladesh: Challenges and Opportunities'

The bankers asked Bangladesh Bank to offer a choice for routing transactions, and also to ensure interoperability in the broader payment ecosystem. Insufficient infrastructure and a lack of security and public awareness about the use of digital payment systems are the key obstacles to building a full-fledged cashless transaction ecosystem in the banking sector, say bankers. They urged bank owners to come up with long term investment plans to adopt a digital payment ecosystem in the country to keep up with global trends.

The bankers were speaking on Monday at a roundtable discussion of “Building Payment Ecosystem for Digital Bangladesh: Challenges and Opportunities,” jointly organized by the Association of Bankers Bangladesh Limited (ABB) and The Daily Star at The Westin Dhaka.

The discussants spoke about giving banks the option to choose how to route domestic point of sale (POS) and Automated Teller Machine (ATM) transactions, instead of making the National Payment Switch Bangladesh (NPSB) mandatory. The bankers asked Bangladesh Bank to offer a choice for routing transactions, and also to ensure interoperability in the broader payment ecosystem. Discussants also said that it is always risky to have a single point of failure, and therefore the payment ecosystem should have multiple fallback options. Syed Mahbubur Rahman, chairman of ABB, said: “Insufficient infrastructure and lack of security and public awareness about the use of digital payment systems are the main obstacles to building a full-fledged cashless

transaction ecosystem. Bangladesh Bank, the private sector and the media have to work together improve this situation.” Abul Kashem Md Shirin, managing director and CEO of Dutch-Bangla Bank Limited, said: “People need to make long-term investments in mobile banking services, because future banking will depend on online banking.”

“If everybody had an active mobile banking service unit, all customers would be taking services through mobile banking right now,” he added.

Other speakers said that globally the payment ecosystem is rapidly evolving with an increasing penetration of connected devices. The disparity between the number of mobile phone subscribers and people making electronic payments gives an estimate about the potential headroom for introducing innovative, interoperable electronic payment solutions in Bangladesh.

This roundtable discussed strategies for building a payment ecosystem in Bangladesh that will be interoperable, safe, and reliable, so that all relevant stakeholders will have a level playing field.

Tom Crawford, public policy adviser for Washington-based FTI consulting, was the keynote speaker at the roundtable. The welcome address was given by Mahfuz Anam, editor and publisher of The Daily Star. Lila Rashid, general manager of the Payment Systems Department of Bangladesh Bank, and Dianne Rajaratnam, Asia Pacific lead at Better Than Cash Alliance also spoke at the roundtable.

BANKERS FOR INTEROPERABILITY AT BROADER PAYMENT ECOSYSTEM

<https://www.bangladeshpost.net/bankers-for-interoperability-at-broader-payment-ecosystem/>



Tom Crawford, Public Policy Advisor, FTI Consulting, Washington DC, Dianne Rajaratnam, Asia Pacific Lead at Better than Cash Alliance, Md. Shafiul Islam Mohiuddin, President, FBCCI, Syed Mahbubur Rahman, Chairman, Association of Bankers, Bangladesh, present at a roundtable at Westin Dhaka

The country's financial sector has witnessed a wide disparity between the number of mobile phone subscribers and the people making electronic payments due to lack of availability of electronic payment solutions.

This gives an estimate about the potential headroom for introducing innovative, interoperable electronic payment solutions in Bangladesh.

This was discussed at a roundtable titled "Building Payment Ecosystem for Digital Bangladesh: Challenges and Opportunities", held in Westin Dhaka Sunday evening.

The Association of Bankers, Bangladesh (ABB) in collaboration with the Daily Star organised the roundtable. During the roundtable, the bankers urged the Bangladesh Bank to give a choice for routing transaction, and not only through NPSB. Also ensure interoperability at broader payment ecosystem.

Globally, the payment ecosystem is rapidly evolving with an increasing penetration of connected devices, they mentioned.

This roundtable helped to strategize the policy for building a payment ecosystem in Bangladesh, which will be interoperable, safe, reliable and all relevant stake holders have a level playing field.

The discussant discussed about giving the option to banks to choose, how to route domestic POS & ATM transaction, rather not mandating to route it through National Payment Switch only. Discussants also discussed, it is always risky to have a single point of failure, rather payment ecosystem should have multiple fallback options.

Renowned experts, policymakers, banking sectors practitioners, international schemes from both home and abroad, took part in the discussion.

Tom Crawford, Public Policy Advisor, FTI Consulting, Washington DC, was the keynote speaker of the roundtable. Dianne Rajaratnam, Asia Pacific Lead at Better than cash alliance also spoke at the roundtable. The programme was moderated by Piyal Islam, FBCCI President Md. Shafiul Islam Mohiuddin, Syed Mahbubur Rahman, Chairman, Association of Bankers, Bangladesh, Mahfuz Anam, Editor & Publisher were present at the round table.

OUR DIGITAL COMMERCE POLICY IN A NUTSHELL

<https://www.thedailystar.net/bytes/our-digital-commerce-policy-nutshell-1613056>



The much awaited digital commerce policy has been the Cabinet approved a draft of “National Digital Commerce Policy 2018” earlier this month. The policy aims to restore trust in e-commerce websites in Bangladesh by making safer digital transactions. The policy has been quite well accepted by the e-commerce community of Bangladesh.

Following this policy, e-commerce websites should see upgraded terms and conditions to enforce consumer rights where necessary. Mobile payment and digital transactions should get safer within a few days, as banks and mobile financial services are to get more secure. Piracy and hacking is going to be handled by the central commerce cell operated under commerce ministry. The central commerce cell also aims to enforce this policy across e-commerce platforms. This announcement finally got implemented after e-Commerce Association of Bangladesh (e-CAB) has been calling for an e-commerce reformation for quite a few years. This policy came as the

government's vision to establish a functioning industry and grow exports, eventually creating a sustainable job market for Bangladeshi youth. The policy also promises to provide credible, reputed vendors from e-commerce websites. Codes of conducts are to be implemented for website designing and consumer rights which the e-commerce websites have to follow through. Copyrights are to be respected and enforced further. Net neutrality and digital rights are going to be enforced from mobile operators end as well. To create awareness on this policy, the government aims to create offline campaigns in different regions across the country to restore consumer faith in the e-commerce industry. A lawful structure is also to be implemented by the ICT ministry to improve consumer satisfaction while buying from e-commerce sites. A digital signature is to be implemented by the e-commerce website on every transaction to strengthen security issues. A centre of excellence will be implemented will be established to further strengthen the e-commerce sector for the future.

DR ATIUR STRESSES SUSTAINING FINANCIAL STABILITY

<http://thefinancialexpress.com.bd/trade/dr-atiur-stresses-sustaining-financial-stability-1531842386>



Former governor of Bangladesh Bank (BB) Dr Atiur Rahman delivering his speech at a special capacity-building session, organised by the Bangladesh Institute of Governance and Management (BIGM)

Bangladesh Bank (BB) former governor Dr Atiur Rahman has suggested continuing to remain focused on the hard-earned financial stability for sustaining the macroeconomic transformation of Bangladesh. He said this while speaking at a special capacity building session organised by the Bangladesh Institute of Governance and Management (BIGM) in the city on Monday, says a press release.

He further said Bangladesh's story of macroeconomic transformation is still unfolding and yet to be told. He asserted that it was indeed heartening to see how an economy of only eight billion US dollars in 1972 transformed itself into the world's 43rd largest economy of around 280 billion US dollars within such a short span of time. More interestingly, all the three sectors -- industry, services and agriculture -- demonstrated consistently stable upward trends leading to more than doubling of per capita income during the last decade, he said. Simultaneously, the country not only witnessed a huge reduction in the poverty (including extreme poverty) rate over these years but also a significant improvement in other social development indicators embracing health, education and nutrition. All this led to stunning increase in the life expectancy hitting more than 72 years, one of the

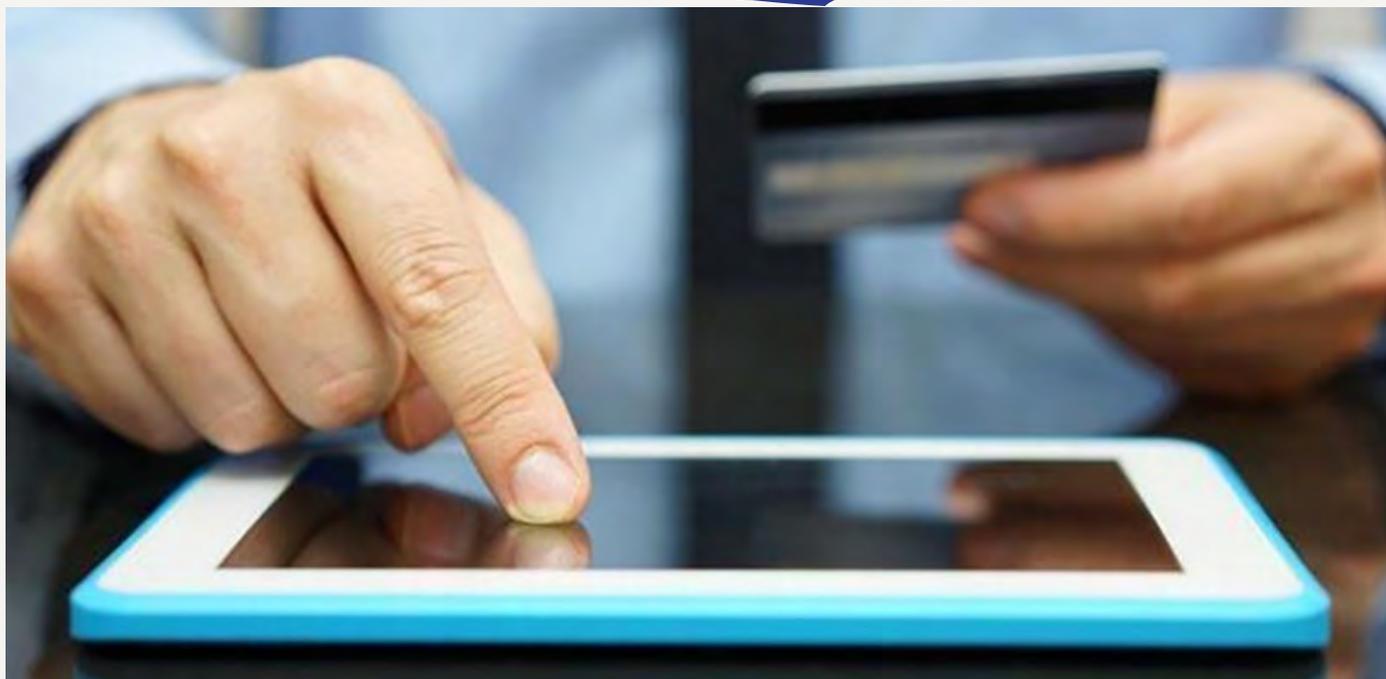
highest in South Asia, he added. This spectacular paradigm shift towards more inclusive and broader socio-economic transformation has been possible due to well-articulated and smart development policies of the government complemented by the Financial Inclusion strategy of the central bank, he observed. These objectives include 1) high growth, yet inclusive, 2) respectful of heritage, yet tech-savvy, and 3) self-dependent, yet collaborative with non-state actors. At the same time the economy of Bangladesh has been witnessing an addition of two million medium and advanced consumers (MAC) annually with per capita income of more than five thousand US dollars. These are brand -- focused, tech-savvy new kinds of consumers with high-end market demand. There will be as many as 33 cities (currently 10) with at least three hundred thousand MAC population by 2025 creating a new consumer base, he opined. The investors must keep an eye on this strategic market development as well as the opportunities, he suggested. These macro-economic transformations are also facing many challenges including the need for creating 1.6 million new jobs annually, depleting natural

resources like coal and gas, dependence on a single export item like garments, rapid unplanned urbanisation putting heavy pressure on needed infrastructure and city governance, he said. These challenges have been further compounded by the threat of an emerging financial instability. Given this context, "we must remain focused on creating new employment opportunities, particularly for the educated youths, promoting green energy, encouraging regional and sub-regional cooperation, supporting productive and sustainable agriculture, export-led industries in addition to apparels, tapping domestic consumer base, and, above all, maintaining financial stability at any cost", he suggested. "We should also continue to promote an inclusive growth process which is adaptive to climate change, private sector-led, small and medium enterprises (SME)--focused and supported by widespread digitisation including burgeoning e-commerce".

"Finally we expect the government to focus on skills development and give everyone a chance to learn and push forward our fascinating development journey," he added.

PROS AND CONS OF MFS REGULATIONS 2018

<http://thefinancialexpress.com.bd/editorial/pros-and-cons-of-mfs-regulations-2018-1533312585>



Mobile banking has now become the most popular medium for monetary transactions in Bangladesh because of its ease and speed. This concept of mobile financial services (MFS) has brought under its fold a huge unbanked segment of the population, especially in rural Bangladesh, within a span of seven years after its launching in 2011. Whereas the proportion of MFS account holders in the population was only 3.0 per cent in 2014, it rose to around 38 per cent this year. This is higher than the South Asian average of 33 per cent and the global lower middle-income country average of 27 per cent. This phenomenal success is transforming the rural economy in many ways and has made Bangladesh the regional leader in the field of mobile banking. The issuance of the Bangladesh Mobile Financial Services Regulations, 2018 by the Bangladesh Bank on Monday has been the latest step in this gradual unfolding of a narrative that has huge potential for promoting socio-economic dynamism, mobility and growth. Although the issuance of the regulations may have been laudable, it seems to have some limitations and drawbacks.

According to the latest figures from the Bangladesh Bank, the number of banks currently providing MFS services is 18. Registered clients in June 2018 were 618,000, while the number of active accounts was 272 thousand. The number of agents, on the other hand, was around 830 thousand. The average number of daily transactions in June was 192.59 million, while the average value of daily transactions was over Taka 11 billion. Significantly, the number of active accounts grew by 18.8 per cent and the average number of daily transactions rose by 7.3 per cent in just one month. Apart from cash-in, cash-out and person-to-person transactions, the MFS services are also being utilised for utility bill payments, salary disbursements, merchant payments, government payments and inward remittances. Originally, the central bank provided the framework for MFS operations and their ownership through issuing a

guideline on MFS for banks in September 2011. This was followed by a revised guidelines in December 2011 and then regulatory guidelines in July 2015. The recently published regulations appear to be an updated version of the earlier guidelines, which some may even label as 'old wine in a new bottle'.

As in the previous guidelines, the latest regulations stipulate that the MFS providers will be led by only the scheduled commercial banks. The banks already running MFS operations have been allowed to hold on to their existing licence or form a subsidiary for the purpose. On the other hand, the new applicants shall have to form a subsidiary. It is not clear, why the banks that already provide MFS could not be asked to open subsidiaries instead of providing the services on their own. It certainly violates the principles of uniformity and equality. The regulations also stipulate that the parent banks have to own at least 51 per cent of the subsidiary's equity; but they are permitted to take equity partners from other banks and non-bank financial institutions, NGOs, investment and fin-tech companies. The mobile network operators (MNOs) have been kept outside the list of permitted partners, but have been allowed to become distributors or super-agents along with NGOs and the postal department. This appears to be justified as the BTRC, and not Bangladesh Bank, is the controlling authority of MNOs.

Sadly, there are many spelling, grammatical and linguistic errors as well as some unexplained abbreviations in the English language document, which speak volumes of the professional acumen of the current management at the central bank.

ACCESS TO FINANCING THE MAJOR BARRIER TO E-COMMERCE START-UPS

<http://thefinancialexpress.com.bd/trade/access-to-financing-the-major-barrier-to-e-commerce-start-ups-1531147522>



Mehdi Musharraf Bhuiyan

Access to entrepreneurial financing is the major barrier to e-commerce start-ups in Bangladesh, says a recent global report coming from ADB and UN. The country is also suffering from huge rural-urban divide and gender disparity when it comes to e-commerce activities, said the report. Asian Development Bank (ADB) and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) have jointly conducted the study to review the current status and potential of business-to-consumer (B2C) e-commerce in the Asian region. "Absence of legal framework and poor support from venture capital are also affecting the push-button-based transactions", says the report while trying to identify the reason for lack of access to entrepreneurial finance for e-commerce ventures. To counter this, the government needs to establish appropriate regulations and ease legal bottlenecks to attract more e-commerce investment, the report suggested. "For example, tax incentives and other policies promoting venture capital investments could be effective in drawing more capital inflows to e-commerce", it added further. Referring to an earlier research, the study pointed out that Bangladesh's online grocery market is just 0.03 per cent of its overall grocery sales. There is also a clear rural-urban divide when it comes to e-commerce

activities, the report noted. "80 percent of visitors to e-commerce sites in Bangladesh were reported to come from three major cities", it said. The report also took note of the growing popularity of Facebook and other social media based e-commerce activities in the country. "In Bangladesh, about 15,000 small merchants earn \$20 million (or roughly 40 per cent of total B2C e-commerce transactions) through sales using the Facebook platform", the report noted. However, the study also cautioned that the contribution of social media to establishing 'sustainable e-commerce business models' for different industries remain "yet to be examined". The report also drew special attention to the gender divide in e-commerce related activities in the country. Referring to an earlier study, the report said that only 17 per cent of online purchases in Bangladesh are done by female while 83 per cent are by men. "Facebook statistics also showed that among the 23 million Facebook users in Bangladesh in September 2016, only 21.7 per cent were females", it added. The ADB-UNESCAP joint report also noted that almost 90 per cent of e-commerce transactions in the country remain cash-on-delivery, blaming it on the unavailability of e-payment options in the country. When asked about the issue, insiders within the e-commerce industry affirmed that adequate financing is a major

detriment to new e-commerce ventures in the country. "Banks are currently not interested in investing in e-commerce ventures. Big business houses also do not come forward in investing in e-commerce", said Md. Abdul Wahed Tomal, General Secretary of E-commerce Association of Bangladesh. "There are also lack of adequate research on the potentials of e-commerce in the country", he added. Regarding the lack of e-payment solutions mentioned in the report, Tomal said, "While there are number of e-payment solutions in the country, there are limitations in terms of interoperability and fund transfer". "For example, there are limitations in terms of how much money can be transferred overseas through online which is especially a problem for necessary overseas payment", he added. With regard to the lack of venture capital, industry insiders noted that a set of 'Alternative Investment Rule' has already been adopted by Bangladesh Securities and Exchange Commission back in 2015. "However, as of now, the Alternative Investment Fund Management Companies which have obtained registration from Bangladesh Securities and Exchange Commission (BSEC) under the said rules, have not been able to raise and register any fund", said Shameem Ahsan, Chairman of Venture Capital & Private Equity Association of Bangladesh (VCPEAB). "This is primarily due to the lack of awareness and misunderstanding of the degree of risk and returns", he added. Focusing on the lack of financing for e-commerce startups, the report has also called for developing an entrepreneurial ecosystem in countries like Bangladesh so that it can support start-ups. "For instance, entrepreneurs and policy makers can work together to improve the business climate for venture capital, based on a better understanding of how venture capital works", said the report. "The government and private sector could also team up to offer technical and business training programmes to develop strong e-commerce human capacity to attract venture capital funds", it added.

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TAKING PAYMENTS INDUSTRY TO NEXT LEVEL

<http://thefinancialexpress.com.bd/views/opinions/taking-payments-industry-to-next-level-1531758009>

Nashir Uddin



The use of card-based and other digital payments has been consistently on the rise in recent years. People are getting the varied financial benefits out of the use of plastic money. The surge in the number of digital financial services offered by local banks has also been propelling the market to become cashless.

The most popular conventional payment media are the debit and credit cards. Available data show that the number of debit and credit card users in Bangladesh currently stands at 11 million and 0.98 million respectively, and they transacted Tk 24.38 billion in April-June this year.

Since billions of taka is being transferred every day by using cards, focus should now be on strengthening their security. Security features of cards should be enhanced to ensure that the money transacted through them reaches the desired destinations.

Only a few years back, a shopper would go to a marketplace to buy his/her items of choice and pay in cash. A lot has changed since then. Availability of computers at homes and launching of solutions like cards by banks and later mobile financial services by platforms like bKash introduced the concept of cashless shopping. The growing use of smart-phones has also made anytime, anywhere payments easier. Global projections say payments industry will soon be in a transformational state. A Payment System law is considered to be a prerequisite to pushing the payment industry to the next level.

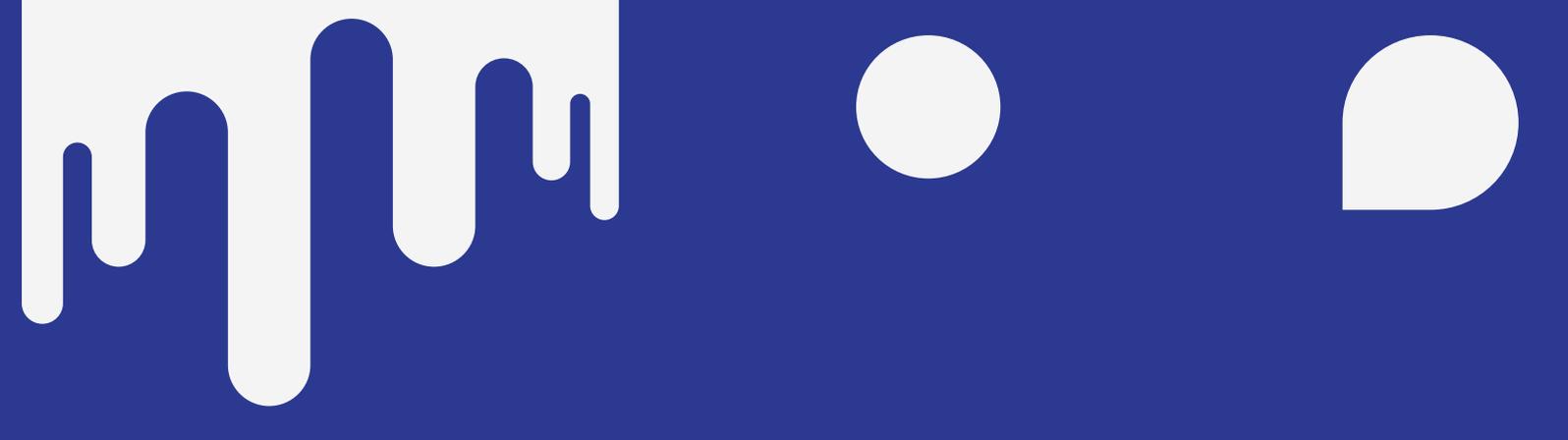
Bangladesh is likely to follow the global trend. A Payment System law has reportedly been drafted. Once the law is passed, local banks can move for digitisation in a more secure manner.

The payment system of a country is the channel through which the central bank conducts the financial transaction part of its monetary policy. Section 7A(e) of the Bangladesh Bank (BB) Order-1972 stipulates that one of the main functions of the central bank is "to promote, regulate and ensure a secure and efficient payment system." BB, accordingly, issued a circular last week providing permission for card-based payments through contactless payment service by using the Near-field Communication (NFC) technology and ensuring security, minimising transaction risks and enhancing public awareness.

Earlier, BB devised methods for implementing the new payment platforms, i.e. National Payment Switch (NPS), e-Payment Gateway, and Real Time Gross Settlement (RTGS) alongside upgrading the required legal and regulatory framework befitting the electronic payment platforms.

The private banks will be benefited if BB, the regulator, allows more modern solutions for easing the payments and strategising the payment systems. A comprehensive strategy for digital banking is an imperative for the banks. They must meet the expectations of digital natives, delivering diverse tools for helping customers make smart decisions across a range of financial services.

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SHIFT IN BANGLADESH

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SHIFT in Bangladesh

The Shaping Inclusive Finance Transformations for the South Asian Association for Regional Cooperation (SHIFT SAARC) countries is a regional market-facilitation initiative with the aim to improve livelihoods and reduce poverty rates in SAARC countries by 2021. The initiative seeks to stimulate investment, business innovations and regulatory reform to expand economic participation and opportunities for women, and help small and growing businesses to be active agents in the formal economy.

DFCG

Digital Finance Consultative Group (DFCG) is a knowledge sharing and consultative platform of public and private sector stakeholders to open up dialogue on the strengths, opportunities, challenges and gaps in accelerating digital financial inclusion in Bangladesh. DFCG works to accelerate innovations around product and services, encourage conducive and progressive regulatory regimes for facilitating growth of the DFS ecosystem in the country through consultative approach. UNCDF serves as the Secretariat of DFCG.

