



**Mofizur Rahman, managing director of Novoair, and Syed Mahbubur Rahman, managing director of Mutual Trust Bank (MTB), attend a deal signing ceremony at the bank's corporate head office in Dhaka recently to launch a co-branded 'MTB NOVOAIR UnionPay Platinum Credit Card' for the members of the airline's frequent flyers programme SMILES. The cardholders will get discounted fares for tickets for all of the airline's domestic and international routes and free access to the bank's air lounges.**

# “Sharia fintech”: Startups race to tap Indonesia growth by aligning with Islam

Like millions of other Indonesians, Gandhi Iswara had for years carried a wad of currency notes for dropping into donation boxes after prayers at mosques in suburban Jakarta.

From late last year, though, the 35-year-old engineer switched to a more convenient option: whipping out his mobile phone, firing up a digital payment app from Google-backed GoPay and tapping the QR code stickers that are now affixed to the boxes.

His digital conversion took some time, as Iswara initially held the view that all rewards and discounts offered by e-wallets conflicted with Islam.

“At first, I thought e-wallets resulted in usury, which is forbidden by Islam. But after a while I found them convenient in daily life,” he said.

Winning over conservative Muslims like Iswara in the world's most populous Muslim-majority country is both a challenge and multi-billion dollar opportunity for fintech firms that are riding its mobile internet boom and aim to sell financial services.

Of Indonesia's 270 million population, half lacks bank accounts but most now have mobile phones.

Questions about compliance with Islamic law are a significant hurdle for the adoption of digital payments and other fintech services, industry executives say.

Known as Sharia, the law strictly prohibits charging interest, or “riba”, and clerics in Indonesia disagree on whether the popular cashback rebates and discounts given by digital wallets qualify. Social media videos in Indonesia on whether

e-wallets are “haram” - prohibited by Islam - or incorporate “riba” rack up hundreds of thousands of views.

Indonesia's top Muslim clerical body has even issued an edict deeming virtual money acceptable, as long it met specific conditions.

To showcase the compliance of their services with Islam, fintech firms are organising forums with Islamic scholars and sponsoring religious festivals. Newer startups are tailoring services for Indonesia's growing body of “born-again” Muslims, known as the “hijrah” movement at home.

GoPay, which is part of ride-hailing firm Gojek, has partnered with the Indonesian Mosque Council since November to enable digital donations, including “zakat”, or compulsory alms giving, in its 800,000 mosques, CEO Aldi Haryoprato said. “Zakat” alone amounts to over \$500 million annually in Indonesia.

“It has made it much easier for people to pay alms,” said Budi, chief administrator of Jakarta's Istiqlal mosque, the largest in Southeast Asia, referring to digital payments services.

Rival LinkAja, which was formed by a consortium of Indonesia's top state-owned firms, has launched similar donation efforts. It is now readying LinkAja Sharia, which will offer a range of financial services specifically targeted at conservative Muslims and only accept money from Islamic banks.

Backed by companies including telco Telkom and Bank Mandiri, LinkAja is currently seeking to raise \$200 million in outside financing, sources told Reuters. The company declined to comment on its funding.

The scale of ‘sharia-fintech’ in Indonesia



**A volunteer collects alms boxes with QR codes and stacks them on a cart after Friday prayers at Istiqlal mosque in Jakarta.**

is small, so far, with Islamic fintech startups disbursing about 1 trillion rupiah (\$73.15 million) in sharia-compliant loans in 2019, a four-fold increase from 2018, according to the Indonesia Sharia Fintech Association.

But with all forms of Islamic banking accounting for only 6% of Indonesia's \$580 billion in banking assets, there is room for growth.

The sector is also getting a policy push. The country's vice vice-president, cleric Ma'ruf Amin, took over Indonesia's National Islamic Finance Committee in January and has cited the growth of Islamic fintech as a key national priority.

Some of the startups say they are finding their appeal extends beyond Muslims.

One of them is peer-to-peer lender ALAMI, created by three ex-bankers, which has disbursed over \$7.5 million in sharia-compliant financing to small and medium enterprises since May, and plans to become a digital bank.

CEO Dima Djani said that although conservative Muslims are its main target, others also are choosing it as an ethical banking option.

“They see the fact we are focused on sharia principles as a sign of integrity,” he told Reuters.

Muhamad Fajrin Rasyid, president of Bukalapak, one of Indonesia's top e-commerce companies which offers a sharia-compliant investing service, concurs.

# Fossil fuels for power at turning point as renewables surged in 2019: data

The use of fossil fuels such as coal and oil for generating electricity fell in 2019 in the United States, the European Union and India, at the same time overall power output rose, a turning point for the global energy mix.

Those countries and regions are three of the top four largest producers of power from fossil fuels. The declines suggest the end of the fossil fuel era could be on the horizon, said Tomas Kaberger, an energy professor at Chalmers University of Technology in Sweden, who provided the power generation data to Reuters.

Kaberger, who is also the chair of the executive board for Japan's Renewable Energy Institute and a member of the board at Swedish utility Vattenfall AB, provided data covering more than 70 per cent of the world's power generation that showed for most of 2019 the amount of power sourced from fossil fuels dropped by 156 terawatt hours (TWh) from the year before. That is equal to the entire power output of Argentina in 2018.

The data also indicates that renewable power generation increased at a faster rate than the overall growth in power output for the first time, rising by 297 TWh versus 233 TWh for overall output, Kaberger said.

“It is economics driving this as low-cost renewable electricity outcompetes against fossil and nuclear power plants,” said Kaberger. With electric vehicle usage surging and their batteries being increasingly recharged by renewable electricity supplies the decline of fossil fuels is likely to accelerate, he said.

“New renewables are even cheaper than oil per unit of energy electricity generated and even fuels produced from electricity will outcompete against fossil fuels at increasing speed in transport, heating and industry,” he said.

“Peak oil demand is close,” Kaberger said.

Kaberger relied on data from official sources such as the International Energy Agency and the U.S. Energy Information Administration that covered China, India, the EU, the U.S., Japan and the rest of the Organization for Economic Co-operation and Development (OECD), or around 75 per cent of global electricity output.



**Damon Yang, managing director of OPPO Bangladesh, and Arifin Shuvoo, an actor, attend the launch of OPPO's latest handset F15 at International Convention City Bashundhara in Dhaka yesterday. Priced at Tk 26,990 and available in lightning black and unicorn white colours, the device is equipped with 8GB RAM, 128GB ROM and Helio P70 chipset.**



**Walton's officials attend a 'Declaration Programme' at Walton Corporate Office in the capital yesterday, offering one-year replacement facility for Walton-branded air conditioners.**

# Bond yields near record lows after Fed rate cut

Bonds held their gains on Wednesday as investors digested the U.S. Federal Reserve's dramatic move to cut interest rates in an effort to contain economic damage from the coronavirus.

The surprise 50-basis-point cut, the Fed's first off-schedule move since 2008, came with comments highlighting both the scale of the challenge and the limits of monetary policy.

In response, the benchmark 10-year US Treasuries yield US10YT=RR, which falls when prices rise, held below 1 per cent - not far over the overnight low of 0.9060 per cent.

Euro zone bond yields also held near record lows, with Germany's benchmark 10-year Bund yield around -0.64 per cent, near six-month lows set on Monday.

Some saw the Fed's extraordinary move as a decision to move hard and early because it expected further economic damage from the spread of the coronavirus.

“They have signalled willingness to take further action, which is why we are seeing a further rally in bonds,” said Tim Drayson, head of economics at Legal & General Investment management. “Some argue that monetary policy can't fight the supply shock - but it will support demand and confidence.”

With safe-haven currencies in demand, the dollar was near five-month lows versus the yen JPY=EBS and fell to its lowest against the Swiss

franc CHF=EBS in almost two years. It was flat against a basket of six major currencies =USD.

Global stock markets were mixed as investors digested the Fed's move and a strong performance by Joe Biden in the Democratic Party primaries in the United States. The Euro gained 0.7 per cent. Markets in Frankfurt and London rose around 0.8 per cent and Paris 0.7 per cent. On Wall Street, S&P 500 futures ES1 climbed 1.5 per cent on Biden's showing, after falling overnight despite the Fed's rate cut.

Biden, a moderate considered less likely to raise taxes and impose new financial regulations, won primaries in at least eight states. That set up a one-on-one battle for the Democratic presidential nomination with democratic



**US Federal Reserve Chairman Jerome Powell**

socialist Bernie Sanders.

The European moves built on gains for Asia-Pacific markets, where MSCI's broadest index of shares outside Japan rose 0.3 per cent.

Korean stocks gained 2 per cent on a \$9.8 billion government stimulus package to mitigate the coronavirus impact.

The MSCI world equity, which tracks shares in 49 countries, gained 0.2 per cent.

The Fed's surprise move followed a shift in money market pricing late last week. (0#FF:) Futures swung rapidly to anticipate such a cut at the Fed's March meeting.

Now, they imply another 50 basis points of easing by July, even though investors and the Fed itself raised doubts that easing will help deal with a public health crisis.

“If you're in China and you can direct liquidity exactly where you need to, and have rate cuts where you want them to be, monetary policy is very effective,” said Sebastian Galy, senior macro strategist at Nordea Asset Management.

“In the West, in a democracy, monetary policy is less effective - you need to incentivise banks to do what is in the benefit of the whole.”

The coronavirus has killed more than 3,000 people, about 3.4 per cent of those infected - far above seasonal flu's fatality rate of under 1 per cent. It continues to spread beyond China — Italy reported a jump in deaths to 79 and South Korea reported more than 500 new cases on Wednesday.

# Resiliency test: How well can Chinese firms cope financially from a virus hit?

As companies in China gradually restart business following the extended Lunar New Year break, investors are fretting over the financial impact of the coronavirus outbreak that has squeezed cash flow and hammered revenues in many sectors.

The flu-like epidemic has killed nearly 3,000 people and infected more than 80,000 across the country.

Reuters analyzed balance sheets of nearly 4,000 listed Chinese companies to see how well they are financially prepared to cope with the impact.

A look at days of cash on hand, which estimates how long a business can run daily operations without additional revenue, showed that the airline industry is most vulnerable with just 48 days of cash on hand as of end-September, down from 72 days a year earlier.

Carriers faced immense pressure in the first quarter as the outbreak escalated, as many airlines were forced to cancel thousands of flights and put some staff on leave due to broadening domestic and global travel restrictions.

Debt to equity ratio also increased, with airlines again showing the highest

leverage of 1.78 times versus 1.27 times a year earlier, followed by construction and engineering sector which had 1.70.

The average debt to equity ratio of all surveyed companies worsened to 0.95 from 0.87. The food and staples sector showed the healthiest multiple of 0.52 times, although it also deteriorated from 0.28.

“We believe that in general the small businesses will continue to struggle, while the larger enterprises and SOE should hold up relatively better,” said Caroline Yu Maurer, head of Greater China Equities at BNP Paribas Asset Management.

“The downstream players in various industries may suffer a bit more, given the supply chain disruption as well as the lack of labor force in the short term given the constraint on labor flow.”

Total cash held by the surveyed companies increased by 8.5 per cent, but the mobile communications sector saw the sharpest decline of 25 per cent, followed by air freight and logistics industry, which showed a 17.6 per cent drop.

In a move to save cash, some companies including online car dealers Uxin Ltd and Chehaoduo, which is backed by SoftBank's Vision Fund, are cutting staff salaries.