

In recovery mode, technology will build resilient banking



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This year saw an unprecedented and drastic transition in the banking sector.

In Bangladesh too, the banking industry has been heavily disrupted by prevailing business challenges.

With such disruptions, traditional banks have been compelled to rethink their processes digitally, with strong social distancing rules forcing banks to shut down their branches and offer limited services.

In such a context, both traditional and digital banks have taken necessary steps to provide solutions for customers to address their needs from an economic perspective.

This new situation will require prudent management of resources and significant improvement of operational efficiencies.

Banking sector needs to act quickly to build on the recent experience of rapid digitisation and unprecedented momentum for change.

We anticipate a shift in the way banking and trade finance is transacted and settled, institutions will need to re-engineer business processes in the current business environment.

With the government announcing a stimulus package of Tk 20,000 crore for small and medium enterprises (SMEs), Bangladeshi banks are relying on digitalisation to ensure smooth banking operations for local citizens.

Globally, many banks have taken similar measures to ease the burden of their customers.

In Australia, banks have also announced credit-easing measures for small businesses that extend

repayments for six months, as the government there prepares to expand its stimulus package to weather the economic storm.

While there is a heavy focus on how banks are doing their part to help customers ride through this difficult time, banks themselves also require support to cushion the impact they are facing.

MOUNTING PRESSURE ON BANKS
The finance industry has its fair share of ups and downs, but it has never experienced the current level of uncertainties.

To face these challenges, banks are making deeper organisational and operational changes to help keep pace with customers' needs and stay ahead of the recovery curve.

Traditionally, banks' chief financial officers (CFOs) have relied on preliminary estimates and approximate figures when it comes to risk management.

However, this type of analysis is no longer sufficient in today's economy of uncertainties.

Moreover, CFOs who want to drive digital sophistication in the finance function are often slowed down by

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With the emergence of remote working, the reality for most major banking players is that they are simply unable to deploy the right remote-working architecture overnight because it is just not how their systems have been set up.

Once thought to be more secure and stable, the decentralised operating model between finance and risk functions does not offer the transparency, effectiveness and cost-efficiency needed to function.

Instead, the processes require extra costs and time, hampering banks' ability to manage operations seamlessly.

Banks now understand the urgency to digitise their finance operations as this is the only -- and fastest -- way to manage risk, improve controls and enhance insights to create more

resilient and adaptable businesses.

The use of cloud technologies is now a must-have on banks' technology roadmaps and in business continuity plans.

OPERATIONAL PROCESSES GOING DIGITAL

Moving core business systems to the cloud has proven to be even more valuable today as it enables bank employees to work remotely -- a change in operational management that was once impossible with the decentralised approaches and disconnected systems.

This represents a shift in CFOs' mindsets because banks are now starting to rearchitect their core finance processes and explore remote capabilities that benefit its business and ultimately customers.

In Bangladesh, BRAC Bank leverages Oracle Cloud Enterprise Resource Planning (ERP) and Oracle

Cloud Human Capital Management to simplify, streamline and automate their business processes to get faster access to information.

Recognised as one of the youngest and fastest-growing banks in Bangladesh, BRAC Bank has digitally transformed itself to adopt the modernised business processes.

Oracle supports the bank's back office, which, eventually, helps the bank to increase the speed of their business activities and financial transactions as well as their human resource operations.

In another instance, Westpac, a financial services company, will use Oracle Cloud ERP and Oracle Cloud Enterprise Performance Management (EPM) to reduce their cost and complexity while helping to meet regulations for the New Zealand business to operate independently from their parent company in Australia.

Westpac has also leveraged Oracle

"To build resilience as the economy starts to improve, banks have to integrate digitalisation into their blueprints to mitigate the business impact"

Banking Platform for its unified customer service hub to provide bankers with a single view of all customer interactions.

As an established bank with a long history, Westpac turned to the cloud to simplify its IT infrastructure and create a consistent customer-centric experience across the multiple brands they operate in Australia and New Zealand.

This gave Westpac the edge it needed to position itself better in an increasingly regulated and competitive industry.

BUILDING RESILIENCE THROUGH DIGITISATION

Presently, banks are struggling to mitigate costs, margins and perform better to exceed customer expectations.

New age technologies have been contributing a pivotal role in forecasting business risks, analysing data and taking optimum decisions.

These testing times have led businesses to predict and evaluate the future of the business and its operations.

Artificial Intelligence (AI) and Machine Learning (ML), which are embedded into the cloud, are two technologies that help banks to predict the future outcomes, profitability and trends based on past behaviour.

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Firms asked to remove anomalies in accounting of forfeited provident funds

STAR BUSINESS REPORT

The Financial Reporting Council (FRC) has unearthed gross irregularities in the accounting of the forfeited amount of provident funds of public interest entities.

An employee may leave a company before being entitled to the portion of the provident fund from the employer. But if the fund is not returned to the company after they depart, it is considered as a forfeited fund.



"This money is normally distributed among the present employees but it is not legal," the FRC said.

The situation prompted the independent government regulatory body under the finance ministry to issue a circular on Tuesday for every public interest entity.

It directed the companies either to give the money to the outgoing employees or return it to the profit and loss accounts of the firms and pay tax on it.

Any government or non-government entity is considered a public interest entity when its annual revenue crosses Tk 5 crore, assets reach Tk 3 crore, or liability goes up to Tk 1 crore.

The entities treat their contribution to

the provident funds as expenses and thus get tax benefit against the expenditure.

The forfeited amount should either be paid to the employee who left or reverted back to the accounts of the company and the company must pay tax on it, said Sayeed Ahmed, an executive director of the FRC.

"Giving one's money to others is a forgery," he said, adding that the auditors were also not addressing the issues in their reports.

If an audit firm fails to address and inform such issues, it will be accountable for allowing the irregularities to take place, he added.

Companies with forfeited fund must revert it to the employer's accounts in the same financial year, the circular said.

The organisation must recognise the fund as income from other sources and subsequently would be charged corporate tax against the amount.

Employees of public interest entities who enjoyed additional benefit because of the forfeited funds must deduct the extra sum by December 31, 2020.

Every entity must try to recover the additional benefits that have already been realised by other employees, the notice said.

If an employee receives any excess amount from a provident fund, it must be discussed in the meetings of trustee board or committee of the provident fund, in the audit and risk management committees of the organisation. The trustee board or committee must be accountable for that.

READ MORE ON B3

Hili port's revenue falls 30pc short of target

OUR CORRESPONDENT, Dinajpur

Hili land port's revenue earnings fell 30 per cent short of the target of Tk 271.61 crore in fiscal year 2019-20 due to the coronavirus outbreak.

"We earned Tk 189 crore in the last fiscal year as trade through the port remained suspended for 75 days because of the shutdown for Covid-19," said Md Mahbubur Rahman, a revenue official of the port.

Trade through the port stopped on March 26 and restarted on June 8.

Since then only 30 to 40 Indian-goods laden trucks have been entering Bangladesh daily, which was around 300 before the imposition of the shutdown, he said.

"However, we did great after the resumption of trade. The port earned Tk 35 crore in 19 working days in June, up from the target of Tk 22 crore."

However, this is not the first time for the port, established in 1982 at Hakimpur upazila in Dinajpur, that it failed to reach revenue target.

In the last five years, it reached its revenue target only once -- in fiscal year 2017-18.



LIFELINE IN A BOTTLE

Like in major cities and towns across the country, this oxygen refilling station in Narayanganj's Rupganj has been running round the clock as demand has skyrocketed following the outbreak of Covid-19. Patients with severe lung infections suffer from very low oxygen levels. A 1,360 litre cylinder can provide support for about four hours. Refilling a cylinder of this size costs around Tk 100, said officials at supplier companies Linde and Spectra. But for most patients whose condition is not severe, such cylinders can last for over 10 hours, providing 2 litres of oxygen per minute, said doctors at Dhaka Medical College Hospital. The photos were taken recently.

PALASH KHAN

