

Electronic payment growing, but slowly

Citi official speaks on how e-system cuts cost of fund transfer

MD FAZLUR RAHMAN

BANGLADESH can beat market expectations in moving toward cash-less and convenient electronic fund transfers from paper-based bank transactions through increasing awareness, a top banker said.

"If Bangladesh keeps the momentum it now has it could well be one of the markets that exceed expectations," said Noel Saminathan, managing director and head of cash products at Citibank for Southeast Asia.

"But a lot of work and persistence need to go into getting this right," he told The Daily Star in an interview recently.

Saminathan was recently in Dhaka to launch a roadshow on electronic fund transfer organised by the US-based bank.

In Bangladesh, banks are yet to fully embrace the electronic fund transfer (EFT) services even four years after its launch due to lack of awareness and incentives among bankers about the cost-effective, quicker and securer system.

Only 18 transactions were processed through EFT per day when the system was launched in 2011. Now, 55,000 transactions are cleared a day, according to the central bank.

At present, Tk 5,000-6,000 crore are cleared through the electronic system every month on average, which is 5 percent of the whole transaction volume of the banking sector, leaving the rest to the costly and time-consuming paper-based system.



Noel Saminathan

Saminathan, who has been with Citi for 17 years, said Bangladesh can do more.

"At least 20 percent transactions are expected to be channelled through electronic payments in five to 10 years in a growing market. That does not mean that newer markets can't leapfrog."

He thanked Bangladesh Bank for putting in place the right infrastructure to support the growth of electronic fund transfer.

"It is good to see that e-payment agenda is a national priority in Bangladesh."

Saminathan said electronic payment has been around for many years and is not a new service to the banking world. However, it has taken a while for many countries to fully adopt

electronic payments.

He however understands the cause for the delay, as cash has been the primary means of storing value and exchanging money as a whole in the region.

Fully embracing EFT will be an evolution for markets such as Bangladesh, he said.

EFT is a robust, costless and secure system, which allows banks to settle transactions easily. "Though the volumes are not there today, there is a good set of rules around it."

Saminathan said the banking sector, the central bank and vendors all seem to be very much aligned where the country wants to go in electronic payments. "This is the first and most important criterion for getting this right."

The challenges to EFT are significant as well.

"It is a very entrenched practice of using paper-based instruments. So, people's behaviour and acceptance of something different is going to be the number one challenge to working through. There are many things that need to be done, and education is just the one part."

"The industry needs to come together and give real confidence to the users that the new way of paying is as safe, convenient and cost-effective from what they were doing before."

"That needs very active communication and dialogue, addressing concerns. It will take time. At the same time, it can be accelerated with a very concerted effort."

Banks charge between Tk 100 and Tk 500 for pay orders and demand drafts and sometimes the charge is waived depending on the customers-banks relationship. The central bank has however banned banks to charge their customers under EFT -- a fact many bankers have blamed for the less-than-expected volume of transactions using EFT.

"If the whole transactions in banks come under EFT, the whole amount of money will be saved," Saminathan said.

Bangladesh Bank has established a good set of guidelines but still a lot of clarity is needed in terms of unique scenarios that banks come across and how to deal with it, he said.

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FORBES

Apex's Nasim Manzur with his father Manzur Elahi.

Apex Group emerges as shoemaker to the world

NAAZNEEN KARMALI, *Forbes*

TO see a different face of Bangladesh manufacturing, a country that has earned notoriety with its ready-made garment plants, one drives 25 miles north of Dhaka city to Gazipur district. Amid a predominantly industrial enclave of garmentmakers is a 24-acre site where 5,500 workers, mostly women, are busy stitching not clothes but a range of stylish leather shoes.

This is the factory of Dhaka Stock Exchange-listed Apex Footwear, Bangladesh's leading footwear exporter. It started manufacturing leather shoes more than two decades ago. Today it is among the largest shoemakers on the subcontinent, shipping 4.5 million pairs annually to 130 retail customers in 40 countries, including Macy's and J.C. Penney in the US, ABC Mart in Japan and Deichmann in Germany. Additionally, it produces 3 million pairs for the domestic market that are sold through a chain of 550 outlets across the country.

Visiting Apex Footwear's factory in Gazipur one hot and humid June

morning I quickly grasp that this is no sweatshop. The complex includes, among much else, an effluent treatment plant, a purification plant for drinking water, a medical clinic and a day nursery. Workers, I'm told, get an average monthly wage of \$100, which is higher than the \$75 mean in the garments sector. In addition, they are covered for medical and life insurance, and get bonuses twice a year plus a share of profits.

Thirty-year-old Rawshona Khatun, who works on the shop floor, says these benefits and an 8-hour workday drew her from a previous job at a garments unit nearby where a 12-hour daily shift was the norm.

"Since shoemaking is a very labour-intensive business and we operate in the heartland of the ready-made garments industry, we have to remain a step ahead. We see our compliance standards and worker benefits as our competitive advantage," says Manzur Elahi, founder-chairman of the \$200 million (sales) Apex Group, whose other listed entities are leather-producer Apex Tannery, Mutual Trust Bank and Pioneer Insurance.

READ MORE ON B2

Facebook ready to spend billions to bring whole world online: Zuckerberg



REUTERS

Left, Mexico's President Enrique Pena Nieto and Facebook founder and CEO Mark Zuckerberg pose for photographs at the presidential palace as Zuckerberg's wife Priscilla Chan, fourth from right, stands near, in Mexico City on Friday.

REUTERS, Mexico City

Facebook Inc is prepared to spend billions of dollars to reach its goal of bringing the Internet to everyone on the planet, Chief Executive Mark Zuckerberg said on Friday.

"What we really care about is connecting everyone in the world," Zuckerberg said at an event in Mexico City hosted by Mexican billionaire Carlos Slim.

"Even if it means that Facebook has to spend billions of dollars over the next decade making this happen, I believe that over the long term its gonna be a good thing for us and for the world."

Around 3 billion people will have access to the Internet by the end of 2014, according to International Telecommunications Union (ITU) statistics. Almost half that, 1.3 billion people, use Facebook.

Facebook, the world's largest social networking company, launched its Internet.org project last year to connect billions of people without Internet access in places such as Africa and Asia by working with phone operators.

Opportunities that Bangladesh offers for further Japanese investment

Bangladesh Bank Governor Atiur Rahman delivered a welcome address at Japan-Bangladesh Business Forum at Sonargaon Hotel in the capital yesterday. The event drew together government and business leaders of Japan and Bangladesh to highlight the unexploited potential for a major boost in trade and investment relationships between the two countries. Here is the abridged version of his speech.

THE Bangladeshis are very grateful for Japan's generosity of prompt support response in all natural and humanitarian disasters the country faced, as also for equally generous official grant and concessional financing support for economic and social development. The retrofitting financing assistance offer for apparel manufacturers and exporters of Bangladesh immediately following last year's Rana Plaza collapse disaster is just one recent example among numerous others.

Growth of trade and investment relationships between businesses in Japan and Bangladesh has, however, remained sluggish and far below potential. Bilateral trade totalled under \$2 billion in fiscal 2014, but Bangladesh's bilateral trade growth with Japan is lagging her overall external trade growth. Bangladesh remains in trade deficit with Japan unlike with most other advanced economies, although exports are lately showing some signs of pickup.

Bangladesh exported apparel items worth \$572.27 million to Japan in fiscal 2013-14 against a meagre \$74.37 million in fiscal 2008-09, an eight times growth in just over five years. Surely, Bangladesh can have a larger share of \$35 billion Japanese apparel market if the country can play its card well and remain compliant in labour and environmental standards. As of today, Japanese foreign direct investment inflows into Bangladesh remain small, under \$100 million in 2013 even after more than trebling from the preceding year's figure.

This minuscule engagement level between businesses in Japan and Bangladesh is surprising, given the outward looking resurgence thrust in the Japanese economy imparted by Prime Minister Shinzo Abe; and given Bangladesh economy's growth dynamism evident in the ongoing sustained spell of more than 6 percent annual average real GDP growth for well over a decade now.

That the Bangladesh's financial sector is stable and resilient has been confirmed repeatedly by favourable ratings of top global rating agencies like S&P, Moody's and of late the Fitch; its stability remained unimpaired during episodes of major external turbulences like the East Asian currency crisis and the subsequent global financial crisis. Bangladesh is continually strengthening its financial sector management and supervision practices and norms in line with global best practice standards. Risk-focused Basel II capital adequacy regime is already in place, and work is underway for adoption of its Basel III version with revised capital norms and new liquidity coverage and leverage criteria.

As a WTO founder member, Bangladesh is



Atiur Rahman

fully open in external trade, and as a low income economy enjoys favoured access to most of the advanced economy markets. Current global economic and geopolitical developments have led Bangladesh to focus more on Asia and the East for acquiring new trade and investment; and Bangladesh is deeply grateful for Japan's eagerness in helping it get into the Regional Comprehensive Economic Partnership (RCEP). Bangladesh's inclusion in this regional value chain will be to the country's mutual advantage; with Japanese businesses using Bangladesh as a cost-efficient manufacturing base for such items as automobile parts, electrical and electronic goods, apparel items and various other consumer goods.

Bangladesh's policy stance on FDI and FPI (foreign portfolio investment) inflows are among the most liberal in South Asia region; and the central bank of Bangladesh is continually engaging with local foreign investor communities in Bangladesh for facilitation of all kinds of business-related external transactions including inflows of equity and debt, and outflows of royalty/technical fee, profits/dividends and disinvestment proceeds including capital gains. Major recent new facilitations include enhancement of family remittance ceiling for expatriates to 75 percent of salaries, and repatriability of sale proceeds of foreign equity in unlisted companies at fair value based on assets, income and earnings trends instead of solely at net asset value. Foreign businesses can now access local and external financing on the same basis as for locally owned businesses, and their interest-free short term borrowings from their parent businesses at home require no prior approval of the central bank.

Countrywide chains of job-oriented vocational training in Bangladesh are continually adding into its large pool of semiskilled manpower whose skills are further upgradable easily with some hands on training in actual job environment. Tech savvy young science and technology graduates are also coming out of universities in large numbers every year. Foreign investors in Bangladesh can hire from these manpower pools at much lower cost than elsewhere. Besides scope for cost-efficient labour-intensive manufacturing, there are ample opportunities for big ticket Japanese investments in Bangladesh in areas like energy, development of deep-sea port, LNG storage terminals and other physical infrastructure, tourism, tertiary healthcare and so forth.

In addition, Bangladesh is indeed so pleased to see Japan willingly coming forward to invest in some of these mega projects. Bangladesh has a vibrant SME light engineering sector that Japanese automakers and machine builders can take advantage of with orders for parts and spares. Manufacturing of solar PV panels, energy efficient LED lamps, TVs, computer monitors and other electrical and electronic appliances are also likely to be cost-efficient.

Japanese businesses would also find Bangladesh attractive as an outsourcing destination for software development and other IT-enabled back office services. Relocation of export manufacturing units in Bangladesh will give Japanese businesses the advantage of favoured access to many advanced economy markets, besides cost efficiency. Manufacturing for Bangladesh's own large domestic market with a large and growing middle to higher income population segments would also be attractive for Japanese entrepreneurs. Both wholly foreign ownership and joint venture options with the private and public sector are open for Japanese and other foreign investors.

Bangladesh government has already promised a sizable new special economic zone in Chittagong specifically for Japanese investors, and is further considering a generous set of incentives for investors in SEZs including time-bound full and partial waivers on tax/VAT/stamp duty.

As Japanese businesses are looking towards new investment destinations and as Bangladesh authorities are eager and willing to facilitate Japanese investments as part of the look East re-orientation of trade and investment promotion, the Japanese and Bangladeshi business leaders should work together in taking full advantage of all the existing and new facilities and bring about a major new upturn in bilateral trade and investment relationships.