

MasterCard steps up its game

MD FAZLUR RAHMAN

FINANCIAL inclusion, riding on the back of a predominantly youth population, will take the economy of Bangladesh forward, said a top official of MasterCard.

Vikas Varma, MasterCard's executive director for South Asia, said: "It has got to do with the youth as they are optimistic and hard-working. This is a very young population. That is why there is a lot of hope."

From a finance standpoint, he said the youth population is yet to be financially included in the formal financial ecosystem. "They will probably get a job in a couple of years and get their first formal relationship with financial institutions. They will start to save money and borrow money to build their lives."

"Financial inclusion is one big area that will really drive the economy forward."

For MasterCard, Varma said, financial inclusion is one of the large focus areas. "We do this in a way that it is good for the country as well as makes commercial sense."

MasterCard, headquartered in New York, entered the Bangladesh market in 1997, becoming the first plastic card issuing company in the country. It however served the country remotely until it opened a liaison office only two years ago.

"We have now realised the long-term potential of the market," he told The Daily Star in an interview in Dhaka on last Wednesday.

The company is catching up with other competitors; in the last two years, MasterCard has signed partnerships with 15 banks and one non-banking financial institution.

MasterCard also included Bangladesh in its index of consumer confidence in 2012. Since then, it has been publishing a survey that shows whether consumers in the Asia Pacific countries, including Bangladesh, are optimistic or not.

Varma said MasterCard would undertake a lot of activities to drive the growth of its business in Bangladesh.

For example, MasterCard has 365 days of special offers with 800 merchants in Bangladesh.

MasterCard recently launched a pay-



Vikas Varma

ment gateway solution in the country, allowing merchants to provide their customers a simple, safe, secure and convenient way to purchase products and services online.

"The procedure is extremely simple and will surely drum up people's confidence in the use of e-commerce," he said.

Varma, an alumnus of Institute of Management Technology, Ghaziabad of Uttar Pradesh in India, joined MasterCard in 2005. Previously, he worked for American Express and GE Consumer Finance.

The card company is also making investments in Bangladesh, but Varma did not disclose figures.

He said the digital space is very big in Bangladesh, and smartphone penetration is growing rapidly. "This is the right time for us to make the investment."

Bangladeshi consumers spend about Tk 10,000 crore a year in cash to make their everyday purchases. But less than 1 percent of the amount happens electronically.

It is about 4 percent in some markets in South Asia, while the global average is 16 percent. Consumers in South Korea make 65 percent of their purchases electronically, becoming the poster child of electronic payment.

"In Korea, it has happened because the government and the regulators actually

mandated electronic payment in a way where there have been incentives such as tax deduction for both merchants and customers," said Varma.

A robust electronic payment system is replete with benefits, he said.

For example, the cost of funds goes down as there is no physical cash to manage.

The cost of managing, transporting and storing cash is 1 to 2 percent of gross domestic product in many markets, he said.

He said MasterCard educates merchants on the value of accepting payments electronically. "It means there is more accountable cash in the economy, the velocity of the cash movement goes up and the cost of managing cash goes down."

"It brings more benefit for the government as the money becomes a part of the formal economy. The amount of untaxed money goes down. It can drive significant changes to GDP growth."

According to Varma, consumers' comfort level is vital in driving the growth of plastic money. The chip card, which is being introduced in Bangladesh, will give consumers an added level of protection, he added.

There are about 5 million cards users in Bangladesh among a population of 160 million.

Varma said Bangladesh Bank, with a lot

of foresight, has done a lot to drive financial inclusion. "Still, there is a lot of work that needs to be done in Bangladesh for grassroots financial inclusion to really scale up."

He said India has made it mandatory for banks to issue a debit card along with every savings account they open. That has not happened in Bangladesh.

Citing studies, he said the cost of servicing a cardholder at a branch is five times of that at an ATM. "Many times, banks do not see the cost because it is invisible. There are costs related to workforce, tellers and office space."

When it comes to giving back to societies, MasterCard works broadly for two groups: women and the youth.

In Bangladesh, the company is working toward women's empowerment.

In 2013, MasterCard initiated grant programmes to train 100,000 women entrepreneurs in Bangladesh, along with BURO Bangladesh, one of the largest non-governmental organisations.

The training focuses on providing business and financial literacy, and entrepreneurial training, aiming at their self-dependence, sustainability, and emancipation.

Among them, at least 60,000 recipients have started their own businesses by now, earning significant amounts of money, said Varma.

MasterCard also made a grant to raise awareness about business and financial literacy among 10,000 holders of Tk 10 accounts in 2014, and 25,000 account-holders this year, said Syed Mohammad Kamal, country manager of MasterCard Bangladesh.

On the National Payment Switch, Varma said MasterCard shares Bangladesh Bank's objectives of fostering a safe, efficient and reliable electronic payment system and accelerating the migration to electronic payments.

"We believe the government will take the safety and security agenda seriously and allow those who contribute to the payment ecosystem to invest in technology and fraud protection tools and systems. It will create an environment where payment services are provided safely and securely by operators in an open and level playing field."

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Black Friday online shopping rivals stores: US survey

AFP, Washington

As many Americans bought online as they did in physical stores during the Thanksgiving weekend shopping splurge, the National Retail Federation said Sunday, highlighting a growing trend away from the traditional Black Friday consumer assault.

The closely watched survey said that about 151 million people shopped either in stores and/or online over the long weekend in the United States, when many consumers look to take advantage of promotions.

That used to mean queuing up in the bracing cold late Thursday night after Thanksgiving into early Friday morning and -- in some cases -- literally fighting for the best offers.

But the 2015 figures underline how American consumers are changing to get their holiday shopping fix -- nearly 102 million shopped in stores and more than 103 million shopped online this year.

"We recognize the experience is much different than it used to be as just as many people want that unique, exclusive online deal as they do that in-store promotion," NRF president and CEO Matthew Shay said in a statement.

"It is clear that the age-old holiday tradition of heading out to stores with family and friends is now equally matched in the new tradition of looking online for holiday savings opportunities."

The NRF found that 133.7 million people shopped during the holiday last year.

Accurate comparisons cannot be made between this year and last because the poll by Prosper Insights & Analytics for the NRF used a different methodology than in 2014.

A separate NRF survey found that more than 121 million shoppers, or about 49.5 percent of consumers, plan to shop online on so-called Cyber Monday, which takes place on November 30 this year.

That was down slightly from the 126.9 million who planned to participate last year.

The average spending per person over the weekend reached \$229.60.

The NRF said last year that consumers spent an average \$380.95, but again, that was using different methodology.

People under the age of 35 were most likely to spend over the weekend.



REUTERS/FILE

Swatch watches are displayed in front of a shop at the central station in Zurich. The Swiss watchmaker, Visa Inc and Visa Europe have launched a project, allowing Visa cardholders in the United States, Switzerland and Brazil to make payments with Swatch's new "pay-by-the-wrist" Swatch Bellamy watch.

New York reassures tourists after terror threat

AFP, New York

NEW York is reassuring tourists that America's biggest city is safe as it prepares to welcome more than five million visitors for the busy holiday season after the Paris attacks.

The winter tourism season officially kicked off with Thursday's Thanksgiving Parade, where hundreds of thousands of people lined the streets to watch the three-hour event amid tight security.

After the Paris attacks on November 13, an Islamic State group propaganda video broadcast images of New York from Times Square. US authorities hit back that there was no credible threat against the city or anywhere else in the United States.

"We had some hotel cancellations from small groups," said Chris Heywood, senior vice president of global communications at NYC and Company -- the city's official marketing and tourism organization.

Despite what he calls a "sprinkling of a few cancellations," he is still encouraging people to visit the metropolis for the "magical holiday season" that lasts through December until New Year.

"The city is open," he told AFP. "It is business as usual."

Eighty-nine people were killed at the Bataclan concert hall in the Paris attacks, but the Broadway League says there has been no drop in attendance since the carnage in France.

The US State Department has issued a worldwide travel alert, warning Americans

of a heightened terrorist threat in "multiple regions," which has added to the worry among tourist industry professionals.

"We have seen a fall in reservations," said the chief executive of Air France, Alexandre de Juniac, during a visit last week to New York, the prime target in the September 11, 2001 attacks on the US.

A US airline also said reservations from Europe were down, without wanting to give figures.

"I was in a plane 90 percent empty," Christine Priotto, mayor of Dieulefit, a town in southern France, told AFP after arriving this week in New York on a private visit.

"It was a little strange."

In Times Square, where police armed with heavy guns can be seen patrolling, bus ticket tout Farid Et Takaouy said he had never seen so little trade for the end of November.

"It's really dropped over the last two weeks," he said. "People take photos of the police and send them to their friends everywhere and so people don't want to come any more," he told AFP.

He says people who dress up as Mickey Mouse, Buzz Lightyear and as Statues of Liberty to pose with tourists in exchange for a few dollars have also seen their business fall.

Tourism is a hugely important industry in New York City: an influx of 5.3 million people was expected for the holiday season, which authorities say brings \$3.7 billion to the local economy.

India's economy grows 7.4pc, outperforms China

AFP, Mumbai

INDIA'S economy grew by 7.4 percent year-on-year in the last quarter, official figures showed Monday, outperforming China and giving Prime Minister Narendra Modi a boost following a recent election drubbing.

Growth in the three months to the end of September quickened to 7.4 from 7.0 percent in the previous quarter, according to statistics ministry data, slightly ahead of analysts' expectations.

India has now recorded three straight quarters of growth above seven percent, performing better than its giant neighbour China on each occasion and leading the way for emerging markets with Russia and Brazil flagging.

"China was the leader of economic growth across the globe for two decades or so until 2014 but India will now be the pace-setter for the next two to three years at least," said analyst Sujjan Hajra.

The figures for the second quarter of the financial year bettered China's 6.9 percent increase in gross domestic product (GDP) recorded for the same three months and reported by Beijing last month.

They were also higher than the median forecast of 7.3 percent in a survey of economists by Bloomberg News.

With fellow BRICS partner Russia contracting 4.1 percent in the same period and Brazil predicted to shrink 4.2 percent, India is a rare bright spot in a struggling world economy.

"India is now a very important backdrop in a slowing global economy," Hajra, chief economist at Anand Rathi Securities, told AFP.

Modi has made boosting economic growth a priority since sweeping to power in a general election in May 2014 and India has posted 7.5 percent, 7.0 percent and 7.4 percent quarterly growth for the calendar year 2015.

- Interest rate hold expected -

But investors have raised concerns about the



REUTERS/FILE

Kashmiri vegetable sellers gather at a floating market on Dal Lake in Srinagar, the summer capital of Jammu and Kashmir.

pace of promised economic reform needed to create jobs for India's tens of millions of young people.

They are hoping Modi's government will be able to reach agreement with opposition parties and push reforms through the current session of parliament, including one that paves the way for a long-awaited national sales tax.

The figures are a timely fillip for the PM and his ruling Bharatiya Janata Party party, which suffered a heavy defeat in a key election in the state of Bihar earlier this month.

The positive data also makes it likely that Reserve Bank of India governor Raghuram Rajan will choose to keep interest rates

unchanged when the central bank holds its monetary policy review meeting on Tuesday.

Rajan has already lopped 125 basis points off borrowing rates this year, bringing the benchmark repo rate to its lowest level in four years.

Analysts expect Rajan to hold rates at 6.75 percent following the meeting in Mumbai as he targets keeping inflation under control and waits for commercial banks to pass on the cuts.

Monday's numbers were the latest growth data to be released since the government introduced a revised formula for calculating GDP which some analysts have criticised.

Fed to take up emergency lending curbs

REUTERS, Washington

The Federal Reserve Board will consider a proposal to curb its emergency lending powers, a change demanded by Congress after the central bank's controversial decision to aid AIG, Citigroup and others in 2008.

A proposed rule, to be considered by the Fed's Washington-based board in an open meeting, would require that any future emergency lending be only "broad-based" to address larger financial market problems, and not tailored to specific firms.

The 2010 Dodd-Frank financial reform law instructed the Fed to curtail emergency loans to individual banks and prohibited it from lending to companies considered insolvent.

While some at the Fed worry the new rules will hamper the central bank's response in future crises, some politicians have said the proposed regulations are too imprecise, for example in defining insolvency, to prevent the types of deals done in 2008.

As the financial crisis intensified in 2008, the Fed invoked its little-used emergency lending power to stave off the failure of AIG

and Bear Stearns, and help other "too big to fail" companies including Citigroup and Bank of America.

The Fed also enacted a series of more general emergency programs, in all providing \$710 billion in loans and guarantees. Those programs were separate from the much larger Fed asset and bond purchases known as quantitative easing.

The loans have been repaid and the guarantees ended, ultimately earning the Fed a net profit of \$30 billion, according to a September Congressional Research Service review.