

E-commerce to drive growth in electronic payments

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SIMILAR to many other emerging countries, Bangladesh economy is heavily reliant on cash. In a country with an adult population of over 100 million, only eight million people use debit cards, and less than one million people use credit cards.

This dependency on cash, however, will undoubtedly change as the economy matures. We are already seeing some positive signs in this direction, including the increasing uptake of electronic payments and a rise in e-commerce. However, there is still a long way to go.

With the ongoing "Digital Bangladesh" initiative by the government and thereby the e-commerce industry booming in the foreground, there is an immense opportunity to foster rapid growth in the segment by leveraging technology and making the commerce experience truly digital, allowing people to buy and pay seamlessly in a secure manner.

As per the eCommerce Association of Bangladesh (e-CAB), the industry is all set to witness tremendous growth over the next three years, increasing 40 percent per month from 36 percent currently.

Though e-commerce made its inroads in Bangladesh back in the 1990s, a lack of online payments facility and low internet penetration hindered growth during the initial years. The game changing milestones for the industry came in 2009 and 2013 when Bangladesh Bank introduced online payments in the country and allowed the use of both credit cards and debit cards to buy products and services online.

What started primarily as a Business-to-Business (B2B)-focused industry is now thriving in the Business-to-Consumer (B2C), Customer-to-Customer (C2C) and Business-to-Employee (B2E) segments as well. In Bangladesh, a late entrant to ride the e-commerce wave, the ecosystem is still evolving to address the challenges and thereby realise the full capacity of this industry, which can significantly contribute to the country's economy.

The key areas which require intervention to support the e-commerce industry include developing delivery mechanisms and infrastructure, increasing merchant acceptance, driving adoption among consumers, enablement through mobile and online channels, impetus to online transactions and security against frauds.

The core challenge towards migration to electronic modes of payments when using e-commerce websites lies in the behavioural affinity towards cash. A trend report by Kaymu, a leading local e-commerce player, reveals that unlike the West, cash-on-delivery is still the most popular mode of payment for e-commerce transactions, constituting 95 percent of payments. However,



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cash-on-delivery (CoD) transactions are expensive for the seller, especially in case of product returns. Instances of product returns are also higher in CoD transactions - approximately 35 percent more. It also complicates the supply chain process by adding another layer of transaction - that of passing on the collections to e-commerce companies, which in turn increases the settlement period and cash collection cycle to more than two weeks. Adding to the above pitfalls is the possibility of pilferage in cash handling. Collecting cash, collating the receipts and maintaining records is a time consuming process. This is followed by bank/wire transfer (2 percent), bKash/Ucash (2 percent), and credit cards (1 percent).

Low levels of financial literacy and awareness, lack of friendly user interface and fear of security, are some of the other factors that have hindered the adoption of electronic payments by e-commerce consumers in Bangladesh. With e-commerce migrating to mobile phones, it is imperative to create a foundation that facilitates innovative payment solutions, supported through a robust infrastructure. E-commerce is an enabler and the move towards e-commerce is high in the country with many leading businesses like chaldal.com, easy.com, meenabazar.com, ajkerdeal.com, hungrynaki.com, foodpanda.com, aarong.com, rokomari.com, flynovaair.com, uabdl.com, and flyregent.com making success stories.

There are measures that would be instrumental in encouraging people to go cashless. It needs to start with

cementing consumer confidence in e-payments through working collaboratively with stakeholders to spread awareness and educate them of the benefits and convenience of e-payments. Development of user-friendly interfaces and seamless transactions on mobile devices can also significantly propel the adoption of digital payments among consumers.

Robust telecom and internet connectivity that aims to provide universal access will also snowball the growth of e-commerce in Bangladesh. A connected mobile device in the hands of a customer presents an opportunity to bring about convergence across channels.

Acceptance should be encouraged among merchants in high-usage categories like payments for utilities, government payments, insurance, online shopping and so on. This can be done by simplifying the merchant onboarding process by acquiring banks and exploring possibilities of incentivising merchants when they sign up for accepting electronic payments.

Mechanism to make online payments to government agencies (like tax payments), and waiver of additional charges, if any for digital transactions, will help drive awareness and volumes for e-payments.

Adoption of second-factor authentication (2FA), which allows users to add an additional security layer in the form of a password or unique code, will help assuage fear among hesitant customers while transacting online.

The payments industry also must give efforts to prevent data from being stolen by adhering to the highest data security standard established by the Payment Card Industry (PCI) Security Standards Council, and encourage the adoption of point-to-point encryption technology. The industry must have strong fraud monitoring framework. Stakeholders and the government must promote systems that detect fraud sooner and more accurately, streamline fraud management operations and make business grow.

Today, commerce is all about understanding consumer requirements and innovation to cater to their needs. The gaps in the adoption of electronic payments for e-commerce transactions have to be addressed collaboratively by the industry, financial institutions, merchant partners, regulators and payment facilitators.

As Bangladesh becomes more integrated with the world, the country needs to ensure that its citizens have unfettered access to the international e-commerce market and vice versa. While the e-commerce industry is predicted to contribute significantly to the economy and create lucrative opportunities, the right set of infrastructural framework will ensure smooth implementation and management.

The writer is group country manager of Visa for India and South Asia.

Ratan Tata installs new management team at Tata Sons

REUTERS, Mumbai

TATA Sons has put in place a new management team for the \$100 billion steel-to-software group, days after its board ousted chairman Cyrus Mistry and disbanded his advisory council, triggering a public spat between him and Ratan Tata.

Ratan Tata, patriarch of the Tata group who is temporarily back at the helm as interim chairman, has put together a team of five executives, including two former Mistry advisers, Tata Sons said in a statement on Friday.

The team comprises S. Padmanabhan, who currently leads the Tata business excellence group and will also be group human resources head, Gopichand Katragadda, who will continue in his current role as group chief technology officer, and Sanjay Singh, who will oversee public affairs in Delhi.

The new team also includes Mukund Rajan and Harish Bhat, formerly part of Mistry's five-member advisory council. Rajan will continue to be responsible for ethics and sustainability, and will also oversee the group's international operations in the United States, Singapore, Dubai and China.

Bhat, who oversees marketing, will also be brand custodian and interim strategy and business development head.

The remaining three Mistry advisers - Nirmalya Kumar, NS Rajan and Madhu Kannan - have left the company, Tata Sons said.

Tata veteran Prasad Menon, who last served as chairman of Vistara, an airline venture with Singapore Airlines, has also been brought in to help Ratan Tata temporarily, a source close to the company said.

While Mistry has been removed as chairman of Tata Sons, he is still chairman of some of the key listed group companies such as Indian Hotels Co, Tata Motors, Tata Communications and Tata Steel.

Removing him as chairman from some of the companies, where Tata Sons is not a majority shareholder, might prove harder.

Independent directors of Indian Hotels, owner of the Taj chain of hotels, on Friday expressed confidence in the Mistry's leadership.

The independent directors "unanimously expressed their full confidence in the Chairman, Mr. Cyrus Mistry and praised the steps taken by him in providing strategic direction and leadership to the company," Indian Hotels said in a statement to the stock exchange.

The board meeting was held to discuss the company's quarterly results.

A scuffle broke out between photo journalists and security guards outside Bombay House, the Tata Group's headquarters, as the Indian Hotels board of directors were entering the building.

Tata Sons apologised for the incident in a statement.

Egypt did not have luxury of postponing reforms: PM



An Egyptian worker fills a customer's tank as cars queue at a petrol station in the capital Cairo on Friday. The government announced an increase in fuel prices, with low grade petrol prices going up by 50 percent to 2.35 pounds a litre while higher octane fuel rose by about one third to 3.5 pounds per litre.

AFP, Cairo

EGYPTIAN Prime Minister Sharif Ismail said on Friday the government did not have the luxury of postponing reforms, a day after the currency was devalued and fuel prices were raised.

Egypt floated the pound on Thursday amid a dollar crunch that threatened to grind imports to a halt, causing the pound to fall from 8.8 to the dollar to more than 14 pounds.

The government also announced an increase in fuel prices, with low grade petrol increasing by 50 percent to 2.35 pounds a litre while higher octane fuel rose by about one third to 3.5 pounds per litre.

"We did not have the luxury of postponing" the decisions, Ismail said at a news conference.

Finance Minister Amr El-Garhy said the country was facing a budget deficit of 11 percent this year.

The government of President Abdel

Fattah al-Sisi is rolling out an austerity programme and seeking billions in support from abroad in order to meet conditions for a \$12 billion loan from the International Monetary Fund.

The country has struggled to boost its foreign currency reserves in the political and economic turmoil that has followed the January 2011 uprising that toppled former ruler Hosni Mubarak.

The government has proposed a reform package to narrow the budget deficit -- about 13 percent of GDP -- that includes cuts to power subsidies and a value added tax to raise revenue.

Subsidies account for 7.9 percent of total government expenditure, according to the finance ministry. Ismail sought to assure Egyptians, many of whom rely on government subsidised food, that prices would not skyrocket after the currency float.

"There will be an increase in some prices" Ismail said, but "there will be an intensified campaign to control prices."

US job creation remains solid as election nears

AFP, Washington

A final glimpse of the US economy before next week's bitterly-fought presidential election delivered a picture of relative health Friday, with job creation up and unemployment falling.

The jobs report for October showed the United States adding a solid 161,000 new positions while the jobless rate fell to 4.9 percent, according to Labor Department figures.

The results appeared unlikely to lift the fortunes of either Democrat Hillary Clinton or Republican Donald Trump, who both campaigned Friday in the battleground states where unemployment is below the national average.

Appearing in New Hampshire, Trump disputed the accuracy of the results and called them "an absolute disaster."

"People are stopping, they're not looking for work anymore because they can't get a job," he said.

At a rally in Pittsburgh, Pennsylvania, Clinton took a diametrically opposed view.

"We got some good news this morning. Our economy created 161,000 jobs last month. That is 73 straight months of job growth," she told supporters.

Analysts agreed with Clinton's view and said the jobs report showed steady momentum in the world's largest economy, with the Labor Department revising upward its job creation numbers for August and September by a total of 44,000 positions, taking the average for the past three months to a strong 176,000 new jobs.

Wages also saw their strongest gain in seven years, as average hourly earnings rose 2.8 percent year-on-year to \$25.92.

Ian Shepherdson of Pantheon Macroeconomics said he expected gains in average hourly earnings to



People wait in line to enter the Nassau County Mega Job Fair at Nassau Veterans Memorial Coliseum in Uniondale, New York.

REUTERS/FILE

continue into 2017.

"With the labor market very tight, employers will struggle to resist," he said in a client note.

The unemployment rate was little-changed from prior months, declining a tenth of a point to return to the level recorded between June and August. However, the jobless rate among Hispanics fell sharply to 5.7 percent from 6.4 percent.

Despite steady job creation, the recovery has not eased the persistent economic anxieties of many in the electorate.

Labor force participation was little changed in October at 62.8 percent and the number of long-term unemployed was steady at 2.0 million people, about a quarter of total unemployment.

The White House touted the jobs data, citing what it called "the longest streak of total job growth

on record," but offered the customary acknowledgement that the battle was not yet won.

"US businesses have now added 15.5 million jobs since early 2010," Jason Furman, chairman of the Council of Economic Advisors, said in a statement. "Nevertheless, more work remains to continue to boost wage growth and to ensure that the benefits of the recovery are broadly shared."

Business services and healthcare saw strong gains last month, adding 43,000 and 31,000 positions respectively, with healthcare having grown by more than 400,000 positions over the previous 12 months.

Policymakers at the US Federal Reserve have so far held off raising US interest rates during 2016, hoping to avoid interrupting a fragile recovery, a position they reaffirmed this week. However,

they have signaled their intention to increase rates as soon as December.

Chris Williamson, chief business economist at IHS Markit, said the new jobs data made a December rate increase more likely, and initial estimates for US growth in the third quarter show the economy had expanded by 2.9 percent, a sign of regained momentum.

"It seems that the only remaining obstacle to the Fed hiking in December would be a significant adverse financial market reaction to the US presidential election," Williamson said in a note to clients.

The comparatively good jobs report did little to calm investor worries Friday, with the S&P 500 closing down for the ninth straight day in a row and all major US equities markets finishing lower.