

Major growth barriers

STAR BUSINESS REPORT

Bangladesh's economy is driven by a flurry of activity in two of its major cities -- Dhaka and Chittagong -- one the political and administrative capital and the other the commercial capital.

So naturally most of the country's urban activities and lifestyle expenses are also concentrated in these two cities. Credit cards, which are slowly gaining popularity in the country, is no exception.

LACK OF INFRASTRUCTURE
According to bankers, over 80 percent of the nearly 10 lakh credit cards in the market are in Dhaka and Chittagong.

The infrastructure of banks for credit card transactions is also available in these two big cities. In other cities such as Sylhet, Rajshahi and Khulna, there is some infrastructure on a small scale but the rest of the cities and district towns lack the facility.

According to bankers, infrastructure structured on the acceptability of credit cards, such as points of sale (POS) and automated teller machines (ATM), around the country is very low with only around 10,000 merchants against a few crore shops and other establishments.

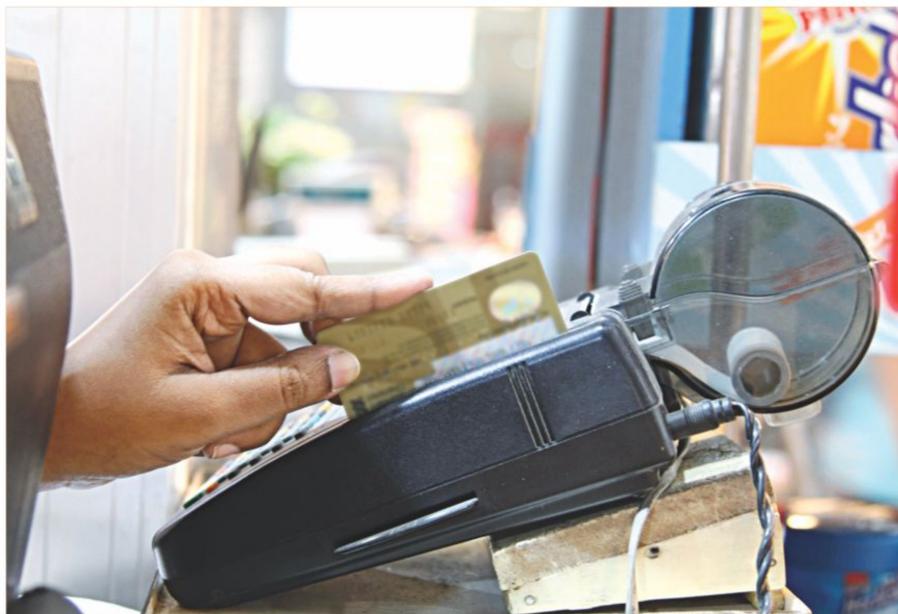
They said all network building initiatives are centred mainly in Dhaka and Chittagong.

Moreover, banks have a reason not to expand card acceptance infrastructure across the country.

Bankers say it requires a huge amount of investment to put the right infrastructure in place. But it takes long to recoup the investment.

For example, a POS terminal costs at least Tk 30,000 and an ATM Tk 10 to Tk 15 lakh, which many bankers deem is not cost-effective compared to the volume of card transactions.

TIN
A person must have a tax identification number (TIN) for availing a credit card. But many bankers feel this restriction is a strong barrier to the growth of plastic money or



cashless transactions.

The restriction puts a large portion of consumers outside the card-availing population.

Government data shows that there are nearly 30 lakh TIN-holders in the country. Half of them submit their tax returns. So, a TIN-holder who does not submit returns is reluctant to avail credit cards in fear of tax officials.

Many bankers said having a TIN for a credit card is not mandatory in other countries. Rather, providing the facility depends on the credit-worthiness of clients.

FRAUD
Rising cases of fraudulence and forgery using credit cards has become another concern, which, according to many bankers, is hampering the growth of the card market in the country.

Working with foreign fraudsters, local gangs in Bangladesh have started stealing data of credit cards and making cloned cards to withdraw money from different delivery channels such as POS and ATMs.

Last year one such sensational scam created headlines. It involved fraudsters making away with Tk 25 lakh using around 40 cloned cards.

The gang, led by a foreigner, skimmed off data from six ATMs in the capital to make cloned cards.

Investigators later detected that the gang had stolen data of over 1,200 cards and had committed more frauds at POS terminals than at ATMs.

Soon after the incident, the central bank ordered all banks to strengthen security at ATMs and POS and ensure measures to make card usage more secure.

Yet most of the banks are yet to take their cards to the EMV standard. EMV stands for Europay, MasterCard, and Visa, and is a global standard for authenticating credit and debit card transactions that involves chip-compatible cards and POS terminals.

The credit cards under use at present are magnetic-stripped ones, which are very much susceptible to fraudulence. EMV credit cards are

equipped with smart computer chips which hold the cardholder's data. Making a counterfeit EMV card is virtually impossible as it is extremely difficult to tamper with the chip or clone it.

Hence the fraudsters are taking advantage of the lapses on the part of the banks. And hence, the crime continues to occur.

Fraudsters, a few weeks earlier, had captured data of several debit cards from a POS terminal at a merchant's outlet in Dhaka. The terminals are calculator-like devices used for swiping cards.

They made cloned cards and used them to make off with several lakhs taka from ATM transactions before the banks could smell something was fishy.

Identity theft, with fraudsters taking advantage of weaknesses in the cards, ATMs, POS and banks, is on the rise in Bangladesh but banks do not always report these incidents fearing that it would tarnish their reputation, said industry insiders.

Perks of having a credit card

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There would be no additional interest rate for taking up the facility, so the purchase ends up being not too taxing on one's pocket.

Most banks now tag 10-15 percent discounts with their VISA/MasterCard at selected eating joints and lifestyle stores, 5-7 percent cash back on grocery spend, and free nights and dining discounts at luxury hotels and resorts around the country -- all of which are always welcome.

During Ramadan time, almost all banks' premium credit cards are eligible for 'Buy 1 Get 1 Free' offer for iftar and suhoor buffets at upscale restaurants. Some banks like City, Standard Chartered, Brac and EBL extend this offer all year round.

But to me, personally, the biggest advantage of possessing a credit card is felt when making a trip abroad.

Thanks to the Bangladesh Bank's tripling of the limit for international online purchases with a credit card to \$300 per transaction last year, planning for a foreign trip has become exponentially convenient.

Not only can one take advantage of the deals for hotels and air tickets but also buy entry permits to tourist attractions beforehand, doing away with the hassle of queuing up for hours at end sometimes.

The credit card also comes in handy when it comes to getting by in a foreign city: one can call an Uber ride from one's mobile and the fare for the trip would be deducted from the credit card.

Most of the banks' credit cards allow access to airport lounges at the Hazrat Shahjalal International Airport, a perk that ensures a good start to the trip.

At the lounge, one can settle down to feast on a delectable buffet spread, use the WiFi and freshen up, making the wait for the flight invariably pleasant.

The more high-end credit cards like Standard Chartered's Titanium and Signature, City Bank's Visa Gold and American Express cards, UCBL's Platinum, National Bank's Gold offer passenger handling service during departure and arrival at Hazrat Shahjalal International Airport.

Not only that, the high-end cards also give access to over 1,000 airport lounges around the world.

While abroad, the option of having another payment source by way of a credit card is of always of great help in case of unforeseen emergencies or purchases.

Back at home, all year round, I can buy subscription to acclaimed foreign publications like New York Times, Washington Post, Financial Times, New Yorker and so on, as well as books from Amazon and mobile apps from Google's Play Store -- a wonderful sweetener for owning a credit card.

All very well, but a credit card, essentially, means one purchases goods and services in credit to the bank, so the bill has to be cleared -- preferably in full every month, without fail. Otherwise, it negatively impacts one's credit score.

Failing to clear the full bill amount means one gets charged a late fee ranging from Tk 300-1,000 along with high-interest on the outstanding balance, an unnecessary outlay that must be avoided as much as possible.

Many banks' marketing brochure states that the credit card purchases come with a 45-day interest free window, but in reality, it rarely works like that.

Typically, banks give a 14-day window between the statement date and payment due date. Now if one makes a purchase with the credit card a day before the bill is generated, he/she actually gets a 15-day interest-free period and not 45 days.

The 45-day interest-free period can only be availed if the purchase is made on the day the monthly bill is generated or the day after.

To ensure I never miss a payment, I have set up a direct debit with my bank account such that my entire credit card bill is taken from my account every month automatically.

If setting up a direct debit seems too daunting, one can simply set a monthly reminder on one's mobile phone to pay the credit card bill.

At the end of the day, a credit card means using the bank's money and one should be mindful of this fact at all times.

One diktat that helps me keep my credit card usage in check is: if you cannot pay it upfront with the debit card or cash, you cannot afford to charge it on the credit card either.



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