



The Daily Star

# Digitalization for Life



Citibank, N.A. Bangladesh and The Daily Star organized a roundtable titled “Digitalization for Life” on October 14, 2018. Here we publish a summary of the discussion.

## PARTICIPANTS

**Shekar Rajashekaran** : Managing Director and Citi Country Officer, Citibank, N.A. Bangladesh  
**Mahfuz Anam** : Editor & Publisher, The Daily Star  
**Samad Miraly** : Co-founder, Startup Dhaka  
**Arif Nezami** : Founder & CEO, Preneur Lab  
**Asikul Alam Khan** : Founder & CEO, PriyoShop.com  
**Abul Kashem Md Shirin** : Managing Director, Dutch-Bangla Bank Limited  
**Kamal Quadir** : Chief Executive Officer, bKash  
**Barrister Tanjib ul Alam** : Tanjib ul Alam Associates  
**Khaled Rahman** : Senior Corporate Finance Manager, British American Tobacco  
**Ashish Chakraborty** : Chief Operating Officer, SSL Wireless  
**Quazi Zulqarnain** : Bangladesh Operations Lead, Uber Bangladesh Ltd  
**Hussain Elius** : Co-founder & CEO, Pathao  
**Raihan Shamsi** : Chairman, Devo Tech Technology Park  
**Zakaria Swapan** : CEO, iPay  
**Md. Abdullah Al Mamoon** : Deputy Managing Director & COO, UCB Bangladesh  
**Md Moinul Huq** : Head, Treasury and Trade Solutions, Citibank, N.A. Bangladesh  
**Fahim Mashroor** : CEO, Ajker Deal  
**Ali Kamran Zahid** : Joint Director, Payment System Department, Bangladesh Bank  
**MODERATOR**  
**Mohammad Abdul Akher** : Head of Sales, Treasury and Trade Solutions, Citibank, N.A. Bangladesh

### Mohammad Abdul Akher



We all would agree that digital disruption has been impacting almost all our businesses with different levels of intensity. Smartphones and social media have also been driving prominent changes in consumer behaviors. Today's payment landscape is changing at a rapid pace. The transformational impacts of robotics, Artificial Intelligence (AI) and machine learning are already here. As one of the leading international banks in the country, we observe that our clients are increasingly assessing the impacts of new technologies and how best to incorporate them in order to maintain competitiveness in business. We also observe a visible change in the mindsets of our corporate houses to embrace innovation as well as disruption. These call for active engagement from banks like ours in this area in order to make the digital ecosystem future-ready in terms of serving the emerging national needs via our global network and innovation.

Today's discussion as the title of the event implies, won't be confined to small-scale digitalization of any specific area of the economy e.g. banking transactions; rather it will shed light on evolving consumer and business needs and how technology can be used more effectively by our institutions to address those core needs.

I hope our discussion today will come up with a precise set of recommendations that will help industry players to understand the desired usages of technology and also to embrace innovation and digitalization to drive sustainable future growth in their businesses.

### Shekar Rajashekaran



To push forward at an accelerated rate, we need to develop our financial and digital ecosystems. I want to highlight some of the elements that are integral to the digital ecosystem. Firstly, the solutions by banks and financial institutions should be driven primarily by what clients demand to accelerate their business growth. We have to be where the clients want to be. The role of mobile phones is crucial at this stage. I think anybody who is developing anything for the PC is falling behind times because we see people in nations like China do everything through their mobile phones and habits like carrying credit cards in wallets are alien to them now.

Partnership is critical and the go-it-alone approach is not possible anymore. It is important to focus on how to set up win-win partnerships amongst all stakeholders.

Another point is Apps. On average, we have around 30-40 apps in our mobile phones but we use only a couple of apps on a regular basis. The challenge lies in how you integrate everything in those apps and get connected with your potential target group.

Data is another key component. It has different aspects including responsible use of data. We see people clicking on a 14-page digital agreement without properly understanding or even reading it. Later, when the consequences arise, it proves to be a heavy burden. So, I think there is a big question in terms of the protection of personal data and its responsible use.

Amidst all this, a simple question arises: Why do bank branches still exist? It is because people often don't feel comfortable keeping their savings amounts in digital wallets and executing large-value transactions through them. In this context, information security has to be given high importance – not only in the banking sector but also in other areas.

The power of big data, machine learning and artificial intelligence is extraordinary. Through adoption of these technologies, service providers like

WeChat and Alipay now have much better capability to determine credit scores than banks simply because they know the behavior of their clients and suppliers. So, they are much better at SME financing.

Partnership is critical and the go-it-alone approach is not possible anymore. It is important to focus on how to set up win-win partnerships amongst all stakeholders. Along with this, e-commerce combined with consumer finance will create a vertical lift from the point of view of consumers' level of growth.

As one of the most innovative banks globally, we support our clients in their digitalization journey more strongly than others. We have received a lot of awards in different criteria in Asia as well as in Bangladesh. For instance, we have been the best digital bank in the corporate space by Global Finance magazine for last 11 years. We promote digital transactions like BEFTN, Direct Debit and RTGS proactively to drive positive change in the area of B2B, B2C and C2B payments and collections. But the real competition is not with banks—we need to think beyond that. How are we relevant to the clients in this environment which is dramatically changing? Bangladesh is at a tipping point. We need to seize the moment by creating an enabling environment.

### Mahfuz Anam



Digitalization is the future. Bangladesh has made a lot of progress in this area but we still have a long way to go. I would like to highlight digitalization in governance. Everybody needs digitalization but I think, as a developing country, it is the government institutions where the

highest potential for digitalization lies. The government is a unique institution having full control over spending of money, which is being entrusted to them by the mass people and can make best utilization of it if this is done through digital means.

Also digitization will help government institutions bring transparency and an element of precise project management in their spending. For example, long-term construction projects in Bangladesh are often reassessed periodically and costs increase dramatically as the project moves towards closure. Adoption of digital tools in calculating expenses, planning and allocating resources can help control such expenses and allow using such hard earned money elsewhere.

I think the digitalization process will not only help one choose the best investment opportunity but will also provide a better perspective, which will lead to better planning, better execution and as such, better development for the country.

### Samad Miraly



Startup Dhaka, an entrepreneurship development institution, has been in operation since 2012 when “startup” was not really a word many people in Bangladesh knew. I think the word started catching on a couple of years later when we started hearing government officials using it, and other events that popularized the term among the youth.

When it comes to talking about the startup ecosystem, I can talk about my journey. When I started investing, it was a bit early—in 2013—in a company called Magnito Digital which is a digital marketing agency. What we found by investing in a couple of these companies was that entrepreneurs needed a lot of help. Young people with just a few years of experience in entrepreneurship didn't necessarily have the skills to operate at scale or have the organizational structures that corporations have. There were a lot of pitfalls. After investing for a few years we thought that these pitfalls needed to be addressed. The solutions that we saw in the startup ecosystem globally were varied but the one that we chose was the model of the 'Accelerator' and approached Grameenphone. This was mostly to streamline the help that we were giving these startups and to institutionalize that gap. Grameenphone liked the idea and we established the Grameenphone Accelerator. We have been in operation for two and a half years with Grameenphone, as a partnership with Startup Dhaka and we have accelerated over 26 companies so far. This institutionalization of the gaps that we find in the market was something that we thought was very important and made our directive as a

company. If these support mechanisms don't exist in the country, then there is less probability of entrepreneurs succeeding or a higher risk in the market that is inherent to these investments. Recently, we launched an Angel Investor Network, a not-for-profit initiative, where we are facilitating investments between “Angels” and entrepreneurs. Startup Dhaka recently launched a programme called “Upscale” which is an e-learning platform for skills development and capacity building, particularly for vocational training and career development. We have found a big gap in technology companies as they scale when it comes to finding and retaining talent.

I believe technology will continue to take over our society and civilization. But with that comes responsibility and also some warnings. Unless we think about ethical technology and the responsibilities of companies and the government, this could turn into a runaway train that will be difficult to stop down the line.

### Arif Nezami



We are a technology-for-social-good company focusing on women, young people and entrepreneurs, and bringing technological solutions to problems in society. Preneur Lab was established in 2014 and our core objective was to enable young people to build startups. We have been going to many universities in Bangladesh, running hackathons, startup events, boot camps all over the country. We are also organising the Google Developer group which is Google's technology community and also Facebook Developers' Circle which is Facebook's technology community wing in Bangladesh.

Adoption of new technology has generally been very encouraging in Bangladesh over the recent years. The time for young people is now. Startups have emerged as a strong force and even the government has allocated funds for startups. There are now many technology incubation centres all over Bangladesh and many startups have done exceptionally well. But still the number of such successful startups is not that high. There is family pressure on new graduates to get a good job, unlike in many western countries, and working in a startup is not considered a full-time job. Our universities and education system as a whole are not entrepreneurship-focused. Unless we change this attitude, we will not be able to create successful entrepreneurs.

### Asikul Alam Khan



Connectivity and accessibility are two crucial elements of e-commerce. To address this, we went rural where there is demand to buy/sell products online, but for which a platform is required. We started an initiative called the Digital Touchpoint, where people get connected with such a platform from which they can buy and sell products.

Another important point is cashless payment mechanism. MFS (mobile financial services) and DFS (digital financial services) can ensure a cashless system and e-commerce can get big benefits out of that. Nowadays, 90 percent of transactions are based on cash-on-delivery. Only 10 percent of transactions are via MFS, DFS and plastic cards. As far as I know, more than one crore plastic cards have been issued and 10 percent of them (one million plastic cards) are actually active. And among these one million cards, most of them are used in ATM booths. We don't understand why such a huge number of ATMs were established across the country given that it does not encourage us to go cashless as an economy. Rather, it ensures easier access to cash. So card penetration in Bangladesh continues to be very low. People are not motivated enough to pay with their cards or shop online.

Finally, as an e-commerce entity, we find that our suppliers face the biggest problem in boosting their supplying capabilities because they lack supply chain financing. This hinders our suppliers' network to move towards a favorable e-commerce model. In many cases suppliers are found to fail on delivery of the products that they display through e-commerce sites. This harms public confidence big time. Also the system for returning the money against failed delivery is not seamless and immediate. Any better solution in this area to achieve faster return of money will be useful.

### Abul Kashem Md Shirin



We started moving away from a manual-based process to a technological one in the early 2000s. Earlier, if we needed money we would have to go to the bank physically. To reduce pressure on bank branches, the idea of installing ATMs in different parts of the country emerged. And we have been successful in directing most customers away from the branch to the

ATM. But ultimately, ATMs give out cash, which is not consistent with the vision of a cashless economy.

Now we are in the second phase of transition—moving from cash-based towards cashless. DBBL for the first time in 2010 invested in a payment gateway to enable online payments. The next step was Rocket, which along with bKash took financial services to most of the unbanked people for whom technology was not an option. Then DBBL took up NexusPay so that people could physically go to the merchant and pay using a QR code without any use of cash.

Today, we see most banks are issuing debit and credit cards but unfortunately, ATMs are still dominating. In DBBL's experience 80 percent of cash is going out through the ATMs. So there is no question over the usage of these ATMs. But ATMs are not profitable for banks at all. Our cost is around Tk 40 per transaction in ATM and we do not get any fee from our customers or other banks' customers who are using DBBL ATMs. Only through the central bank we get Tk. 20 per transaction for transactions of other banks' customers. On the other hand, when our customers use POS, e-commerce or Rocket for payment, we get a handsome amount of commission. So if we can move our customers away from using ATMs and paying through cash to payment through wallet or any other cashless form, then we can increase revenue. This is basically our target. It is quite puzzling that in e-commerce in the country today, around 90 percent of payment is cash-on-delivery. Why are e-commerce entities not incentivizing digital payment for customers? Banks and e-commerce entities need to work together in this regard to build an innovative working model that will motivate users to use cashless form of payments.

### Kamal Quadir



bKash is solving many core issues in the society through its innovative business models – by enabling instantaneous fund transfers in MFS accounts and enabling the consumers to pay their merchants through their MFS accounts. As bKash grows with its network and no. of consumers under coverage, there is no rivalry between

bKash and banks. It is in fact a complementary relationship. When bKash started, the central bank played a critical role in generating digital financial services in Bangladesh. They made it very clear that we had to put all our cash into one particular bank which happened to be BRAC Bank originally. But what we quickly realized is that supporting our cash management demand across the country could be extremely challenging by only one bank so we needed other banks'.

We have a population of 170 million and we do lots of transactions. Our transaction amounts may be very small but in terms of the number of transactions, it is half of that of the US.

support. The central bank gave us access to deposit money in any bank in the country. So today we use 14-16 banks to support cash management and treasury. It demonstrates that banks and bKash are complementary forces.

What are the aspects we need to be cognizant of, in order to support this growing industry? We were used to cars which were as fast as 40 miles per hour. New technology surfaces and you have cars which travel at 60 miles per hour. But when you have the latter, you need to change the driving laws, the way the roads are curved, the way driving