

MFS accounts go past 18cr mark

MD FAZLUR RAHMAN

The mobile financial service (MFS) sector in Bangladesh has been on a tear, with the number of accounts surpassing the 18 crore mark for the first time in July.

In the month, 18.11 crore users were registered with 13 MFS providers, up more than 16 per cent from 15.60 crore in July last year, data from the Bangladesh Bank showed.

Over Tk 89,169 crore were transacted through the accounts in July in the form of cash-in, cash-out, person-to-person transfer, merchant payment, government-to-person transfer, salary disbursement, talk-time purchase, and utility bills payment, an increase of 15 per cent from Tk 77,645 crore in the same month in 2021.

One of the most important drivers of the MFS advancement in Bangladesh has been the rural population. Of the users, 10.07 crore are in rural areas versus 8.04 crore in urban centres.

Gender-wise, 10.43 crore males use the service, against 7.64 crore females, according to the BB. There are 15.26 lakh MFS agents across the country.

The MFS providers are Rocket, bKash, MYCash, Islami Bank mCash, Trust Axiata pay (tap), FSIBL FirstPay SureCash, Upay, OK Wallet, Rupali Bank SureCash, TeleCash, Islamic Wallet, Meghna Bank Tap 'n Pay, and Nagad.

Similarly, the number of agent banking accounts rose more than 31 per cent year-on-year to 1.63 crore in July. Of the accounts, 80.96 lakh are owned by males and 79.60 lakh by females.

The account-holders transacted Tk 52,784 crore in the month, against Tk 32,523 crore in the same month last year.

Of the amount, Tk 487 crore was disbursed as loans, more than four times than Tk 109 crore lent through the agent banking system one year ago.

The amount of remittance that was sent home by the migrant workers employed abroad, however, slowed slightly to Tk



In July this year, the number of total users registered with 13 mobile financial service providers reached 18.11 crore, up more than 16 per cent from 15.60 crore in July last year, according to data from the Bangladesh Bank.

PHOTO: STAR

3,144 crore from Tk 3,159 crore earlier.

In Bangladesh, there were 14,412 agents and 19,861 outlets in the first month of the financial year, up from 13,086 and 17,332, respectively.

The amount of deposits in the accounts stood at Tk 28,583 crore in the month. It was Tk 20,671 crore in July last year. Agent banking was introduced in Bangladesh in 2013, with the central bank awarding 28 agent banking licences with an aim to provide a secure alternative delivery channel of banking services to the underprivileged and under-served

population who live in remote locations.

Bank Asia introduced the country's first agent banking service in 2014. Other banks with a notable presence in the segment include Islami Bank Bangladesh Ltd, Dutch-Bangla Bank Ltd, Brac Bank, City Bank, Mutual Trust Bank, Al-Arafah Islami Bank, Agrani Bank, NRB Commercial Bank, and Modhumoti Bank.

Transactions through agent banking accounts rose 43 per cent year-on-year to Tk 5,64,844 crore in the last fiscal year as a growing number of people are now using the new banking window.

Bangladesh's progress in the MFS and agent banking sectors has won praise over the years.

On Wednesday, International Monetary Fund Deputy Managing Director Antoinette M Sayeh said the use of mobile phones for financial transactions is commonplace in Bangladesh.

"People are accustomed to digital financial services, agent banking, branchless banking, and mobile money," she said in a virtual seminar on "Fintech and Financial Inclusion and the Case of Bangladesh: Peer-Learning Series".

Tax collection from interest earnings slows sharply

SOHEL PARVEZ

Although banks are registering increased deposits, tax collection from interest earnings of savers has slowed down significantly amid the fall of the interest rate.

The National Board of Revenue (NBR) logged Tk 7,486 crore as withholding or advance income tax on interest earnings of savers in fiscal year 2020-21, according to the revenue authority's latest provisional estimate.

The amount was only 1.25 per cent higher than that of fiscal year 2019-20, when depositors started to see a decline in the interest rate on savings offered by banks and its resultant reduction of incomes.

The weighted average interest rate on deposits, meaning the average of all the rates of financial instruments such as savings and fixed or term deposits, fell from 5.56 per cent in July 2019 to 5.06 per cent in June 2020, showed Bangladesh Bank data.

The rate declined further in the subsequent months to 4.13 per cent in June 2021.

However overall deposits in banks grew 14 per cent year-on-year to Tk 14,39,760 crore at the end of June 2021.

This provided the NBR a marginal growth in tax collection from savers' interest income at a time when depositors' overall real income from savings in formal financial institutions was in the negative as inflation surpassed interest rate on deposits.

National Board of Revenue logged Tk 7,486 crore as withholding or advance income tax on interest earnings of savers in fiscal year 2020-21

Bangladesh has been collecting advance tax on deposits through banks and from interest of the state's savings instruments since the 1990s in order to increase tax collection and bring more people under the tax net.

However, the initiative drew criticism as people with no taxable income also have to pay the tax once their deposits reach maturity.

At present, any sum of interest income from savings, fixed or term deposits in banks or cooperatives or deposit of savings in post offices is subject to at least a 10 per cent tax.

It is deducted at source, meaning banks deduct the tax on behalf of the state during payment of the interest to savers. If the savers fail to furnish their taxpayer identification number (TIN), they face a deduction of 15 per cent tax.

From the current fiscal year, submission of acknowledgement receipts of tax return submission, or proof of income, has been made necessary to prevent the 15 per cent tax deduction on interest income from deposits.

Even after the new measure came into effect, the NBRs tax collection from depositors' interest incomes may not grow to that extent as the interest rate has been very low.

Total deposits in banks grew 9 per cent year-on-year to Tk 15,73,820 crore as of June 2022.

But weighted average interest rate dropped to 3.97 per cent in June this year from 4.10 per cent a year ago.

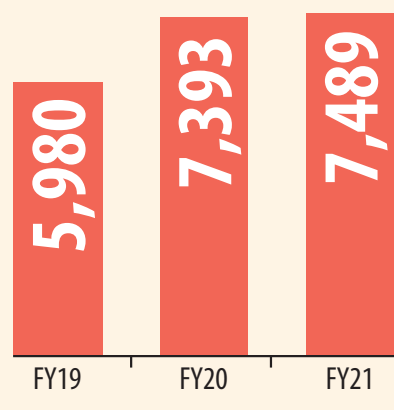
This tells that overall income of savers may decline while the NBR is unlikely to see an increase in tax collection from savings and fixed deposits in banks.

Towfiqul Islam Khan, senior research fellow of the Centre for Policy Dialogue, said tax collection from savings certificates may have declined last fiscal

SOURCE TAX ON INTEREST INCOME

(From savings and fixed deposits)

In crore taka; SOURCE: NBR



year too as its sales had reduced.

"Rising prices have a detrimental effect on savings. So, although overall tax receipts by the NBR have increased, source tax collection from deposits in banks and from savings instruments does not bode well," he said.

Metaverse and the future of banking

SHAMEEM AHSAN

When the term "metaverse" was first used around 30 years ago by Neal Stephenson, an American speculative fiction writer, in his science-fiction novel, Snow Crash, he could barely have anticipated that the term would be on everyone's lips in 2022.

According to an NPR analysis, the metaverse put life into internet or at least rendered internet into 3D.

The metaverse can be described as a virtual environment you can go inside of, instead of just looking at it on a screen. Basically, it's a world of infinite and interlinked virtual communities where people can meet, work and play, using virtual reality headsets, augmented reality glasses, smartphone apps, or other devices.

This may sound like something that is still very future-looking, but in an increasingly virtual world, financial institutions should start to think about their place in it — and some already are.

Gartner anticipates that 25 per cent of people will spend at least seven hours per week in the metaverse by 2026 for professional, personal and entertainment purposes.

Goldman Sachs estimates the metaverse will be an \$8 trillion industry on the revenue and monetisation side soon.

People will need financial services to transact and own or lease digital assets in the virtual world.

There are huge opportunities for financial institutions to facilitate transactions, loans, investments, and insurance in the new metaverse economy.

Furthermore, the potentiality of the metaverse also includes enabling banks to put humanity back into banking.

Digital banking is often considered as emotionally isolated although it is functionally interdependent and inclusive. However, the metaverse can bring about a human touch to digital banking by personalising customer interaction using top-notch technologies.

JP Morgan has purchased a commercial space in the virtual mall "Metajuku" on "Decentraland".

Standard Chartered also revealed that a piece of land was acquired by them on Decentraland. HSBC acquired a plot of land and SCB Thailand has opened a virtual lounge on The Sandbox.

The Union Bank of India has declared the launch of Uni-verse, the metaverse virtual lounge.

Some banks consider the metaverse technology significantly promising and have already made investments to "occupy the field" and ensure competitive advantage in the future.

The metaverse will create new prospects in digital product development for banks and financial institutions. Metaverse-associated products such as non-fungible tokens (NFTs), cryptocurrencies, and virtual goods are obtaining worldwide acknowledgement. The growth of the metaverse will be significantly dependent on the implementation of virtual real estate and NFTs.

Banks are investing in the metaverse to uplift their brand equity.

The metaverse is deeply connected to the younger generation and could help banks attract new customers.

The success of building and scaling in the metaverse is dependent on having a robust and flexible financial ecosystem that will let users impeccably connect between the physical and virtual worlds.

The metaverse journey will be challenging and there are new lessons to be learned as well as time-tested skills that need to be translated into a new environment. But harmony will sooner or later appear, and there is an enormous reward waiting for the winner at the end of the metaverse.

The author is managing director of eGeneration and partner of Pegasus Tech Ventures.



India raises key interest rate by 50 basis points

REUTERS, Bengaluru

The Reserve Bank of India's benchmark repo rate was raised by 50 basis points on Friday, the fourth straight increase in the current cycle, as policymakers extended their battle to tame stubbornly above-target retail inflation rate.

The monetary policy committee (MPC), comprising of three members from the RBI and three external members, raised the key lending rate or the repo rate (INREPO-ECI) to 5.90 per cent with a five out of six majority.

The standing deposit facility rate and the marginal standing facility rate were also increased by the same quantum to 5.65 per cent and 6.15 per cent, respectively.

India's annual retail inflation rate accelerated to 7 per cent in August, driven by a surge in food prices, and has stayed above the RBI's mandated 2-6 per cent target band for eight consecutive months.

"Repo policy rate hike of 50 bps is in line with our expectations."

"Given the global adverse conditions, we remain wary on the pressure on (the) INR and hence the need for continued rate hikes."

"We expect the MPC to hike 35 bps in the December policy. However, with inflation expected to fall within 6 per cent threshold in 4QFY23, we expect the MPC to probably pause and assess the lagged impact of monetary tightening."

"This conscious front-loading could give them some breather next year on shallow hikes ahead."

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Employees work on an assembly line producing speakers at a factory in Fuyang city, in China's eastern Anhui province on September 30.

PHOTO: AFP

China's economy struggling to rebound

Surveys suggest

REUTERS, Beijing

China's factory activity eked out growth in September, but a slowdown in services sector growth and a downbeat private manufacturing survey pointed to further cooling as the economy grapples with Covid-19 curbs and softening global demand.

China's official manufacturing purchasing managers' index (PMI) rose to 50.1 in September from 49.4 in August, the National Bureau of Statistics (NBS) said on Friday, beating expectations.

The index's return to growth, after two months of contraction, was helped by recent easing measures, but the private Caixin survey showed factory activity slumped more quickly in September and

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