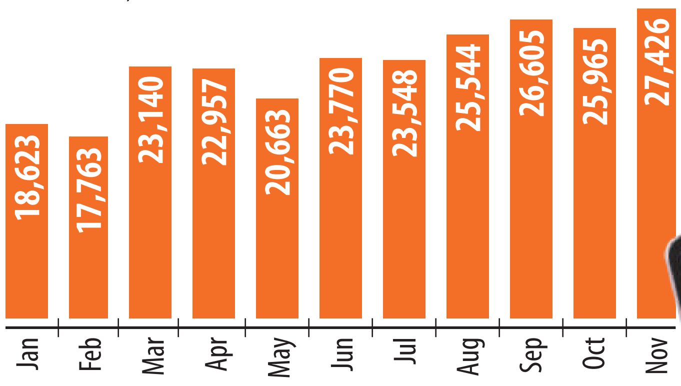
Internet banking transactions

In crore taka; SOURCE: BB



NUMBER OF INTERNET BANKING CUSTOMERS

Nov'21: **4,306,170**
Nov'22: **6,127,001**

ELECTRONIC FUND TRANSFER BY BANKS (In crore taka)

Nov'21: **38,178**
Nov'22: **40,457**

REAL-TIME GROSS SETTLEMENT BY BANKS (In crore taka)

Nov'21: **277,562**
Nov'22: **461,218**

Internet banking transactions surge in November

MD FAZLUR RAHMAN

Internet banking transactions rose more than 61 per cent year-on-year to Tk 27,426 crore in November in Bangladesh as an increasing number of people are opting for digital technologies to carry out financial transactions, official figures showed.

This compared to Tk 17,009 crore registered in the same month a year earlier, according to data from the Bangladesh Bank.

Internet banking, popularly known as online banking, was introduced in Bangladesh two decades ago. But the pace has been accelerated by the coronavirus pandemic since consumers were compelled to turn to internet to access finances from the conveniences of their homes in a bid to avoid catching the deadly virus.

Internet banking customers have nearly tripled since March 2020 to 61.27 lakh in November last year.

In the third month of 2020, when the pandemic struck the world, the number of internet banking customers was 26.49 lakh in Bangladesh. It was up more than 42 per cent from 43.06 lakh in November last year.

Transactions worth Tk 6,588 crore were processed through digital platforms in March three years ago.

Local banks transacted Tk 40,457 crore using the Bangladesh Electronic Funds Transfer Network (BEFTN) in November, up from Tk 38,178 crore, an increase of 6 per cent year-on-year.

Incepted in 2011, the BEFTN was the country's first paperless electronic inter-bank funds transfer system. It facilitates both credit and debit transactions, as a lead over the cheque clearing system.

The network can handle credit transfers such as payroll, foreign and domestic remittances, social security payments, company dividends, bill payments, corporate payments, government tax payments, social security payments, and person-to-person payments.

It accommodates debit transactions like utility bill payments, insurance premium payments, club or association payments, and equated monthly instalment payments. Most of the government salaries, social benefits, social safety net payments and other government payments are processed through the BEFTN as well.

Tk 461,218 crore was transacted through the real-time gross settlement (RTGS) of the central bank, an increase of more than 66 per cent from Tk 277,562 crore a year earlier.

In order to facilitate real-time settlement of high-value time-critical payments, the BB introduced the RTGS system in 2015. It allowed banks and corporates to settle payments instantly. Individual customers are also availing the service to settle large-value transactions.

An amount worth Tk 1 lakh and above is settled through the RTGS system while the BEFTN processes an amount less than that.

Non-bank financial institutions settled funds through the RTGS to the amount of Tk 23,169 crore in November, central bank data showed. It was Tk 17,825 crore in June, the latest for which data is available on the central bank website.

For individuals, the maximum value of each transaction is Tk 3 lakh through internet banking. The frequency is a maximum of 10 times a day and not more than Tk 10 lakh per day.

For corporate, the limit has been set at Tk 5 lakh per transaction. The maximum frequency is 20 times while a total of Tk 25 lakh could be transacted per day.

Power tariff hike to weigh on private sector: DCCI

STAR BUSINESS REPORT

The recent retail electricity tariff hike will ultimately create an additional economic burden on the smooth operations of the private sector and power intensive industries, according to the Dhaka Chamber of Commerce and Industry (DCCI).

The tariff hike came at a time when the private sector was struggling with high inflation and devaluation of local currency along with other challenges, the chamber's President Md Sameer Sattar said.

The government was compelled to take such a decision due to volatile international energy prices, he said in a statement released by the DCCI.

However, the DCCI president hopes the government will continue to adjust the tariff rationally in order to minimise the adverse impact on the private sector and local industries.

The government is working on a plan to introduce a system for adjusting power and energy prices every month, Sattar said.

The electricity price hike should be competitive, predictable and gradual so that the private sector can avoid any sudden price shock, he said.

Since price hike is inevitable given the current situation, it is important that a predictable price hike policy is put into place such that the private sector can make necessary planning for their businesses, he said.

Through this, the private businesses will be able to take considered decisions as to how they will strategise their businesses for the days to come, the DCCI chief added.

Along with this, the government should be prepared to bring the power prices down once the challenges are over as it should not be a one-way road, he suggested.

Since Bangladesh is highly dependent on energy import, Sattar also urged the government to explore renewable and alternative energy sources and more importantly, prioritise local gas exploration.

To deal with any power shortage, the government should regularly check the efficiency of all power plants and minimise any system loss.

India's forex reserves slip

REUTERS, *Mumbai*

India's foreign exchange reserves fell to $561.58 billion in the week through January 6, the Reserve Bank of India's (RBI) statistical supplement showed on Friday.

For the week ended December 30, the country's reserves were at $562.85 billion, down from $633.61 billion at the end of 2021.

The central bank has been intervening in the spot and forwards market to protect the rupee and prevent a rapid depreciation. The central bank, in the past, has said that changes in reserves also stem from valuation gains or losses.

The rupee was little changed in the week to January 6 after trading in a narrow range. However, for the current week ending January 13, it appreciated 1.7 per cent against a subdued dollar.

Qatar, UAE energy ministers say gas will be needed for long time

REUTERS, *Abu Dhabi*

The world will need natural gas for a long time and more investment is required to ensure supply security and affordable prices during the global energy transition, the energy ministers of Qatar and the United Arab Emirates said on Saturday.

Saad al-Kaabi, Qatari state minister for energy, told the Atlantic Council Global Energy Summit that a mild winter in Europe had seen prices come down, but that volatility would remain "for some time to come" given there was not much gas coming into the market until 2025.

"The issue is what's going to happen when they (Europe) want to replenish their storages this coming year and the next year," he said.

Kaabi later told reporters that Qatar, which is working to expand its gas output, has limited volumes going to Europe that it would not divert away, "but there is a limit to what we can do".

Qatar is one of the world's top producers of liquefied natural gas (LNG). The UAE is an OPEC oil producer that is sharpening its focus on the gas market as Europe seeks to replace Russian energy imports after supply cuts since Western sanctions were imposed on Moscow over its invasion of Ukraine.

The Qatari minister said he believed that Russian gas would eventually return to Europe.

UAE Energy Minister Suhail al-Mazrouei, speaking on the same panel in Abu Dhabi, agreed that "for a very long time, gas will be there" and that while more renewable energy would be installed, more investment was needed in gas as a base load.

"The whole world needs to think of resources and how to enable companies to produce more gas to make it available and affordable," Mazrouei said.

Monetary policy won't work if interest rate cap stays

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year, down 14 basis points from the month before, according to data from the Bangladesh Bureau of Statistics (BBS).

Inflation in the country came down to 8.85 per cent last November after surging to a 10-year high of 9.52 per cent in August.

The government has set an inflation target of 5.6 per cent for FY23 in its fiscal budget.

"Inflation is still higher, and there is a probability to stoke it further...," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

If the central bank wants to control inflation, it will have to withdraw the 9 per cent cap on interest for lending, he said.

The banking sector has been following the cap since April 2020 as per the instruction of the central bank.

Although the central bank frequently claimed that it had imposed the cap to ensure smooth supply of credit to entrepreneurs, such a cap hardly plays any positive role in gearing up the economic activities, he said.

Macroeconomic stability is much more important than following a fixed interest rate cap, he said.

He said business associations, including the Federation of Bangladesh Chambers of Commerce and Industry, have compelled the central bank not to withdraw the interest rate cap.

If the commoners, including businesses, do not get a good return from banks, they will not bring their money to the country, said Mansur, also a former high official of the International Monetary Fund.

This ultimately creates pressure on the foreign exchange regime, which has been facing volatility since the second half of last fiscal year.

Remitters will feel encouraged to send more money to the country if they enjoy a better return from banks, he said.

"This is also applicable to the exporters. Some exporters may not repatriate their earnings to the country due to the lower interest rates offered by banks," he said.

In addition, many individuals and businesses now invest their funds in unproductive sectors, such as land and gold, as they are not getting their desired returns on keeping money in banks, Mansur said.

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Zahid Hussain, a former lead economist of the World Bank's Dhaka office, said the central bank has been unable to independently draw up a monetary policy as it has to inject money rampantly to fulfill the government's wishes.

The monetary policy is now dominated by the fiscal policy since the central bank has to provide printed or high-powered money as per the government's wish, he said.

The central bank should be empowered to control government borrowing to implement an independent monetary policy, he added.

Between July 1 and December 29 this fiscal year, the government took Tk 66,000 crore in loans from the central bank.

On top of that, the government has so far injected around $8 billion into the market to help banks clear import bills.

The foreign exchange reserves of Bangladesh stood at $32.52 billion on January 11 in contrast to $44.92 billion on the same day a year ago.

The central bank should allow the market forces to determine the exchange rate of the taka against the dollar to restore discipline in the foreign exchange market, Hussain said.

If the issues are not addressed, the upcoming monetary policy will not be able to play an effective role in solving the ongoing problems in the financial sector, he said.

MFS transactions slightly drop

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The transactions were in the form of cash-in, cash-out, person-to-person, merchant payments, government-to-person transfers, salary disbursements, talktime purchases and utility bill payments.

Daily transactions hover at around Tk 3,000 crore. With October having 31 days and November 30, the monthly volume understandably decreased, said Zahedul Islam, head of corporate communications and external affairs at Upay.

He said the G2P payments follow a cycle and October could have been a month for scheduled disbursements.

Durga Puja was also held in October, which could have enabled the transaction amount to be slightly higher, Islam added.

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

Bangladesh moves

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It advanced one spot in the human capital and research segment to 127th and its ranking was unchanged at 129th in the education segment.

In the business sophistication category, the country fell three spots to 125th as Bangladesh performed poorly in the FDI net inflow, intellectual property payments, and university and industry research and development collaboration.

Apart from Bangladesh, Myanmar (116th) and Ethiopia (117th) have made the most progress in the rankings, rising between nine and 14 positions overall, said the report.

Relative to 2021, 27 economies switched performance groups in 2022: four economies raised their performance status from below expectation to matching expectation, namely Sri Lanka (85th), Bangladesh, Ethiopia, and Yemen (128th).

Sri Lanka, Pakistan (87th) and Bangladesh jumped up the ranking notably this year, the report said.

Only Pakistan has steadily gained its position over time. It was ranked 133rd in 2012. Sri Lanka has gone through ups and downs in the ranking and this year reclaimed the 85th position it first held in 2015.

According to the 15th edition of the GII, Bangladesh's improvement came on the back of solid performance in online creativity and corporate intangible asset intensity.

AKM Fahim Mashroor, chief executive officer of Bdjobs.com, an online job portal, says he was not surprised by the poor ranking of Bangladesh in the GII.

"We have seen a gradual deterioration in education standards in the last few decades. Local universities are also ranked very lowly compared to their peers even in the neighbouring countries. Education quality is the major factor for innovation ranking among the nations."

"Unless we improve in such innovation rankings, we will not be able to attract venture capital investment in the startups and technology sectors."

Khondaker Golam Moazzem, research director at the Centre for Policy Dialogue, described the 14-spot upward movement as a positive development.

"However, we are still at the lower levels in terms of innovation. Our position is not promising."

He said Bangladesh is at the bottom of the South Asian countries except for Nepal.

"The culture of innovation has not developed in our country," he said, adding that none of the critical components of the culture for innovation -- logistics, infrastructure, human capital and proper innovation ecosystem -- has been built.

Although there is some innovation in ICT, the developments are sporadic, according to the economist.

"We need a whole innovative society approach. Our thinking and preparation are yet to be found in this regard."

Moazzem pointed out that the government has policies towards a digital and smart economy and has spent a lot in the area.

"So, we need to assess why those efforts haven't made any significant contributions to innovation," he added.

Switzerland is the most innovative economy in the world in 2022 - for the 12th year in a row - followed by the United States, Sweden, the United Kingdom and the Netherlands, according to the 2022 edition of the Index.

China moved up to 11th place, overtaking France and for now, it firmly remains the only middle-income economy within the GII top 30.

Turkey and India have entered the top 40 for the first time.

Iran made a big leap, reaching the 53rd position and Indonesia took a big jump into the top 80.