Tech entrepreneurs should lead digital banking

Experts say at BASIS seminar

STAR BUSINESS REPORT

Tech entrepreneurs have expressed strong dissatisfaction and concern over the lack of consultation with them in formulating the digital banking guidelines.

This is because they feel excluded from the decision-making process, which could impact innovation and hinder the growth of digital banking services.

"Who will control digital banking? Will there only be people of traditional mentality? Who will be the owner?" said Russell T Ahmed, president of the Bangladesh Association of Software and Information Services (BASIS).

He was speaking a seminar titled "Digital bank: prospect and way forward" organised by the BASIS standing committee on fintech and digital payment.

After the event, Ahmed told The Daily Star that digital banking is a disruptive idea and its policy formulation requires knowledge and consultation of the tech industry.

"BASIS was a part of the digital Bangladesh taskforce and smart Bangladesh taskforce. Our members implemented most of the digital projects. So, why are we not part of the policy?" he added.

Ahmed then said that traditionally, only people with huge amounts of money become the owners of a bank, but tech entrepreneurs should be in the leading role of digital banking.

He went on to say that digital banks will ensure more transparency in the financial sector.

"The need for introducing digital banking is immense. As traditional banks so far could deliver the huge demand of microcredit and SME finance, digital banks would play an import role in these areas," he said.

However, it is not possible to set up proper digital banks without tech entrepreneurs, Ahmed added while stating that tech entrepreneurs should get at least 20 per cent of the ownership of digital banks.

AKM Fahim Mashroor, CEO of Bdjobs.com and AjkerDeal, emphasised that involving tech entrepreneurs in the digital banking sector is essential for fostering innovation and ensuring its success.

Globally, fintech founders typically fall within the 30 to 40 age bracket.

"Therefore, if the guidelines mandate extensive banking sector experience as a prerequisite for key roles in digital banks, it will impede innovation within the digital banking industry," he said.

Ahmed then said BASIS has the capacity to contribute to the digital banking policy framework while its members have the capacity to be a part of the digital banking ecosystem.

Some of the BASIS members could acquire licenses to this end while others can be part of the licensing process.

"Banking experience should not be mandatory to become the CEO of a digital bank, Ahmed said.

As technology entrepreneurs in Bangladesh, without experience, have successfully used technology to bring new innovations in the field of mobile financial services, digital banks should also be created under the leadership of technology entrepreneurs.

"Of course, they will work with bankers as per their requirement. In this case, the government should take necessary initiatives to ensure that the new digital bank license is not limited to only large corporate groups," he added.

Shahadat Khan, founder and CEO of TallyKhata and SureCash, said technology companies have priority in getting digital banking licenses across the world.

Digital banking is a comprehensive financial solution that encompasses mobile financial services, credit and deposit services. It operates without a cash-in or cash-out limit and includes insurance and investment management features.

Bangladesh Bank yesterday approved a digital banking guideline to promote financial inclusion through various means, such as artificial intelligence, machine learning, blockchain, and so on.

A digital bank is a financial institution that offers banking services such as checking and savings accounts, loans, payments and transfers by primarily operating online through a website or mobile app.

It does not have physical branches or ATMs, relying on technology, automation and artificial intelligence to streamline their operations and reduce costs, he added.

StanChart teams up with brands for Eid offers

STAR BUSINESS DESK

Standard Chartered has partnered with leading retail, travel and dining brands so the bank can offer its customers a wide range of special privileges catering to their every need to make the lead-up to Eid-ul-Azha more joyous.

To help customers to make the most of the festive season, Standard Chartered Bangladesh is making cattle purchasing simpler and more affordable with special offers, said a press release.

An array of offers on gadgets, home appliances, furniture, and personal care items will also be available to add even more colour to the festivities.

Customers will be able to plan their Eid getaway with great deals, including reduced prices on resorts, hotels, airlines, and travel agency services. To top it all off, Standard Chartered will continue to power online shopping with even better discounts, as a part of its cashless journey.

The bank's customers will enjoy up to 50 per cent discount on Eid-ul-Azha offers. Just like past offers, these deals and discounts will be curated in partnership with exclusive fashion houses and popular brands.

UNDP, H&M join hands to tackle climate change

STAR BUSINESS REPORT

Swedish retail giant H&M has signed a deal with the United Nations Development Program (UNDP) Bangladesh to work together to tackle effect of climate change and help the country achieve the sustainable development goals (SDGs).

"This alliance between UNDP and H&M will play a pivotal role in initiating policy dialogues focused on reducing CO2 emissions, developing climate-responsive power policies, establishing Power Purchase Agreements (PPA), and identifying climate-smart investment opportunities," the UNDP said in a press release.

The collaboration will provide crucial support for promoting the circularity of post-industrial textile waste and implementing measures to conserve, reuse, and recycle water within the industry, it said.

Leyla Erthur, head of sustainability at H&M, and Van Nguyan, deputy resident representative at UNDP Bangladesh, signed a memorandum of understanding (MoU) in this regard on behalf of their respective organisation at the UNDP Dhaka office.

Ziaur Rahman, regional country manager at H&M, was also present among others.

Expressing her excitement about the partnership, Van Nguyan said, "I believe our partnership with H&M will set an example for all relevant actors in the apparel industry of Bangladesh to drive climate action by adopting a whole-of-society engagement approach."

Morshed Alam, chairman of Mercantile Bank, presided over the bank's 24th annual general meeting held virtually yesterday. ASM Feroz Alam and Md Abdul Hannan, vice-chairmen, Akram Hossain (Humayun) and Mosharref Hossain, directors, Md Anwarul Haq, chairman of executive committee, M Amanullah, chairman of risk management committee, Gazi Mohammad Hasan Jamil, chairman of audit committee, Md Quamrul Islam Chowdhury, managing director, and Mati Ul Hasan, additional managing director, attended the meeting. PHOTO: MERCANTILE BANK

Electrical, electronic

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Munawar Misbah Moin, managing director of Rahimafrooz Renewable Energy Ltd, said the shipment of battery has increased as the sector has recovered from the impacts of Covid-19.

Bangladesh mainly exports batteries to East Asian, African and South Asian countries.

Moin said his company can supply eco-friendly and quality batteries at competitive prices. "So, the demand for our batteries is rising."

Rahimafrooz's batteries are used in cars, so the orders for the products have gone up following the massive improvement in the pandemic scenario.

The government's 15 per cent cash incentive for the battery sector is helping local manufacturers explore business opportunities in the global markets.

The battery segment is not without setbacks.

For example, manufacturers are unable to ensure a timely supply of products as they can't open letters of credit on time due to a lack of US dollars to import raw materials needed to make batteries.

Advanced income

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"We have already advanced in the agricultural sector and will advance in the two other fields as well," said Mannan, calling for increasing investments in rural areas.

Selim Raihan, a professor at the economics department in the University of Dhaka, said the government should focus on ensuring macro-economic stability and reforms.

"For proper management and earning more revenue, infrastructure development should be ensured. At this challenging period, we should not go for ambitious growth."

He urged the government to tackle inflation and manage the domestic market prudently.

Ranjan Kumar Bhowmik, a former member of the NBR, Md Musfiqur Rahman, a professor of the accounting and information systems department at the University of Dhaka, and Md Mashiur Rahaman, a joint commissioner of the revenue board, presented papers at the event.

Md Abdur Rahman Khan, president of the ICMAB, and Arif Khan, a former president, also spoke.

Cut customs barriers

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"Going back to our common target and aspiration to induce more investment to Bangladesh from Japan, we need emphasise the need to improve further to lure even more Japanese investors," he said.

A 5th Japan-Bangladesh Public Private Joint Economic Dialogue was held last April, shortly before a meeting between Sheikh Hasina and Kishida Fumio, prime ministers of the two countries, in Tokyo, he said.

It was "to summarise the discussion for identifying the issues that we could reach improvement on and those issues which we should continue to find solutions jointly", Kiminori also said.

"Taking this opportunity, I would like to commend the efforts of stakeholders from both sides who have actively engaged in the process," he said.

Bangladesh should sign an economic partnership agreement (EPA) with Japan before 2026 so that it can enjoy duty-free benefits on making the United Nations status graduation from a least developed to a developing country that year, said the Japanese envoy.

Customs rules removing trade barrier need to be included in the EPA through consultations between the two sides, said Yuji Ando, JETRO country representative in Bangladesh.

Investing in doing business in the Seven Sisters, the northeastern Indian states, might not be viable as the size of the population is low, said Md Humayun Kabir, former president of the Institute of Chartered Accountants of Bangladesh (ICAB).

Rather Japanese companies should be drawn to invest in the special economic zone in Araihazar, Narayanganj because of the availability trained workers and better infrastructures and road connectivity, he said.

The exchange rate of the taka with the US dollar reached its current state at a high price, said Selim Raihan, executive director of the South Asian Network on Economic Modeling.

When other countries devalued their currencies from time to time to adjust with the US dollar, Bangladesh did not do so. As a result, the exchange rate may rise further, he said.

The central bank does not have the luxury to sell the US dollar in the market anymore as the country's reserve may fall below $30 billion, he said.

It will be difficult to attract foreign direct investment for some options incorporated in the proposed budget, said Maria Howlader, chief executive officer of the Howlader Maria & Co.

The proposed budget for the next fiscal year should have been more business-friendly, she said.

Myungho Lee, president of the JBCCI, Muhammad Abdul Mazid, former chairman of the National Board of Revenue (NBR), Zahid Hossain, former principal economist of the Asian Development Bank, GM Khurshid Alam, former private sector specialist of the World Bank, Aminur Rahman, former member of the NBR, and Md Anwar Shahid, secretary general of the JBCCI, also spoke.

Syed Samiul Huq, a director of the JBCCI, moderated the discussion.

The story of the dollar

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Widely debated, the subprime mortgage scheme was another setback for the US dollar. The scheme originally aimed at increasing home-ownership for low-credit holders. Bankers, mortgage brokers, property assessors and borrowers alike misused the scheme leading to a financial crisis in 2007.

A former US executive director at the IMF, Meg Lundsager, summarised the paradoxical position of the US dollar in the following words: "When there is a big international role for your currency, you lose control over it."

From a global perspective, the lack of a gold standard was largely compensated by America by safeguarding the free movement of capital, upholding the liberal values of democracy, inspiring innovation and protecting the patent rights of products. They ushered globalisation by freeing their borders for technology and resource sharing.

However, American leadership became overconfident and bullish. The nation is unique given that it can both borrow and pay back in its own currency. This advantage was widely misused by the financing of overseas wars and continuous deficit budgeting.

On the flip side, the potential new world order set by Brazil, Russia, India, China and South Africa (BRICS) is yet to be open up to embrace norms and processes set by Americans. Thus, it is a passing story of the world reserve currency. Time will tell the rest.

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BB frames rules for setting up

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Applicants will have to pay a non-refundable application fee of Tk 500,000 for digital banks, sources said.

As per the guideline, an AI-based dispute resolution system will always be active.

Digital banks will not be allowed to provide any service to clients directly through physical counters and can't issue any physical instruments.

Likewise, digital banks would not be permitted to give out loans to carry out foreign trade and term loans to medium and large industries.

The guideline says a digital bank must go public within five years after getting the licence from the central bank. The amount of capital to be raised through initial public offerings can't be less than the paid-up capital amount. The rule bars loan-defaulting companies, persons and their family members from becoming sponsor shareholders of digital banks.

No sponsor shareholder will be able to transfer shares without the prior approval of the BB within five years of operation.

The guideline has kept the number of members from the same family who will be given permission to sit on the board in line with the Bank Company Law. Currently, four members from a family can become directors of a bank.

The BB said the chief executive officer of a digital bank must have a five-year experience of working in technology-based banking, and must have a banking career spanning at least 15 years.

In Bangladesh, a number of companies have expressed their willingness to launch digital banks to serve a significant number of clients who are already accustomed to some form of digital financial services thanks to the fast-expanding mobile financial services. One of them is Nagad.

Tanvir A Mishuk, founder and managing director of Nagad, said, "Nagad is well-equipped with necessary products and services to establish a digital bank."

"If Nagad gets a licence for a digital bank today, it will begin to provide services to people from tomorrow."

Tax return for credit card

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introduction of a 5 per cent incentive on digital payments, of which, users would receive a 3 per cent incentive for conducting digital transactions, while merchants would benefit from the remaining 2 per cent for accepting digital payments.

"This crucial initiative was not implemented in FY2023-24. We believe the government will look into this to fast-track digital payments in Bangladesh," said Kamal.

Recognising the importance of digital payments for convenience and financial inclusion, it is highly likely that the government will soon take the necessary steps to seize the opportunity to unlock the full potential of "Smart Bangladesh".

He said there is a requirement of mandatory tax return submission for 39 services, including getting a credit card by a new customer. This is creating a huge roadblock to ensure a more financially inclusive population.

"In order to benefit the payments industry, it is crucial to review and potentially revise the regulation mandating compulsory tax returns for issuing credit cards."

He suggested the government consider enforcing such mandatory tax returns for new credit card-holders eligible for Tk 500,000 or higher credit limit, while anyone below this limit should be allowed to get a credit card by submitting the TIN certificate.

By introducing flexibility to this requirement, more individuals can access the benefits of credit cards, fostering greater adoption and industry growth. However, the recent budget missed opportunities for digital transformation in this particular payment method, he said.

Kamal recommends implementing reduced tax rates for two particular areas with a view to supporting the growth of the cashless payments industry. First, a reduced tax rate for the import of plastic cards, a majority of which is still imported and has a tax rate of 76 per cent. The high tax rate on procurement increases costs and hinders the industry's ability to provide cost-effective cashless payment solutions.

Second, a substantial reduction in the tax for point of sale (PoS) machines may be considered, he said. Presently, the tax rate is 37 per cent leading to a high cost of PoS machines. This discourages the wider adoption among the merchants and makes it difficult for banks to invest in PoS procurement.

Foreign investors worried

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Limiting cash transactions for corporates and organisations will put a cap on development as the population of the country is yet to wholly adopt cashless transactions, it said.

Instead of setting a definite number, the government should allow companies themselves to decide on the percentage of transactions they will achieve in the cashless mode and set a target to achieve the 100 per cent cashless goal in the next five years, said the FICCI.

The FICCI also raised concerns over a proposal to increase land transfer tax, saying this would prompt people to refrain from disclosing actual property prices in formal documents. Instead, they will use officially fixed land prices, it said.

"This will incentivise tax evasion," said Naser, adding that foreign investors who want to do business by complying with the rules would also face difficulties because of the spike in the land transfer tax rate.

"Which is why instead of increasing the transaction cost, property tax should be brought down substantially and mouza value must be periodically updated to reflect the market price," he said.

Sazzad Rahim Chowdhury, coordinator of the FICCI's Tariff, Taxation and Regulatory Affairs Committee, said provident funds have been taxed under the proposed law. It will reduce benefits for employees, he added.

Citing the plan to impose tax on the interest of foreign loans, Sazzad, chief financial officer of Berger Paints Bangladesh Ltd, said it would not be favourable for businesses and the economy.

Debabrata Roy Chowdhury, a member the FICCI's Tariff, Taxation and Regulatory Affairs Committee, said a retrospective effect has been allowed to changes made in the income tax law during the passage of the next fiscal year's budget.

"This affects businesses planning. We request the authority to give progressive effect to the new law," he said.

Citing the hike in minimum tax on carbonated beverage makers, Snehasish Barua, consultant of the FICCI's Tariff, Taxation and Regulatory Affairs Committee, said carbonated beverage makers would see a 830 per cent increase in tax.

They will need to make 17 per cent profit to bear tax, he said, adding that this would be tough.

Deepal Abeywickrema, managing director of Nestle Bangladesh Ltd and chairman of the FICCI's Tariff, Taxation and Regulatory Affairs Committee, also spoke at the event.