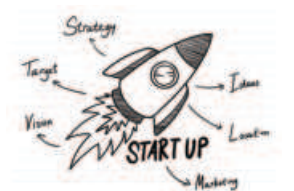


Star BUSINESS

The startup ecosystem in Bangladesh showcased a notable degree of resilience and adaptability in 2023, when economic uncertainty spread worldwide



Story on B4

DIGITAL BANKS: THE NEXT WAVE IN FINANCIAL SECTOR

Digital banks aim to create space for all

Says Kori Digital Bank's Chairman Habibullah N Karim

STAR BUSINESS REPORT

It took decades for Bangladesh to bring around 10 percent of the adult population under the banking system before the mobile financial service (MFS) accelerated the pace in the past decade.



Habibullah N Karim
Chairman, Kori Digital Bank

MFS providers have taken financial services through mobile phones to almost 30 percent of the population. Still, the country will have to go a long way before a significant portion of the populace comes under the banking system.

But Habibullah N Karim, a noted entrepreneur in the information technology sector, thinks that this is about to change – thanks to digital banks.

"Because of MFS operators, you can see the difference. Fintech can expedite the adoption of financial services. The digital bank is another step up," he said.

Karim is pinning his hopes on digital banks that the central bank is looking at to drive the next phase of financial inclusion.

Karim is the chairman of Kori Digital Bank which alongside Nagad Digital Bank secured approval last October from the central bank to roll out digital banks, becoming the first two entities in Bangladesh to get the scope to set up fully online banking operations. Karim is the founder and CEO of Technohaven Co Ltd.

Kori Digital Bank's sponsors include telecom, banking and IT professionals as well as conglomerates ACL, Ispahani, Mohammadi Group, Paragon, Square and Transcom.

During an interview with The Daily Star recently, he said digital banking started its journey globally about 15 years ago. Some call it neo-banks. China and India have coined a new term called payment banks.

They have emerged in response to the limitations confronting conventional banking owing to its rigid structures and stratified rules and practices.

And that happened for a reason over the years, Karim said. "Banks have the fiduciary responsibility to protect people's money. So, in order to safeguard the money from misuse, mismanagement, or corruption, they have added layers of supervision and regulatory compliance. That has made banking extremely stiff."

Similarly, MFS providers, which have almost covered the entire population, have their own limitations: usually, they can only facilitate sending or receiving money but they can't give out loans or accept deposits.

"If you are confined to SMS-based transactions, it is extremely difficult to make payments," Karim said.

"However, MFS operators have shown what can be done if technologies are employed to bring people into banking."

He said inclusivity has been a clarion call for the government and the Bangladesh Bank over the last 10 years. So, one of the goals that the current governor has is that he wants to see 70 percent of all transactions in the public and private sectors and at the individual level be cashless by 2027.

"This is a stupendous target. It's an ambitious target no doubt, compared to less than 20 percent today." "To achieve that, you need to bring the whole adult population into the banking ecosystem. That obviously can't be done through brick-and-mortar banks."

Altogether, there are more than 10,000 bank branches in the country, but for a country of 17 crore people, 10,000 points of contact are not enough.

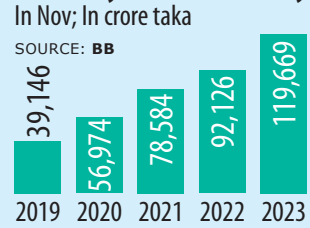
"How do you reach everybody? Technology is the solution," Karim says.

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Progress around digital banks

- » In June, BB issued a guideline
- » Two received letters of intent in October
- » Six more may get permission

Monthly transaction by MFS



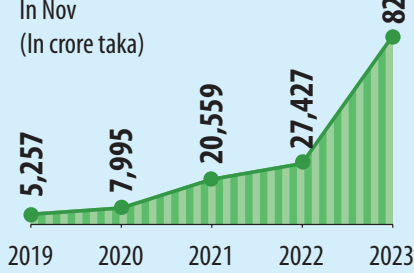
Digital bank is a part of digitalisation in the financial sector and this started since the inception of MFS more than a decade ago

Shah Md Ahsan Habib
Professor of BIBM

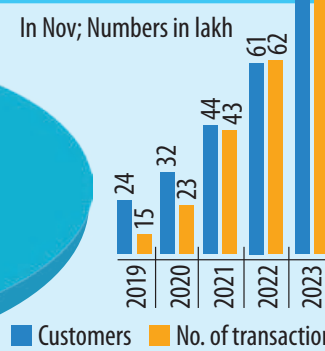
Obstacles

- Raising digital literacy
- Earning trust
- Overcoming unfamiliarity with digital offerings
- Low level of smartphone penetration

Internet banking transactions



Internet banking customers and transactions



Bangladesh plans more licences for digital banks in push to go cashless

MD MEHEDI HASAN

The Bangladesh Bank plans to offer more permissions for digital banks, building on the progress made by mobile financial services and internet banking in recent decades, in order to pave the way for full-fledged financial services based on a 100 percent branchless banking system.

Digital banks, also known as neo-banks, are popular globally as well as in neighbouring countries whereas it is a new concept in Bangladesh.

But the stage seems ready for the country to take the next leap forward following massive gains in the areas of mobile phone subscriber base, MFS, agent banking, and internet banking, and the growing number of

digital-first customers.

In June, the BB issued a comprehensive guideline for setting up digital banks and received a huge response.

Fifty-two applications from around 500 companies, including banks, non-bank financial institutions, MFS providers, mobile phone operators, IT firms, start-ups, pharmaceuticals and cement manufacturers, sought consent.

Of them, Nagad Digital Bank and Kori Digital Bank got the letters of intent (LoIs) in October.

The BB has also decided to allow three bank-led applicants. As a result, Bank Asia-led Digital, Brac Bank-led bKash Digital Bank, and Digi10, a consortium of 10 private banks, can launch digital banks as the applicants have already had full-

fledged banking licences.

The regulator also plans to issue LoIs to three more candidates: Smart Digital Bank, Japan Bangla Digital Bank, and North East Digital Bank.

Speaking to The Daily Star recently, Habibullah N Karim, chairman of Kori Digital Bank, says Bangladesh's efforts aimed at bringing more people under the financial system would receive a much-needed boost thanks to digital banks.

"Fintech can expedite the adoption of financial services. The digital bank is another step up."

Nagad says digital banks are expected to accelerate cashless transactions and digital transformation and make the government's financial inclusion agenda complete.

Tanvir A Mishuk, managing director of Nagad, said Nagad would reach the grassroots level where traditional financial institutions have not expanded their branches.

As of September, the country's 61 banks had 11,200 plus branches and more than half were in urban areas, according to Bangladesh Bank data.

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Nagad Digital Bank to begin operations in July

STAR BUSINESS REPORT

Nagad Digital Bank plans to launch its commercial operation in July this year by offering branchless banking services to customers across the country, a move that may herald in a new era of banking in Bangladesh.



Tanvir A Mishuk
Managing director, Nagad

As part of the plan, Nagad will roll out its in-house operation on March 26 on a trial basis to make sure products and services are convenient for customers.

"We will ensure that all our consumers get customised services," said Tanvir A Mishuk, managing director of Nagad, in an interview recently.

Nagad, one of the leading mobile financial service (MFS) providers in Bangladesh, is one of the two firms that received approval from the central bank in October to establish digital banks.

Nagad says digital banks are expected to accelerate cashless transactions and digital transformation and make the government's financial inclusion agenda complete.

Bangladesh has 61 banks and except for a couple of state-owned banks, most lenders are urban-focused. As of September, banks had 11,200 plus branches and more than half were in urban areas, data from the BB showed.

Mishuk said Nagad would reach the grassroots level where traditional financial institutions have not expanded their footprint yet.

He highlights that informal transactions accounts for 52 percent of the economy. Banks and financial institutions are competing to capture a slice of the rest 48 percent carried out through formal channels.

Nagad holds a 38 percent stake in the MFS market, which records nearly Tk 4,000 crore transactions daily.

The operator said it would focus on this segment. It facilitates transactions amounting to Tk 1,300 crore every day.

"We will have no clash with traditional branch-based banks and MFS operators. We, as a digital bank, will rather work as a bridge between these two," Mishuk said.

"Our goal is to make our products in a way that customers find convenient."

He points out that globally no digital bank is yet to emerge as a full-fledged digital bank. So, we have to work with more than two dozen vendors. Recently, we have brought four globally renowned technological solution providers together to develop a platform for the digital bank."

Thanks to its operation as an MFS provider, Nagad has a database of 8.5 crore customers and it will design products for individual clients by analysing data using artificial intelligence.

"We will even work on the requirements of grocery store owners who are running business in the remote areas. We are developing technology that can be used by all at ease."

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JMI, Apollo partner to open clinic in Dhaka

STAR BUSINESS REPORT

JMI Hospital Requisite Manufacturing Ltd, a leading producer of medical apparatuses in Bangladesh, has partnered with India's Apollo Health and Lifestyle Ltd to launch a multi-specialty clinic in the country.

The clinic will be managed by JMI Specialized Hospital Ltd, a new subsidiary of JMI Hospital with authorised and paid-up capital of Tk 50 crore and Tk 20 crore respectively.

On behalf of its parent company, JMI Specialized signed the related licensing agreement with Apollo Health on Tuesday, the company said in a filing to the Dhaka Stock Exchange yesterday.

And while the announcement came early in the day, JMI Hospital saw its share erode 2.34 percent to Tk 75 by the end of the trading session.

The clinic will be located in Dhanmondi with JMI funding the entire project, according to its Company Secretary Safiqur Rahaman.

Meanwhile, the Indian retail healthcare provider will extend technical support so that people in Bangladesh can avail the same solutions available at Apollo clinics in the neighbouring nation, he added.

The agreement was signed by Md Abdur Razaq, chairman of JMI Specialized Hospital, and Tarun Gulati, head of

franchise business at Apollo Health, at the Hotel Pan Pacific Sonargaon in Dhaka on Tuesday.

Apollo Health is a subsidiary of Apollo Hospitals Enterprise Ltd, which has a network of 75 hospitals and 350 clinics.

The main objective of this investment is to ensure quality healthcare at a fair price so that people in the country can receive world-class healthcare without going abroad, Razaq said.

The clinic will be located in Dhanmondi with JMI funding the entire project, while the Indian healthcare provider will extend technical support

Once operational, the clinic will be able to handle more than one million patients annually, he added.

Razaq also informed that they plan to introduce more of these clinics in the country under their partnership with Apollo Health.

Echoing the same, Gulati said they will ensure state-of-the-art diagnostic, consultation and health check facilities at the clinic while gradually expanding their business with JMI Hospital.

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BGMEA election: forum panel complains about 429 voters

REFAYET ULLAH MIRDHA

The Forum panel taking part in the election of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) yesterday demanded cancellation of the preliminary voter list and publishing a new one as the tax files of 429 voters could not be found.

By checking with the website of the National Board of Revenue (NBR), the panel found that of the 2,315 voters who have been named in the list, 429 do not have a proper tax identification number (TIN) and other tax-related documents.

In order to become eligible voters, they must have proper tax documents.

"It was our primary investigation and we have found no TINs for 429 preliminary voters. However, the number might go up," said Faisal Samad, the leader of the Forum panel.

"The BGMEA and the appeal board of the election should conduct an independent investigation to ensure the holding of an election based on a real voter list."

The leader of the Forum panel

sent a letter to the board to this effect.

Jahangir Alamin, the chief election commissioner, said he was not aware of the issue, which is mainly supervised by the appeal board.

He said the preliminary voter list was prepared as per the recorded documents of the BGMEA.

The biennial election of the BGMEA for the 2024-26 tenure is scheduled to be held on March 9. The board published the preliminary voter list on January 18.

"If anybody disagrees, he or she can appeal to the board for correction."

BGMEA President Faruque Hassan said he was not aware that 429 voters were having problems with their TINs.

The appeal board may know about it. There is a timeframe to make an appeal if there is any dispute, he said.

Khairul Huda Chopol, a member

of the board, said 41 applications were submitted to them by the voters as of yesterday.

It is not clear whether those applications included the issue of 429 voters or not, he told The Daily Star over the phone.

"The board will open the files on Thursday to probe the complaints." Nizamuddin Rajesh, another member of the board, said he received an email from the BGMEA yesterday to sit in a meeting on January 27 or February 3 to settle the complaints if filed by anybody.

He said he did not know about 429 voters against whom the Forum panel did not find the TIN certificates.

The biennial election of the BGMEA for the 2024-26 tenure is scheduled to be held on March 9. The board published the preliminary voter list on January 18.

Traditionally, two panels – the Forum and Sammito Parishad – contest in the election.

The tenure of the current board ends in March. It took charge in April 2021.

The tenure of the incumbent

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Crawling peg likely from first quarter

STAR BUSINESS REPORT

Bangladesh is likely to introduce the crawling peg system for the taka to regulate abrupt fluctuations of its value against foreign currency in the first quarter of this year, said a top banker yesterday.

"We want to launch it in the first quarter of this calendar year. We think stability has come back to the foreign exchange market and speculation has reduced. This is good news for all," said Selim RF Hussain, chairman of the Association of Bankers' Bangladesh (ABB).

He shared the information after a meeting between the top officials of Bangladesh Bank (BB), the leaders of ABB and Bangladesh Foreign Exchange Dealers' Association (BAFEDA) yesterday.

In the monetary policy for the January-June

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