Brett King

Banks must become tech firms or perish next decade

Global futurist Brett King on future of banking

MAHMUDUL HASAN

Traditional banks that cling to branches, paperwork and plastic cards face existential threat in the next decade. Within the next 10 years, digital transformation will no longer be optional, it will be about survival, warns Brett King, a global futurist and author of Bank 4.0.

Speaking to The Daily Star during an interview in Dhaka recently, King said, "The two things that are really necessary for survival are technology agility and cultural agility. If you can't change your mindset to be technology-focused, you're going to be in trouble."

THE FIVE ERAS OF BANKING

He breaks down the evolution of banking into four eras so far, each with a distinct trait.

The first (Banking 1.0) relied on branches and signatures; the second introduced ATMs; the third, internet banking; and the fourth, mobile-driven and embedded finance.

The next one, Banking 5.0, will be powered by artificial intelligence, where traditional products such as credit cards, and even the presence of branches will fade. Banks will have to focus on their core utilities, such as storing, moving and accessing money, and deliver those instantly, digitally, and contextually.

"None of the products we know from past banking will remain beyond the next 10 or 15 years in the traditional sense," said King. "Technology will reshape them into banking experiences."

THE BIG LEAP FOR BANGLADESH

Bangladesh, with only around 40 percent financial inclusion and low credit card penetration, faces unique challenges. But King sees opportunity.

"Bangladesh doesn't need to follow the traditional credit card path. It can go straight to contextual digital credit," he explained.

For instance, a shopper could receive an instant loan offer on their phone while at a grocery store, bypassing the need to visit a branch. "You won't need to go to a bank to get access to credit; that emergency cash will be available instantly."

This shift, King emphasised, is already happening across Asia. Mobile financial services like bKash are paving the way.

"Countries like Bangladesh, India, China, and most of the developing world are shifting to wallets instead of traditional financial inclusion through plastic cards. Mobile is much more important as a tool for financial services access than a bank branch."

Instead of trying to fix what's broken with the country's traditional banking methods, King suggests giving Bangladeshis broader access to financial services through mobile and technology.

Globally, the physical branch is already in decline, King notes. His forthcoming book documents how by 2015 the world had reached "peak branch," with closures accelerating every year since then.

"The Internet didn't reshape banking too much," King said. "But mobile created the fintech revolution, leading to non-bank companies providing banking utility. Paytm in India and bKash here in Bangladesh are good examples."

"The statistics are striking. If you look at the top 20 fintechs globally, they service about 4 billion customers, while the top 20 retail banks service 2.7 billion," King said.

Today, he pointed out that banking is delivered through the mobile phone much more than it is delivered through the bank branch.

If a customer still needs to see a human to resolve a banking issue, "that's largely a design problem. Humans are not necessary in banking delivery today."

"Your personal AI will help you understand how to spend and save money properly. If you need access to credit, it will find you the cheapest option. If you're looking at investment strategies, it will optimise them," said the futurist.

He identified Nubank, the largest fintech bank in Latin America based in Brazil, and WeBank, a private digital-only bank based in China, as the most "operationally efficient banks in today's world."

"Their cost of delivery is fractional compared with, say, US banks."

PRESENT, FUTURE CHALLENGES

In Bangladesh, where millions remain outside the banking system, lower delivery costs are not just attractive. They are essential for financial inclusion.

While supporting this vision, Biswas Dhakal, CEO of a UAE-based fintech firm Filps, who was also present at the interview, pointed out the grassroots challenges that countries like Bangladesh face.

"If we really want to grow the economy, the micro-SMEs need to be well-equipped with access to capital," he said.

"But today, if I am running a small tea shop or grocery shop, I need to pay a premium interest rate compared to big enterprises. There is no justification for this."

Dhakal notes that AI-driven partnerships between banks and platforms that are already embedded in people's daily lives, like Pathao, Daraz, or Pikaboo, could transform access.

For instance, he said, "When I take my bike early in the morning as a Pathao driver, I don't have Tk 2,000 to fuel my tank. How can AI in the bank and financial services help my life? That's the real question."

The answer, he said, lies in building an AI-enabled marketplace where multiple banks compete to serve micro-customers at the best possible rates.

"If I have a monopoly, I'll just give you a loan at 18 percent, and the bank benefits. But if we democratise, with intelligence, these are the practical uses of grassroots-level AI."

King agreed, further noting that use of AI will reduce human involvement to zero. "That means the cost of serving one individual customer will be zero. Lower costs mean banks can finally make profits even when serving the unbanked and underbanked."

Apart from technology, existential challenges like climate change will also bring forth many changes, King predicted.

Rising floods, soil salinity, and other environmental risks threaten agriculture, housing, and small

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Highlights

- Technology and cultural agility define future banking success
- Traditional branches and cards will vanish
- Bangladesh can leapfrog the credit card era into AI
- Mobile wallets outweigh branches for financial inclusion
- Top 20 fintechs serve 4b customers; top 20 banks only 2.7b
- AI will deliver instant, contextual financial services
- Cost of delivery will fall to near zero
- Climate change demands that banks fund resilient infrastructure

Internal audit: from back office to backbone

MAMUN RASHID

In today's fast-changing environment, internal audit is no longer a back office function. It is central to how organisations manage risk, protect value and sustain growth. This is especially true in Bangladesh, where rapid expansion, rising complexity and heightened scrutiny from global partners make strong internal assurance essential.

When done well, an internal audit identifies inefficiencies, tests compliance, and deters fraud. It is the quiet engine that keeps a company dependable in the eyes of investors, regulators and customers.

At its core, internal audit is about risk management. Companies face financial, operational, legal and cyber threats, magnified in economies where volatility in currency, commodities or regulation is common. Auditors do more than list hazards. They assess exposure, test safeguards and highlight what risks remain. This risk-based approach, now a global standard, shifts auditing from a checklist to a decision-making tool. By translating abstract risks into concrete control assessments, auditors help companies take strategic decisions with confidence.

A key task is testing internal controls, the approvals, reconciliations and data protections that keep operations secure. In Bangladesh's fast-growing sectors, expansion often outpaces these controls, leaving gaps that invite errors or breaches. Independent testing by internal audit detects weaknesses early and offers practical remedies, improving efficiency while strengthening safeguards.

Fraud prevention is where an internal audit's value is clearest. The Satyam scandal in India showed how manipulated accounts can destroy shareholder value and market confidence. Weak scrutiny and over-reliance on external audits proved inadequate. An empowered internal audit function could have served as an early warning. Similarly, Sri Lanka's central bank bond controversy revealed how governance failures and conflicts of interest can cause major damage. Both cases show that strong controls and independent oversight are not abstract ideals but shields against systemic shocks.

Financial accuracy is another pillar of credibility. Reliable records underpin sound decision-making, investor trust and regulatory compliance. In Bangladesh, where capital markets and international buyer relationships are maturing, accurate reporting is a competitive advantage. Internal audit assures that processes are sound and transactions are properly recorded, reducing the risk of restatements, fines or reputational loss. This is critical for exporters and firms seeking foreign investment.

Compliance is inseparable from performance. Companies must meet tax, labour, environmental and industry-specific rules or risk penalties and disruption. Internal audit tests compliance and recommends improvements that keep businesses aligned with laws and global standards. Governance is increasingly linked to financing and market access. In Bangladesh, development partners have made governance and accountability national priorities, tying them to fiscal and financial stability.

Operational efficiency is another overlooked area. Auditors examine workflows, uncover redundancies and cut waste. Their recommendations reduce costs, speed up processes and free management to focus on strategy. With modern data analytics, internal audit moves from hindsight to foresight, spotting trends, detecting weak points and suggesting automation opportunities.

Above all, an internal audit strengthens governance and accountability. In markets where many firms are family-run or closely held, an independent audit unit reporting to the board reassures shareholders that management actions align with long-term interests. This perspective fosters trust, enhances transparency and improves access to capital.

For Bangladesh to turn economic gains into lasting institutional strength, both private and public bodies must invest in credible internal audits. That means professionalising audit teams, equipping them with digital tools, granting independence and ensuring they report to boards empowered to act. Regional examples show how quickly damage can occur and how a stronger audit can restore confidence.

For a country integrating into global value chains and relying more on international finance, a robust internal audit is not just good governance. It is a strategic necessity.

The writer is chairman of Financial Excellence Ltd

Oil settled $1 lower

REUTERS, *Houston*

Oil prices closed down nearly $1 on Friday as traders awaited talks between US President Donald Trump and Russian leader Vladimir Putin, which could lead to an easing of the sanctions imposed on Moscow over the war in Ukraine.

Brent crude futures settled 99 cents, or 1.5 percent, lower at $65.85 a barrel, while US West Texas Intermediate crude futures eased $1.16, or 1.8 percent, lower at $62.80.

Trump arrived in Alaska on Friday for his summit with Putin after saying he wants to see a ceasefire in the war in Ukraine "today."

Trump has said he believes Russia is prepared to end the war, but he has also threatened to impose secondary sanctions on countries that buy Russian oil if there is no progress with peace talks.

Putin also arrived in Anchorage. Kremlin spokesman Dmitry Peskov said Russia expects the talks to bring results, Russia's Interfax news agency reported.

Dhaka stocks fall for second week

STAR BUSINESS REPORT

Dhaka stocks extended their losing streak for a second consecutive week, as the market declined in the first four trading days before rebounding on the final day.

Turnover also fell during the week, highlighting reduced investor participation.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), dropped 57.82 points, or 1.07 percent, to close at 5,350.25, according to DSE data.

The other indices at the DSE also posted negative performances.

The DS30, which tracks blue-chip stocks, fell 1.14 percent to 2,073.82, while the DSES, comprising Shariah-compliant companies, edged down 0.62 percent to 1,163.17.

Turnover, a key indicator of investor activity, stood at Tk 3,445.94 crore, down from Tk 3,645.50 crore the previous week.

On a daily average, turnover was Tk 689.18 crore, significantly lower than Tk 911.37 crore a week earlier. This marked a 24 percent decline in average daily turnover.

Stocks of the pharmaceuticals and chemicals sector dominated trading, accounting for 17 percent of the average daily traded value. Banks followed with 14 percent, while textiles accounted for 11.85 percent.

In terms of sector-wise returns, jute stocks led the gains with a 12 percent rise. Corporate bonds, paper and printing, and tannery industry stocks also posted notable advances.

Market breadth was negative, with 99 scrips advancing, 274 declining, and 23 remaining unchanged.

Among individual issues, Standard Ceramics was the top gainer, surging 36 percent, while AIBL 1st Islamic Mutual Fund suffered the steepest fall, losing 14 percent during the week.

China retail sales growth lower than expected in July

AFP, *Beijing*

China's retail sales and industrial production grew at a slower rate than expected last month, official data showed Friday, as the world's number two economy battles trade turmoil and persistent sluggish consumption.

Retail sales, a key gauge of consumer demand, grew 3.7 percent year-on-year in July, according to data published by the National Bureau of Statistics (NBS).

The figure fell short of the 4.6 percent growth forecasted by Bloomberg analysts, with July being the second month in a row of slowing consumption growth after June's 4.8 percent.

A long-term crisis in the real estate sector and high youth unemployment have been weighing on Chinese consumer sentiment for several years. The situation has worsened with the heightened turmoil sparked by US President Donald Trump's trade war.

Trump has imposed tolls on China and most other major trading partners since returning to office in January, threatening Beijing's exports just as it becomes more reliant on them to stimulate economic activity.

Industrial production for July was also below expectations, growing 5.7 percent year-on-year as opposed to Bloomberg's predicted 6.0 percent.

Beijing and Washington have sought to de-escalate their row, with both sides announcing this week another 90-day extension to a truce first reached in May.

"The economic momentum is weakening, despite... strong export growth," Zhiwei Zhang, chief economist at Pinpoint Asset Management, said in a note on Friday.

US retail sales rise amid limited consumer tariff hit so far

AFP, *New York*

US retail sales rose moderately in July, according to data released Friday, as markets monitor tariffs that do not so far appear to have significantly battered consumers.

Overall sales climbed 0.5 percent to $726.3 billion from June, in line with expectations. Gains in motor vehicles and parts and furniture offset declines in electronics and building materials.

Analysts described the report as solid, but some pointed to a greater risk of weakening in retail sales in the second half of 2025 following disappointing recent labor market data. Consumer spending is a major driver of the world's biggest economy.

"This report will ease some of the worries about the health of consumers' spending following the tariff shock," said a note from Oliver Allen, senior US economist at Pantheon Macroeconomics.

"That said, growth in consumption still looks relatively weak, and the softening labor market and further likely pass-through of tariffs suggest a sharp reacceleration is unlikely."

The report comes as surveys point to a partial recovery in consumer sentiment compared with the spring, following a dive in the stock market after President Donald Trump in early April unveiled plans for sweeping, large tariff increases with trading partners that have since been watered down somewhat.

A survey released Friday from the University of Michigan suggested consumers are girding for a worse hit ahead, with year-ahead inflation expectations rising to 4.9 from 4.5 percent.

Overall, the report showed a dip in consumer sentiment in August to 58.6 points from 61.7 in July. The reading bottomed out at 52.2 in the spring.

"Consumers are no longer bracing for the worst-case scenario for the economy feared in April when reciprocal tariffs were announced and then paused," said survey director Joanne Hsu.

"However, consumers continue to expect both inflation and unemployment to deteriorate in the future."

Since the spring, Trump has suspended many of the most onerous tariffs and announced preliminary trade deals with some major partners such as Japan and the European Union.

But the net effect of his evolving policy is still a lofty tariff rate by historical standards -- even if it is not as high as earlier threats. Moreover, Trump is continuing to unveil new levies. On Friday, the president told reporters he would set tariffs "next week and the week after" on semiconductors and steel.

Data released earlier this week showed a bigger uptick in wholesale prices compared with consumer prices. Some analysts warned that dynamic could mean that those pricing pressures will soon be passed on to consumers.

Aware of the vulnerability of consumers, many retailers are so far accepting lower profit margins and absorbing some of the tariffs "with the intention of eventually offsetting it through cost reductions elsewhere," said Neil Saunders of GlobalData.

People shop along the Magnificent Mile retail strip in Chicago, Illinois. US retail sales climbed 0.5 percent to $726.3 billion from June. PHOTO: AFP/FILE