Stakeholder engagement vital for interoperable payment system

Citing Binimoy's failure, IFS country lead tells The Daily Star

TAKEAWAYS FROM INTERVIEW

JASON LAMB

SNIGDHA ALI

Bangladesh can learn from global examples for interoperable digital payments	Lowering costs of interoperable instant payment system (IIPS) can aid rural households and women's access	A similar platform in Pakistan reached 46m users in 2.5 years, raising inclusion from 20% to 30%	IIPS begins with stakeholder dialogue to avoid past mistakes	IIPS can boost transparency and formalise finance	Fraud risks, low literacy, and need for strong protections remain hurdles

MD MEHEDI HASAN

Stakeholder involvement is the key to the success of an interoperable instant payment system, yet this was missing when Bangladesh introduced its first digital platform "Binimoy" a few years ago, according to Snigdha Ali, country lead of Inclusive Financial Systems (IFS), an initiative of the Gates Foundation.

Explaining why Binimoy failed to take off, she said the platform had been built by the ICT Division without involving the Bangladesh Bank (BB).

"That was a gap from the very beginning. There was little to no stakeholder engagement at any stage of Binimoy's development and deployment," Snigdha said in an interview with The Daily Star.

An interoperable instant payment system (IIPS) is a national network that lets individuals and businesses transfer money between accounts at different banks and mobile financial services -- like bKash, Nagad or Dutch-Bangla Bank -- instantly and 24 hours a day.

For example, a garment worker in Dhaka could receive her salary directly into her bKash account from an employer's Sonali Bank account within seconds. She could then pay for groceries or a rickshaw ride via QR codes without using cash. This would help create a digital trail for every transaction, curbing corruption, widening the tax net and supporting a more formal economy.

If the IIPS were a football match, bKash, Nagad and the banks would be the players, while the BB typically would be both referee and rule-maker.

After Binimoy's failure and its subsequent suspension by the central bank, BB is now preparing to pilot a new IIPS next year. There are plans to expand it gradually. The Gates Foundation will provide financial and technical support to the initiative.

"We learned from the central bank's previous experience. That is why we began dialogue and stakeholder engagement even before the project goes live, so we hear from the industry and do not repeat the same mistake," Snigdha said.

> **Awareness efforts similar to the oral saline campaign of the 1980s will be needed to popularise digital payments and build confidence**
>
> **Snigdha Ali**
> *Country lead of Inclusive Financial Systems of Gates Foundation*

On the benefits of IIPS, she said, "For example, consider a bank that has already invested heavily in onboarding clients. Once it joins IIPS, the lender automatically gains access to millions of customers already integrated into the system. Likewise, those customers also gain access to the bank. They do not have to be direct clients of that bank to send or receive money through it."

On several recent occasions, BB Governor Ahsan H Mansur said the economy bears an annual burden of around Tk 20,000 crore due to cash management.

Referring to it, Snigdha said, "An interoperable digital payment ecosystem could sharply reduce these costs, increase transparency and drive formalisation."

Jason Lamb, deputy director of IFS at the Gates Foundation, said Bangladesh is learning from international experience.

"In Pakistan, the State Bank launched its national instant payment system Raast for interoperable digital payments at zero transaction cost. Within two and a half years, Raast grew to 46 million users and boosted financial inclusion from about 20 percent to 30 percent," he added.

Snigdha said that as IIPS allows seamless transfers between banks, mobile financial service providers and other financial institutions, this removes the need to withdraw and redeposit cash when sending money across platforms.

"For example, a person with a mobile wallet will be able to send funds directly to a bank account without intermediaries. Such convenience will save time and reduce costs, particularly for rural and low-income groups. In government-to-person payments, the system is expected to cut leakages and ensure beneficiaries receive transfers instantly and securely," she said.

However, both the IFS officials cautioned that challenges remain. Fraud is a reality in digital finance worldwide, and new systems often invite new scams. While fraud cannot be eliminated entirely, they said risks can be reduced through strong security standards, awareness campaigns and responsive regulation.

According to them, consumer literacy and trust will also be vital. Many Bangladeshis, especially in rural areas, remain unfamiliar with digital transactions.

Snigdha said awareness efforts similar to the oral saline campaign of the 1980s will be needed to popularise digital payments and build confidence.

"Trust is easy to lose and hard to build," Lamb said, warning that consumer protection mechanisms must be in place from the outset.

On affordability, he suggested that BB could mandate zero transaction fees for customers, at least in the early stages, to encourage uptake. Providers could later earn revenue through services such as credit, insurance or digital commerce.

"Lowering costs would be especially important for rural households and women, who often face barriers to accessing formal financial services. By making digital transactions cheaper and more useful, IIPS could integrate millions of underserved people into the financial system," Lamb said.

Both officials said the financial sector will expand rather than shrink, as new business opportunities arise.

They said banks, MFS providers and fintechs will need to adapt their models, focusing on lending and value-added services rather than charging per transaction.

US wants to sell aircraft to Bangladesh

STAR BUSINESS REPORT

The US wants to export aircraft, liquefied natural gas (LNG), and agricultural products to Bangladesh to expand trade between the two countries, said Paul Frost, the new commercial counsellor at the US embassy in Bangladesh.

He made the remarks at an event organised by the American Chamber of Commerce in Bangladesh (AmCham) at Sheraton Dhaka yesterday.

Highlighting the trade priorities of the US, Frost said, "We see opportunities to grow US exports to Bangladesh in many sectors."

"Our priority sectors include power and energy, aviation, agriculture, including cold chain and agricultural technologies, infrastructure development and engineering, defence and security equipment, information communication technology, and healthcare," he said.

"Our office also aims to work constructively with AmCham and government officials to help resolve problems that many American companies face," he said.

"In improving Bangladesh's investment climate, US companies will prosper, and US exports will flow more freely," he added.

However, Frost also said corruption, concerns over financial governance, a complicated tax regime, infrastructure and logistics limitations and excessive bureaucracy were major barriers to trade and business in Bangladesh.

Chinese firm KMK Industrial to invest $18.6m in Bepza EZ

STAR BUSINESS REPORT

The Bepza Economic Zone is set to receive investment from an airplane amenity bag and kit manufacturing company.

Chinese firm KMK Industrial Ltd will invest $18.60 million in the economic zone, creating employment opportunities for 1,231 Bangladeshi nationals, according to a press release issued by the Bangladesh Export Processing Zones Authority (Bepza) yesterday.

Bepza described the investment as "a significant step" towards diversifying the country's industrial base, as it will be the first-ever airplane amenity bag and kit manufacturing company to invest in the authority's industrial enclaves.

"This marks a breakthrough in introducing a unique and diversified product line to the portfolio of industries under Bepza," the release said.

Bepza and KMK Industrial signed an agreement in this regard on September 14.

The company will initially manufacture airplane amenity bags and gradually expand into producing in-house items such as socks, garments and accessories, cosmetics, and selected electronic products, including headphones and USB cables.

Speaking at the signing ceremony, Bepza Executive Chairman Major General Abul Kalam Mohammad Ziaur Rahman said: "This project represents a milestone in our continuous effort to diversify export-oriented industries."

Scaling up our export diversification

ZAHID HUSSAIN

When President Obama revoked Bangladesh's Generalised System of Preferences (GSP) status in 2013, the direct economic shock was mild. Garments, the country's powerhouse export, had always been excluded from these trade privileges. Ironically, in the years that followed, garment exports continued their brisk ascent in the US market even as they faced some of the stiffest tariff barriers of any major supplier. By contrast, non-garment sectors such as leather, ceramics, pharmaceuticals, furniture, jute and agro-processing struggled to gain similar momentum.

This divergence invites reflection. Faced with the same tariff storms, what propelled one sector forward while the others remained exposed to every unpredictable headwind of global change? In tracing the garment sector's journey, there are lessons for Bangladesh as it seeks to diversify exports and navigate the uncertain tides of LDC graduation.

RISE OF RMG

To understand Bangladesh's garment ascent, we must return to the 1970s, when the industry resembled a band of agile explorers, quick to adapt but largely unproven. The turning point came in 1979 with the landmark Daewoo-Desh Garments partnership. South Korea did more than dispatch machinery; it transferred the spirit of enterprise and institutional frameworks. Compliance standards, buyer connections and production expertise were woven into the evolving fabric of Bangladesh's garment industry.

Soon after, the Multi-Fibre Arrangement (MFA) emerged, rerouting garment orders from established East Asian powerhouses to newcomers like Bangladesh. It acted as an incubator, allowing the RMG sector to flourish, sheltered from overwhelming competition. Policies tailored to garments, bonded warehouses, back-to-back letters of credit and export processing zones reinforced this growth. Cash incentives sweetened the deal but were never the main driver.

The EU's Everything but Arms (EBA) initiative offered Duty-Free Quota-Free (DFQF) access to Least Developed Countries. With relaxed Rules of Origin, Bangladesh became one of the EU's largest apparel suppliers. This preferential access boosted exports and incentivised backward integration.

Perhaps the most profound transformation was the sector's role in advancing female empowerment. Garment work became a gateway for millions of women from rural and economically disadvantaged backgrounds. Factory jobs brought greater autonomy, delayed marriage and improved health and education for children.

This evolution created a compelling global narrative. International brands such as H&M and Walmart began championing Bangladesh's female workforce as evidence of their commitment to sustainability and social responsibility.

Development organisations rolled out initiatives like NARI, offering transitional housing, skills training and employment opportunities for women migrating from impoverished northern regions.

NEAR, YET FAR

Bolstered by a compelling social narrative, Bangladesh's garment sector became a force to be reckoned with. Despite daunting tariffs, global buyers were persuaded not simply by competitive pricing but by the sector's track record of reliability, capacity and social impact.

Garment work became a gateway for millions of women from rural and economically disadvantaged backgrounds. PHOTO: STAR/FILE

The institutional backbone was built over years, crystallising around two organisations: Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA). Originally set up to advocate for industry interests, they evolved into de facto regulatory authorities. BGMEA became the voice of the woven garment industry, negotiating with government bodies, foreign buyers and development agencies. BKMEA championed knitwear with a focus on workforce training and ethical labour practices.

As their influence grew, leaders from these associations took seats in parliament, joined advisory boards and engaged donor communities.

Each new export achievement amplified their clout; their roles extended beyond policy advocacy to actual policy design. From shaping rules around bonded warehouses to setting the stage for minimum wage discussions, BGMEA and BKMEA moved ahead of traditional regulators. Ultimately, the garment sector did far more than stitch together an export powerhouse; it engineered a new political economy.

Their success bred momentum. More factories led to a swelling membership; more members brought increased resources, enabling greater institutional capacity. Owners prospered while workers earned wages at least 50 percent below the estimated living wage for Dhaka, according to the Global Living Wage Coalition 2022 benchmark.

STAGNANT NON-GARMENTS

The grass is not as green on the other side! Not even close. Unlike the garment industry, non-RMG sectors never experienced a transformative partnership akin to the Daewoo-Desh moment. Industries remain fragmented, driven by individual entrepreneurs but hampered by limited capital and weak organisation.

Leather exporters contend with EU REACH regulations and US ASTM standards; ceramics face FDA and product safety hurdles; agro-processors must navigate phytosanitary rules. These are not boxes to tick but barriers to international trust.

These industries bear full Most Favoured Nation tariffs without the branding clout to absorb costs. Supply chains are shallow, buyer networks are sparse, and policy support is underdeveloped.

Pharmaceuticals depend on imported ingredients for over 90 percent of production, exposing them to global shocks. Over the past two decades, SMEs have emerged in leather, ceramics, agro-processing, jute and light engineering, but most fail to achieve scale or export success.

While numbers vary between fields, both anecdotal accounts and trade data indicate that fewer than 10 percent of non-RMG firms manage to survive beyond five years while maintaining export viability.

Their struggle is not necessarily fueled by a lack of demand. Instead, they are hemmed in by costly certification requirements, limited access to buyers, tariff burdens, and fragile institutional architecture. The sheer volume of these businesses hints at untapped vigour -- a deep reservoir of potential waiting to be realised. The missing piece is not ambition, but the institutional platforms needed to bridge ideas and opportunity.

Imagine leather, ceramics, jute, or agro-processing equipped with their own powerful associations -- entities capable of advocating for their industries, guiding producers toward global compliance, and pushing for supportive reforms. Envision a leather hub, complete with export councils, testing facilities, CETP, and training centres. Or picture a ceramics alliance connecting producers with safety certification and global branding expertise. Or visualise a pharmaceutical coalition mobilising regulatory experts, TRIPS strategists, and trade negotiators to navigate the post-LDC terrain.

GOING FORWARD

The model that made Bangladesh the world's second-largest apparel exporter is under strain. Cheap labour and back-to-back LCs are no longer enough in a world demanding traceability, automation and ethical sourcing. Which factory stitched the shirt? Where did the cotton come from? Were the workers paid fairly, and were the dyes used environmentally safe?

Non-RMG sectors are disjoint and rarely heard. With dedicated institutions tailored to their needs, they too could become engines of progress. These industries need their own watershed event -- a catalytic "Daewoo moment" that can spark transformation. It calls for reimagining policy encompassing bonded warehousing, export financing, comprehensive certification and a shift in branding -- each with its own origin story and vision for the future.

The writer is former lead economist at World Bank's Dhaka office