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E D I T O R I A L

Banks & fintech collaboration:
dialogue vital for best decision

Globally, the financial services industry has moved beyond as technology and digital services continue to ingrain themselves into more aspects of our lives. More consumers are choosing their banking providers on the basis of a convenient, frictionless digital experience. Banks are now no longer a place - depositors just go to stash their money and borrowers go to borrow funds during the usual banking hour and pick products from a set of offers.

And this is happening because new technology has given way to new services and with new services comes disruption of the old. Technology combined with smartphones and the internet provides numerous benefits to the customers as well as to financial institutions. A new Fintech Revolution is forcing the financial services industry and everything it touches to evolve quickly. Thousands of companies are competing and collaborating to facilitate transactions and other financial activities. Nearly every stakeholder in the industry benefits when these processes run on digital rails with the help of new technology. And this has created an environment of collaboration between banks and fintech firms.

In Bangladesh, digital transformation is taking place on many fronts and technological adoption is gathering pace. Customers too are taking to the digital platform like a duck to water. But some questions will need to be answered: Are brick and mortar stores still viable or even necessary? How empowered is the modern financial customer? What services and products cater to an increasing desire to bank or even invest in a digital landscape? We need to address these key questions to foster digital financial services industry.

Bankers, fintech operators and regulators should sit together to find the best answers.

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Message from CHAIRMAN

Don't Kill Innovations, Boost Financial Inclusion

Finance Minister Mustafa Kamal has proposed fresh tariff on smart phones and smart cards of banks used by common consumers in the new national budget he announced on June 13 last in the parliament. Bankers, importers and consumers have already expressed their grave concerns over this high tariff saying that this will increase prices of mobile phones and smart cards nearly double and encourage influx of foreign products through unofficial channels. This ultimately will hit financial inclusion and the government's move towards a cashless society.

Mobile phone importers have expressed grave concern over the higher tariff on smart phone saying that this will discourage mobile banking operations in the country which needs to keep rapid digital transformation for reach the millennium goal. The association of Bankers also have expressed grave concern over the high tariff imposed on credit and debit cards. The cost for issuing new credit and debit cards will balloon 3-6 times as the government imposed fresh duty on the imported items in the new budget for fiscal 2019-20 unveiled on June 13.

Digital transformation is taking place on many fronts in the country's banking sector over the years thanks to pro-active role of the government under its Digital Bangladesh vision. Most younger consumers, low income people and service soldiers are using mobile apps, credit and debit cards in their shopping which reduce cash transactions, foster digital transactions, promote e-commerce and boost financial inclusion. So, this higher tariff on smart phone and smart card is a blow to the growth momentum, which ultimately will kill innovation and hit inclusive economic growth.

Bangladesh Mobile Financial Service industry is now a global success story with more than 56 million users across the country mostly who are poor and low income people. Its retail industry has taken a new shape with digital payment options. Customers, used to convenience and personalisation from retail and e-commerce, now seek the same multi-channel ease of use from their banks.

So, please don't kill innovations, boost financial inclusion, withdraw high tariffs on smart phone and smart cards.

Faruk Ahmed

Bangladesh Journalists' Foundation For Consumers & Investors (BJFCI) is the largest platform of senior journalists working in leading dailies of Bangladesh. Its members are working as Editors, Executive Editors, Economic Editors, Business Editors, News Editors, Chief Reporters, Special Correspondents and Senior Reporters/Sub Editors and committed to protect the rights of consumers and interest of inclusive investors through media interventions. BJFCI raises voice for the rights of consumers and promotes growth finance sector, digital innovations and mobile financial services in line with its vision to build a fair financial society for a better Bangladesh with inclusive growth.

New Tariff To Hit Smart Phones & Smart Cards

Traders & consumers are concerned over smuggling of smart phones



Express Report

Mobile banking is likely to face jolt as the cost of mobile phone usage has increased significantly driven by higher tariff imposed in the new national budget announced on June 13 last. In his budget speech, Finance Minister Mostafa Kamal proposed 25 per cent supplementary duty on smart phone import which was 10 per cent in the previous year.

Immediately after the budget announcement, the national board of revenue sent statutory regulatory order (SRO) to all mobile phone operators soon after placing the proposed national budget for 2019-20 fiscal in the parliament.

Mobile phone importers have expressed grave concern over the higher tariff on smart phone saying that this will discourage mobile banking operations in the country which needs to keep rapid digital transformation for reach the millennium goal.

“The higher tariff on imported smart phones would increase prices of mobile phone in the local market and encourage people to buy quality products from India and other markets. This ultimately will hit financial inclusion and the government’s move towards a cashless society”, Mohammad Nizam Uddin, president of Bangladesh Mobile Phone Business Association.



“Now, price of a smart phone would be near double but you can buy smart phone at half price from Indian market”, he said.

Digital transformation is taking place on many fronts in the country's banking sector. Most younger consumers are using mobile apps in their shopping to enjoy lucrative offers announced by digital payment operators. Salesmen of super stores, shopping malls and even grocery shops say the volume of mobile payment particularly with bKash app increased significantly in recent days which leads the country towards a less cash society.

In his budget speech, finance minister also said that due to the government's initiative some five to six local manufacturers have already started manufacturing and assembling cell phones in Bangladesh. In 2017-18 the government first gave some benefit for assembling mobile devices in the country and currently serves about 30 per cent local demand.

The 11th national budget in a row by the Awami League is titled “Bangladesh on a Pathway to Prosperity - Time is Ours, Time for Bangladesh”. But many experts say it lacks specific instructions on treading the pathway to prosperity in the next five years of the government.

Meanwhile, the bankers have expressed grave concern over the high tariff imposed on credit and debit cards. The cost for issuing new credit and debit cards will balloon 3-6 times as the government imposed fresh duty on the imported items in the new budget for fiscal 2019-20 unveiled on June 13.

A magnetic stripe card will cost Tk 120-Tk 125 in contrast to Tk 20-Tk 25 at present. For a chip-based card, the cost of import will stand at Tk 370, up from Tk 100-Tk 120.

The cost of contactless credit card will escalate by more than three times to Tk 550. As much as 25-30 lakh cards are usually imported by the local companies per year to meet the domestic demand.

The move will discourage clients from asking for credit and debit cards as banks will be compelled to impose charges for issuing them, said Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, a platform of private banks' managing directors. “The ABB will approach the authority concerned within a day or two to withdraw the duty,” he added.

Economists and industry experts say technological adoption in Bangladesh's financial industry is gathering pace. It's MFS industry is now a global success story with more than 56 million users across the country mostly who are poor and low income people living in remote rural areas. But higher tariff on smart phone will hit its growth.

Technology is transforming the retail banking landscape very fast, changing the way people and companies connect with their banks and demand services and products from anywhere, anytime. Customers, used to convenience and personalisation from retail and e-commerce, now seek the same multi-channel ease of use from their banks.

Banks are also responding by embracing technology to meet customers' demand in an increasingly competitive market. But higher tariff on smart cards will discourage people to adopt digital transactions and hit the journey towards a less cash society for growth.

Industry experts suggest the government to withdraw higher tariff on smart phone and smart cards to boost digital transactions, financial inclusion and ultimately drive the national economic growth.

Steps to set Nagad under central bank regime

Express Report

The Post and Telecommunication Ministry is considering some recommendations to run its digital financial service-Nagad operated by a third party fintech company under the supervision of Bangladesh Bank to reduce risks of money laundering and keep a conducive environment for all digital financial service operators.

A highly placed ministry officials said the ministry is now examining some measures recommended by a committee formed by Director General of Bangladesh Post Office. The committee recently submitted some recommendations to its ministry.

“Bangladesh Post Office (BPO) conveys a long-standing history of 150 years, serving people with postal and money transfer services, and is also known as the first financial institution in the sub-continent. So, we are going to set Nagad under a regulatory regime so that we can provide financial service properly”, the official said.

He said the ministry will place the issue to the high level as the government is committed to create a conducive environment to push digitalization process and encourage more investment.

Sources in the Postal department said that the proposed measures include formation of a postal bank, like Indian Postal Bank model and a subsidiary company having majority share of the government to be listed with

Bangladesh Bank.




India Post Payments Bank (IPPB) is operated under the direct supervision of Reserve Bank of India, the central bank of India under The Banking Ombudsman Scheme 2006. IPPD mainly deals with small deposits and at least one transaction of deposit or withdrawal in three financial years is necessary to keep the account active.

“We think the government can form a subsidiary company to allow Nagad to play in the same field as people will like to deal with Nagad under a fair environment”, he said.

Nagad is virtually a mobile financial services (MFS) of Bangladesh Post Office operated by a private party-Third Wave Technologies on revenue sharing basis that had entered the market in September 2018 but offering mobile payment services beyond the regulations of Bangladesh Bank.

Immediately after unofficial launch with high transaction limit Nagad created widespread criticism as it is operating its business without central bank’s supervision and allowing its customers to transact much higher transaction volume- nearly nine time higher than the limit set by the central bank for other operators with the view to reduce risks of money laundering.

Nagad allows its customers across the country to make 10 transactions a day amounting to a total of BDT 250,000 in

   একটি ডাক বিভাগের সেবা	Services	Maximum amount per transaction (person to person)	Permitted daily total amount of transaction (person to person)	Cash out charge (per 1,000 taka)
	Nagad	25,000	2,50,000	18
	Other mobile financial services	15,000	15,000 (person to person)	20

contrast to a limit of BDT 15,000 set for 18 MFS operators by Bangladesh Bank. This have seriously distorted the level playing field in the MFS sector causing concern of other MFS providers and their investors.

Industry experts see that the higher transaction limits offered by a particular operator is bound to increase risks of Money Laundering and Terrorist Financing destabilize the country's fastest growing Mobile Financial Services (MFS) industry.

Bangladesh Bank, Bangladesh Investment Development Authority (BIDA), Bangladesh Financial Intelligence Unit (BFIU) and leading media expressed their concern over the issue and suggested the government to place the Nagad immediately under the same regulatory regime to keep growth pace of the industry.

To ensure a level playing field in the country's fast-growing digital payment industry and reduce the risks of money laundering through digital channel, the Finance Ministry in a letter requested the Postal Ministry to place the Nagad under the central bank supervision.

In its letter, the Finance ministry mentions that a complex situation has been created in the country's financial market by its service Nagad. The ministry also reminds the role of Bangladesh Bank as the sole regulator for payment services of the country.

The Finance ministry also suggests the Postal Ministry to create a subsidiary company with majority shareholding by Bangladesh Postal Department in order to run Nagad operations under central bank's regulations.

Prime Minister Sheikh Hasina on March 26 inaugurated Bangladesh Post Office's digital financial service "Nagad". But the service is yet to cover all post offices to render its digital financial services as it fails to meet the needs of customers.

Most people don't interested to use this tool as Nagad cannot send money to their desired persons instantly, MFS agents in different parts of the country told The Bangladesh Express.

Besides, they alleged, responsible customers avoid this service due to poor service quality, fear of money laundering and possible fund missing through cyber fishing,

Meanwhile, Bangladesh Investment Development Authority (BIDA) in a letter to the Prime Minister expressed their concern over Nagad operations without central bank's supervision noting that such a situation may discourage foreign and private investment.

BIDA also requested the central bank to take necessary actions for the sake of investment.

DBBL ATM booths under int'l fraud gang target!

Express Report

Booths of automated teller machines (ATMs) of Dutch Bangla Bank limited are now under a major risk of fraudulent by local and international fraud gangs. ATM card holders see the DBBL ATM booths are prime target of both local and international fraud gangs due to loopholes in its security measures.

Police last month arrested six Ukrainian citizens from a hotel in the capital's Panthapath area for embezzling huge amounts of money by hacking the ATMs of Dutch Bangla Bank Limited (DBBL) last month on May 31.

Two days after a group of foreign nationals withdrew

Tk3,00,000 from a booth, bank officials were in dark on the incident and failed to realise how frauds withdrew funds its ATM booth without recording any transaction details on the server.

// A group of senior journalists recently observed such an incident at DBBL booth in Shahjahanpur in the city and informed the bank to deploy security guard for the sake of card holders. But the authority didn't take necessary measures till now, some card holders told The Bangladesh Express. **//**

According to police, the seven suspects landed in Dhaka together on May 30 and stole money from an ATM booth in middle Badda the very next day. In the latest case, it was mentioned that Tk 4.5 lakh was stolen from the Badda ATM booth on May 31.

On June 1, they stole money from the other booths. During the series of thefts, one of the hackers was detained while



DBBL ATM booth at night without security guard

he was trying to steal money from the bank's ATM in Taltola of Khilgaon.

However, another Ukrainian, Vitalli Klimchuk, escaped when the raid was conducted, and he remains on the run. A syndicate of Bangladeshis are involved with the ATM heist, police said after receiving many complaints from ATM customers.

Police suspected that the arrested are a part of an international syndicate with which several Bangladeshis are involved. Police conducted an investigation on ATM fraudulence and discovered that it was nine ATMs of the DBBL bank, instead of two, that had fallen prey to an international hacker group.

In light of the new discovery, the Criminal Investigation Department (CID) of police filed a money laundering case with Badda Police Station. Earlier, a case was filed by the bank authorities under the digital security act for the cybercrime.

Investigators suspect that the hackers might have stolen money from ATMs of other private banks as well.

Dutch Bangla Bank had reported thefts in two of their ATM booths but investigators later found that around Tk 16 lakh was stolen from a total of nine of the bank's ATMs in different areas of the capital.

DBBL has the largest network of ATM booths across the country that help the bank to earn a huge amount of money as commission. But ATM card holders often allege that DBBL booths in many times remain vulnerable in absence of security guards.

In some areas, DBBL booths remain surrounded by unwanted people and even by women at night to force card holders to withdraw cash for them. Women are used by those people to harass card holders to withdraw cash for them.

A group of senior journalists recently observed such an incident at DBBL booth in Shahjahanpur in the city and informed the bank to deploy security guard for the sake of card holders. But the authority didn't take necessary measures till now, some card holders told The Bangladesh Express.

// Abul Kashem Md Shirin, managing director of DBBL, could not be reached for comments over phone despite several attempts till the filing of this report. **//**

Abul Kashem Md Shirin, managing director of DBBL, could not be reached for comments over phone despite several attempts till the filing of this report.

DB police is trying to identify all the members of the syndicate, and to uncover the whole mystery. Meanwhile, after scrutinising CCTV footages, police investigators now suspect that around 12 to 15 Ukrainians -- who are believed to be members of an international hacker group -- were involved with the heist.

DB sources said the hacked ATMs of Dutch Bangla Bank include two in Khilgaon, one in Kakrail, one in Radisson Hotel, one in DIT road in Rampura and two in Nikunja areas.

Editor's Pick



Mobile Payments Hits Eid Markets

Faruk Ahmed

The holy Eid-ul-Fitre ended last month leaving a new message- more shoppers are embracing digital payments in shopping. Because it is convenient, cost effective, easy and cost effective. Dr. Yeasmin Afroz Kamal is one of them.

Dr. Yeasmin Afroz is a reputed eye specialist and remains busy with her patients at her workplace at BARDEM hospital. But she never forgets to buy goods and gifts for her two

children- both medical students as well as for her doctor husband. Presently, the best tool she uses to buy goods is bKash App.

“Before going to the market, I load up my bKash wallet with money. It’s a unique payment option to buy anything saving time. And at the same time enjoy lucrative discounts price offered from time to time”, she said.



Dr. Yeasmin Afroz is seen paying bills through her bKash app at a shop during eid shopping. Photo : Tarik Ibrahim Sajib

brand shops in Baily roads, Taltola and 100 shops of different categories in Bashundhara City Shopping mall seven days ahead of the Eid-ul-Fitre when all markets remained crowded with millions of shoppers from noon to late night.

People spent some billions of taka in Eid markets and people working abroad this time sent millions of foreign currencies as remittance to their families mostly living in villages. Most of the small ticket remittance were transacted through MFS channel which are deep rooted in rural areas across the country.

Owing to unbearable traffic in the capital as well as a growing demand from rural parts of the country,

With her son Nahiyen, Dr. Yeasmin Afroz was making payments to a salesperson of a shop in the over-crowded Bashundhara City Shopping mall two days ahead of the Eid-ul-Fitre last month.

This year mobile payment has hit the Eid market in a remarkable way. Many shoppers have made payment through bKash and other digital wallets as most shops have posted QR code in their front desks and happily accepted payments through mobile apps", Dr Afroz told The Bangladesh Express.

"Recently, I visited Malaysia and Indonesia and saw the people there are now using mobile banking to purchase everything from roadside grocery shops to decorated malls. And similar trend is gaining momentum in Bangladesh very fast thanks to government's efforts for all encompassing digitalization", she said.

The month long awaited holy Eid-ul-fitre ended with great festivity. Hundreds of shop owners mentioned that millions of shoppers this year used bKash app, iPay, Rocket, Visa, Master Card and other digital payment tools to buy Eid gifts and commodities. And the digital payment accounted nearly 30 percent in the Eid markets this year, according to a survey, which was only 20 percent in the previous year.

The survey was conducted in

e-commerce in the country is experiencing a boon with many sites recording 30 percent higher orders than last Eid. The improvements in the delivery system and accessibility of internet across the country have also worked in favour of the e-commerce sector.

An increasing number of people, mostly city dwellers, choose e-shopping to save time as well as avoid traffic chaos and other hazards in the busy city life. Like the regular shopping malls and other shopping places, online market place also offer discount and other facilities to attract buyers ahead of the biggest religious festival of Muslims.

A revolution is taking place across the world with mobile payment that is changing shopping culture, impacting





Eid shopping in Dhaka.

consumers' behaviors and unleashing many opportunities both for buyers and sellers across the globe. Officials of bKash, the leading mobile financial service (MFS) provider in the country said that the volume of transactions jumped to double during the Eid shopping spree.

To attract Eid shoppers, digital payment services providers offered lucrative cash incentives and gifts and e-commerce operators accepted mobile payments. Using bKash app and others, people bought goods both online and offline and commercial banks sent remittance to the recipients living in every nook and corner of the country. Eid shopping with mobile pay got boost this year as Bangladesh Bank had raised limits of MFS transactions.

Many shoppers expressed their satisfaction over the BB's decision terming it as a "most prudent decision" for consumers as the new limits befits the current uptrend economic environment people of Bangladesh are experiencing today. Besides, it has also encouraged Bangladeshi diaspora working abroad to send remittance back home for their dear ones to spend for Eid festival in commensuration to the needs.

The outlets of different local fashion brands, including Easy, Aarong, Ecstasy, Dorjibari, Infinity, Rex and Plus Point, were abuzz with huge crowds, thanks to their new collections. Footwear brands like Apex,

Bay, Bata, Lotto and Crescent also attracted huge crowd with lucrative offers and arrays of new collections. Salespersons of these brand shops said that they experienced higher Eid sales this year and received huge amount of payments through bKash app, Visa, mastercards and the likes.

Abdul Wahed Tomal, General Secretary of e-Commerce Association of Bangladesh (e-CAB), said that e-shopping has been witnessing an upward trend in the last two weeks prior to the Eid festival.

"The average number of e-shopping deliveries was 25,000 every day before the last two weeks, but now it has reached 35,000-40,000 ahead of Eid-ul Fitr," he said,

adding that different e-shops now offer discount and other facilities to attract more consumers.

It is to be noted that e-shopping has marked 30 percent growth this year as the number of social media users, particularly mobile Facebook, has also sharply increased in both urban and rural areas. "The yearly turnover of the country's online shopping is BDT 8- 10 billion," said the general secretary of e-CAB, an association of more than 900 e-shops.

Sifat Ara, owner of Women's Fashion BD, who runs online business through Facebook from the city's Shewrapara area, said that her sales started going up after Shab-e-Barat. "We



YEAR	MFS TRANSACTION (IN CRORE TAKA)
2014	103,155
2015	157,773
2016	237,692
2017	370,806
2018	378,886



used to get 15 delivery orders on average a day before Shab-e Barat, but now we're getting 25-30 delivery orders every day," she said.

Currently, there are 1,000 e-commerce entrepreneurs in Bangladesh, while another 1,000 run their business via Facebook. The country's total e-commerce market size is about BDT 15,000 – 20,000 million a year, and it is growing at 50 percent, according to the e-CAB. Most entrepreneurs say the rising adoption of mobile payment especially bKash in Bangladesh helps them to flourish business.

At present, there are 9.31 crore active internet connections in the country, according to the Bangladesh Telecommunication Regulatory Commission. The main reason for this upward e-shopping trend is mobile payment apps like bKash app which is very easy to use, backed by voice prompt, with customer preferred user friendly Bangla or English menu. Mostly younger generation amongst 30 million registered customers are now using bKash app for smart payment.

Not only in Bangladesh, shopping through mobile payment has now become a craze across the globe. Data from Criteo, an advertising platform, has revealed that mobile web sales during the Ramadan retail period saw a bigger increase of up to 69 percent in Malaysia and Indonesia, compared to desktop sales at 53 percent. App sales increased by up to 41 percent.

In the Middle East and Turkey, weekly mobile share in sales surged up to 17 percent and 29 percent respectively during Eid ul-Fitre. The shopping behaviour during Ramadan in Turkey mirrored that took place in Malaysia and Indonesia, with online retail sales reaching a peak at 50 percent uplift a week before the festival.

Why Do People Love Mobile Payment?

Natasha, a final year student of East West University spent more than one lac taka to buy goods for herself and gifts for her relatives. More than 70 per cent purchased were made with bKash app she uses since last one year.



"Payment through mobile account today have become so convenient. I use bKash app to pay bills and buy goods because it is time saving and convenient for me", Natasha told The Bangladesh Express while paying bill at a shop in Baily road after buying festival attire.

"At times one can run out of required amount to be paid for goods or services at a shopping place. But, with the option of i-banking, you can transact money from your bank account to your bKash account instantly, which saves you from emergent need of fund", Natasha said.

Most consumers use mobile app because it allows people to avoid risks of carrying cash and make digital payments to shops in almost everywhere in Bangladesh. After the introduction of digital payments, the rate of cash mugging and snatching has dropped to near zero level in cities.

"It used to be frequent hazard as people lost cash money due to pick pocketing and/or mugging. Now, with mobile wallet, such occurrences are out of question. To remain safe, I use bKash wallet to make payment for most of my purchases and bills", said Razon, a young man residing at Malibagh area. "Before going to the market, I load up money in my bKash account and complete shopping without any tension. It's time saving, secured and safe for me."

In Bangladesh people are facing troubles with ATM cards and do not prefer to carry cash. "Many times, I could not withdraw funds from booths for technical disruption, sometimes for insufficient funds. Besides, there are all the reasons to be fearful about money muggers prowling in front of ATM booths", said Abul Hashem, a senior executive working in a leading non-bank financial institution. "Now I use mobile wallet to keep money and purchase goods or pay bills", he said

On the other hand, cost of card use is likely to go high with imposed duty. A magnetic stripe card will cost BDT 120 - 125 in contrast to BDT 20 - 25 at present. For a chip-based card, the cost of import will stand at BDT 370, up from BDT 100 - 120. The cost of contactless credit card will escalate by more than three times to BDT 550. As much as 2-3 million cards are usually imported by the local companies per year to meet the domestic demand.

The rise in the cost of cards will discourage clients from asking for credit and debit cards as banks will be compelled to impose charges for issuing them, said Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, a platform of private banks' managing directors. "The ABB will approach the authority concerned within a day or two to withdraw the duty," he added.

The recent study shows growing awareness regarding mobile wallets and their applications, facilitating



More receptive to coupons, mobile payments. Two UK girls are laughing after having shopping with digital device at a shop in London

To get the answers, John B. Dinsmore, assistant professor of marketing at the Raj Soin College of Business at Wright State University and Joe Silverman, CEO of New York Computer Help conducted a study on mobile app users. In his study, Dinsmore found that impulsive people are most likely to spend on apps and on in-app purchases: no big surprise there.

The next most likely to spend are extroverted

smartphone penetration. With new technology innovation and increased security features MFS providers are expected to drive the global mobile wallet market to higher benchmark. Mobile commerce is expected to be the leading segment till 2020, followed by mobile ticketing and mobile money transfer.

In 2014, Apple launched their first mobile wallet app, followed by Samsung and Android a year later. By 2022, it's estimated that the transaction value of mobile payment apps will reach nearly \$14 trillion illustrating the fast-pace of the industry.

Two thirds (64%) of 18-25 year old in the UK now use a mobile wallet, according to research released by social money transfer app Moneymailme. The research reveals that 48% of 18-25 year old believe that physical money will be obsolete within 20 years. US consumers routed \$64 billion in spending through mobile wallet or the individual payment apps issued by companies last year. That's also up substantially from 2017's figure of \$45 billion.



people. "It can be related to impulsivity because you're out and seeing new experiences. They tend to be related," he says. Silverman says that he sees the same at New York Computer Help. The more flashy the person the more likely they are to buy - and talk about the apps they bought.

An unexpected finding, Dinsmore, says, is that the third most likely category of people to pay for apps are the

bargain-prone. "When you hear that word, you think it's people who are not going to pay for stuff," he says. "But it's not to be confused with people who are cheap."

Hence, mobile phone app based payment is the next in line – order of the day.

Who pays for apps? Who doesn't when they should? And who is most likely to make in-app purchases on the fly?



Four garment cos to disburse salary through bKash

Express Report

More than 170 ready-made garment companies use bKash app to disburse salary to their around 2 lac workers. The trend is gaining momentum as salary disbursement through mobile banking channel is gaining trust and popularity among garment workers, a senior bKash executive told The Bangladesh Express.

He said more factories are enrolling into the process. The last enrolment made by four factories- Ananta Companies, Best Wool Sweaters Ltd, Renaissance Group and Snowtex Group. These companied signed agreements with bKash to pay salary to their employees through Bkash app at a function held in a local hotel on

June 22 last.

Kamal Quadir, Chief Executive Officer (CEO) of bKash, Inamul Haq Khan, Managing Director of Ananta Companies; S.M Khaled, Managing Director of Snowtex Group; Muhammad Alamgir Kabir, Director of Renaissance Group and Siamul Hasan Siam, Director of Best Wool Sweaters Ltd signed the agreements.

Under the agreements, 10 thousand employees of Ananta Companies, 6,000 of Best Wool Sweaters Ltd., 5,500 of Renaissance Group and 10 thousand workers of Snowtex Group will get their wages through bKash.



Kamal Quadir, Chief Executive Officer (CEO) of bKash, Inamul Haq Khan, Managing Director of Ananta Companies; S.M Khaled, Managing Director of Snowtex Group; Muhammad Alamgir Kabir, Director of Renaissance Group and Siamul Hasan Siam, Director of Best Wool Sweaters Ltd pose for a picture after signing agreements for salary disbursements of garment workers through bKash app.

A CEO of garment factory said the salary disbursement through conventional banking channel to the low paid income groups is very expensive, troublesome and stressful as most of the salary were disbursed in cash. Digital payment system like bKash has addressed all these problems making disbursement process easy, secure and transparent.

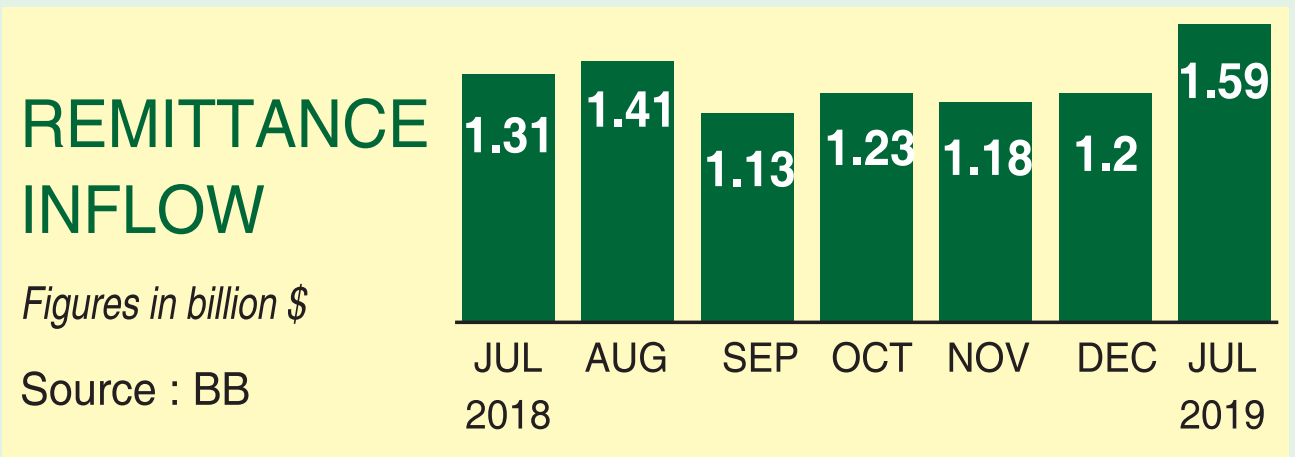
He said workers can use their bKash account's money immediately after receiving the salary, such as: sending money to other bKash accounts, buying airtime on mobile, paying different types of bills, making payment after purchasing products at shops, etc. Cash Out is also available from more than 2 lac bKash agent-points across the country.

“Even if workers want to have interests on their accounts, they surely can get it by saving money there”, he said.

bKash also creates awareness amongst the workers on secure utilization of mobile wallet and facilitates account registration campaigns within the factories. bKash has adopted digital salary disbursement solution to promote women empowerment and financial inclusion of the unbanked population towards building a Digital Bangladesh.

Mizanur Rashid, Chief Commercial Officer (CCO), Masrur Chowdhury, Head of Govt. Projects & Business Sales, Commercial from bKash, Syeda Shaila Ashraf, Corporate HR Head from Renaissance Group, M. Sajedul Karim, Deputy Managing Director from Ananta Companies, Md. Mosarrof Hossain, Group Director, Operations from Snowtex Group and Siamul Hasan Siam, Director from Best Wool Sweaters Ltd and high officials of all parties were present during the signing ceremony.

Remittance hits record high but budget ignores migrants



Farhan Ishrak Ahmed

Bangladesh received \$1.76 billion in May, the highest ever in a single month, as per the Bangladesh Bank latest data. Earlier, the maximum remittance came in January this year, which was \$1.60 billion.

Bangladesh Bank Spokesperson and Executive

Director Serajul Islam described the rise of remittance inflow driven by Eid-ul-Fitr festival. For the festival purpose, Bangladeshi expatriates send a huge amount of foreign currencies ahead of Eid ul-Fitr, he told the press.

Pickme riders now can pay through bKash app

Express Report

Riders of Pickme service now can pay bills through bKash app while taking a ride. The company has signed an agreement with bKash Limited, the largest MFS service provider of Bangladesh.

To make the payment through bKash, the customers have to select 'Digital Payment' and then 'bKash' from Pickme app after completion of rides. After clicking on "bKash" payment option, a secured bKash Payment gateway will show up on Pickme app screen.

This simple and hassle-free bKash payment process will give Pickme users more convenience as they will not have to depend solely on physical cash for making payment after rides, says a press release.

Mizanur Rashid, Chief Commercial Officer, bKash Limited and Omar Ali, Chief Executive Officer, Pickme Limited exchanged document on behalf of their respective organizations.

Shafayatul Islam Khan, Head of Telecom & Online Payments; Faisal Shaheed, General Manager, Online Payments; Syed Naim Ahmed, Account Manager; Nouren Sharaf Sadia, Key Account Manager of Commercial department of bKash and Meskat Hossain, Director; Amit Chakraborty, Chief Operating Officer; Shariful Islam Tareq, Sr. Business Manager, Operations; and Rabiul Islam, Assistant Manager, Marketing from Pickme were also present at the occasion.

More migrant workers are now using digital channel like bKash app as the last mile delivery channel which is contributing a lot to increase official inflow of remittance in the country, another central bank official said.

According to Bangladesh Bank data, remittance kept increasing since last March and the trend continued till two days ahead of Eid. Islami bank, Dutch Bangla Bank, Agrani Bank and Sonali Bank led the pick.

In July-April of the current fiscal year, Bangladeshi expatriates sent \$13.30 billion, which was 10% higher than the same period of the previous fiscal year, according to BB data. Bangladesh received \$14.98 billion in remittances in the fiscal year of 2017-18. It was 17.33% higher than the previous (2016-17) fiscal year.

But many expatriate Bangladeshi have expressed frustration over the new budget placed by Finance Minister on June 13 which skipped core problems of remittance inflow.

The government proposed allocating Tk 3,060 crore to provide two percent incentives to ease the burden of high cost of sending remittances -- the first ever move to encourage remittance via legal means. The allocation for the Ministry of Expatriates' Welfare and Overseas Employment has come down from Tk 596 crore in the outgoing fiscal year to Tk 591 for the next

one.

"Providing incentives to the migrants has been our demand for a long time. This incentive will help boost remittance as well as the migrants' credit worthiness and banking literacy.

In 2018, nearly one crore migrants sent home \$15.5 billion via legal channel. The amount could have been much higher given if the money was sent only through legal means.

Cash incentives on remittance will help boost foreign currency inflow, but the decline in allocation for the expatriate welfare ministry means low priority for the migrant workers' rights, experts say.

Now the foreign exchange reserves (reserve) of Bangladesh Bank in satisfactory condition owing to the increasing trend of remittance. On Thursday, the reserve stood at \$31.33 billion.

The central bank has taken various steps to stop hundi and high interest of dollar in the local market. The exchange rate has increased significantly in recent times, expat Bangladeshi felt encouraged to remit enhanced amount of money to their dear and near ones.

Besides, move to give fiscal incentive for remittance money in the upcoming fiscal budget also acted as a booster, as the government is mulling to provide as high as 3% incentive on remittance.



MTB introduces bill collection service for Desco subscribers

Express Report

MTB Pirerbag Agent Banking Centre, Mirpur, Dhaka last month introduced bill collection service for the subscribers of Dhaka Electric Supply Company Limited (DESCO) at the centre.

Syed Rafiqul Haq, Deputy Managing Director & Chief Business Officer, Mutual Trust Bank Limited graced the

event as the chief guest. Madan Mahan Karmoker, Head of Agent Banking, Azam Khan, Group Chief Communications Officer of MTB along with the officials of nearby MTB branches, local elite, leaders of local business associations, people from different strata and other senior officials of the bank also attended the programme.

Pay Technical Board admission applications fees through bKash

Express Report

Thousands of students applied for admission in 1500 institutes under Bangladesh Technical Education Board (BTEB) paid admission fees through bKash app during the period from May 12 to June 8, 2019.

Bangladesh Technical Education Board (BTEB) recently signed an agreement with bKash Limited to facilitate the payment of admission application fees for the year 2019-2020. MahabuburRahaman, Secretary of BTEB and

Mizanur Rashid, Chief Commercial Officer of bKash exchanged the deal on behalf of their respective organizations.

This deal facilitated admission seekers hassle free, easy payments of admission applications fees for 6 lac applicants for 1500 institutions under BTEB 24/7 from anywhere.



Americans spend more time on mobile devices than TV



Express Report

U.S. adults this year will spend more time using their mobile devices than they'll spend watching TV, per a forecast that eMarketer shared with Mobile Marketer. The researcher estimated that the average time spent on mobile devices will grow 3.7% this year to 3 hours and 43 minutes a day, surpassing the 3 hours and 35 minutes spent watching TV.

According to the report, 70% of that mobile time will be spent on smartphones, or 2 hours and 33 minutes a day. That's an increase of nine minutes — 7.3% — from 2018, but that annual growth will slow to 3.4% by 2021.

American adults spend about 40% of their daily digital video viewing time on mobile devices, reaching about 40 minutes a day. Video is the third-biggest driver of growth in mobile app engagement behind listening to digital audio (53 minutes daily) and social networking (43 minutes). TV time will drop nine minutes this year, while digital video time will increase by eight minutes,

eMarketer forecasts.

Meanwhile, according to the report, millions of cord-cutting consumers have canceled their pay-TV subscriptions in favor of streaming services like Netflix and Hulu that not only provide on-demand video to connected TVs at home, but also to their mobile devices while they're on the go.

Research shows that mobile video ads are a key driver of digital media spending. U.S. mobile advertising grew 40% to \$69.9 billion last year, making up 65% of total digital ad revenue, per an annual report by the Interactive Advertising Bureau and PwC. Digital video ads on mobile expanded 65% to \$10.2 billion, outpacing the 37% growth for digital video in all formats, including personal computers. Mobile video ads are forecast to grow as high-speed 5G mobile networks expand nationwide over the next few years.

\$4.9 Trillion Small Business Credit Gap

Digital Models to the Rescue

By Rashmi Pillai, Peter Zetterli, CGAP

CGAP has written extensively in recent years about the rapidly expanding world of digital credit in developing economies, from understanding how it works in the initial days to exploring its risks as the space has scaled faster than the industry standards and regulatory oversight mechanisms that govern it. While there are real dangers in some of these digital credit models, the expansion in eligibility and reduction in cost that they enable can just as well be harnessed for positive change. Either way, it seems evident that these innovations are irreversibly changing the landscape in access to credit.

Lending to MSEs by traditional financial institutions in emerging markets and developing economies (EMDEs) has been extremely limited. Some of the key reasons include high cost of customer acquisition and due diligence — especially for a segment that is largely informal or semi-formal — insufficient data availability to make accurate credit assessments, uncertain customer lifetime values and high costs of



distribution and servicing. Our study estimates suggest that this has resulted in a \$4.9 trillion credit gap for MSEs in EMDEs, with the informal sector representing 30 percent of this unmet demand. However, digital technologies are now enabling new business models that are better placed to respond to this opportunity and disrupt traditional MSE financing models

The framework below lists six key aspects of a credit value chain and identifies various digital technologies that are disrupting every aspect.

How are emerging business model innovations potentially disrupting each link in the value chain? Let's take a brief look

1. **Capital sourcing.** Deposit mobilization is the typical method of raising capital for lenders like banks and large microfinance institutions, but it requires investment in branch infrastructure that is costly and difficult to scale. On the other hand, nondeposit-taking institutions tend to raise capital from wholesale debt, which is more expensive. Moreover, financial institutions in EMDEs often struggle to source capital from wholesale markets because of their low credit ratings and country risk, limiting access and raising cost further. Typical costs of traditional deposit mobilization range from 5 to 25 percent, depending on the market.

Platform-based capital sourcing, such as peer-to-peer (P2P) lending platforms or platforms that allow a composite of financial institutions and individual lenders to fund individual or bundled loans, are emerging as strong alternatives. In P2P, the platform does not raise any capital because its role is limited to connecting individual investors to borrowers and possibly assessing borrower risk and channeling the flow of money. Participating in such platforms does now lower the cost of deposit mobilization for traditional lenders; however, there is a decrease in the cost of loan origination, risk assessment and disbursement, bringing in gains that are then passed on to the borrower.

2. **Origination.** Finding new customers and selling them financial products also traditionally relies on expensive branches and large field forces of loan officers. But digital technologies are now allowing

for new models of origination that, according to some fintechs, can reduce customer origination cost by a factor of 10 while increasing the average quality of customers recruited. This directly impacts customer retention and profitability.

Digital channels are allowing for three types of customer origination. The first is direct origination via digital channels using software, applications and/or platforms. Examples include Kabbage, BitBond and Afluenta.

The second is indirect origination via partnerships in which lenders source digital data from partner organizations. An example of this is Indifi, an Indian fintech that has partnered with over 80 organizations, including merchant acquirers and e-commerce websites. Tienda Pago in Peru, which partners with fast moving consumer goods companies for customer and loan origination, is another example.

The third way digital channels enable providers to reach customers is direct origination via in-field staff or digital marketing. Some providers use digital tools to augment traditional methods, enabling sales teams to meet customers in their areas of operation and collect know-your-customer or business data via tablets that upload information to centralized systems, allowing for quick or instant credit decisioning. One example is African lender 4G Capital.

3. **Credit assessment.** Digital tools are allowing businesses to move away from paper and from lending based on relationships between credit officers and borrowers. Some models use direct payment integrations to gain visibility into MSEs' digital sales (e.g., KopoKopo). This gives them additional capabilities, such as deducting payments at the source by taking a small percentage of all sales (which also helps MSEs by automatically keeping repayments in line with revenues). Other models directly integrate into the MSE's backend to accurately assess inventory turnover (e.g., Sokowatch). Some providers obtain MSE data indirectly by accessing information captured by other organizations, while still others rely on proxy indicators like social media and phone scraping data (e.g., Branch or Tala).

4. **Disbursement.** Digital tools improve the speed and ease with which credit can be disbursed.

Disbursement models range from cash to noncash disbursements. Cash disbursement models involve solutions where cash is accessed at a lender or partner cash-out point or where cash is electronically credited to the borrower's bank account or digital wallet. The first model relies heavily on cash and requires cash management, while the second model requires MSEs to have a bank account or digital wallet. Noncash disbursements usually involve the provision of a merchant's goods when inventory is low or a direct payment to the merchant's supplier, who then delivers more inventory to the business.

5. **Monitoring and servicing.** This includes providing MSEs with value-added digital services that solve challenges in areas like accounting, business monitoring or business analytics. These solutions

can help MSEs learn how to grow while providing their lenders with real-time information on the health of their businesses and improving repayment rates.

6. **Collections.** Financial institutions increasingly have the option to use digital tools that can improve the ease, speed and timeliness of credit collection. Tools include scheduled payments, automatic deductions and repayment via third parties. For example, institutions like PayPal offer automated deductions at the point of sale, where repayment is a percentage of the borrower's income and there are no fixed-maturity dates set by the lender. Other institutions use receivables-based financing where MSEs sell invoices to a lender at a discount and gain access to working capital. Lidya is one such company.



LEARN & EARN through Digital Finance

Digital Finance, the monthly Special of The Bangladesh Express is a collaborative media product of BJFCI and The Bangladesh Express designed to encourage BJFCI member journalists keep watch on the evolving financial landscape and protect rights of consumers and promote inclusive investments. BJFCI has taken the Learn & Earn project in line with its mission "to empower journalists, better address consumer concerns; and promote investors for a better Bangladesh with inclusive and sustainable growth". And The Bangladesh Express is publishing Digital Finance under its Financial Literacy For Mobile Subscribers-FILMS project in line with its mission 'to bring good thing to life'.

Mr. Promoth Ranjan Biswas (01745-922-737), Vice-Chairman of BJFCI is supervising the Learn & Earn project and Mr. Md.



Bashir Hossain Miah (01753483985), Member of BJFCI is working as Project Coordinator of the project and the Digital Finance.

Through Digital Finance, BJFCI member journalists can earn a handsome amount of money as honorarium for their contribution to reporting and editing team of this monthly publication. Write up must be made in line with the Editorial policy of The Bangladesh Express and sent to the Project Coordinator within 20th of every month.

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COLLABORATION & INNOVATION

Visa and App Provider LINE Pay to Use Blockchain

In New Fintech Offerings and App



Express Report

Japanese app provider LINE Pay Corporation has inked a deal with Visa to create new fintech services for their retail and merchant customers.

In a joint statement emailed to CoinDesk on Thursday, the two companies said they will collaborate on “innovative financial experiences” in the areas of global payments, transfer platforms and blockchain.

The planned blockchain offerings will enable users to use business-to-business (B2B) and cross-border payments, as well as “alternative currency transactions.”

Is that a hint of cryptocurrency transactions to come? We’re not sure, but maybe. Last year, LINE launched a new entity that was to provide cryptocurrency services.

Beyond blockchain, LINE Pay users will soon be able to apply for a digital Visa card to use within the digital

wallet app, as well as add existing cards to make payments from mobile phones. Additional consumer offerings will include digital payments from overseas and integrated loyalty programs.

Visa’s merchant customers may likewise benefit from the integration, as the firms aim to work together on ways for merchants to interact with the LINE Pay service and its digital wallet. Further, LINE Pay users will be able to use services at Visa’s 54 million merchant locations. They will also be able to see these transactions in their LINE Pay app, even where LINE Pay is not directly accepted.

“With Visa’s global network and infrastructure, LINE Pay users will be able to enjoy the advantages of that innovative, worldwide network,” said Youngsu Ko, CEO of LINE Pay and LINE Fintech Company.

How Monzo & Starling Are Transforming UK Spending...

Monzo and Starling are banks you've probably never heard of if you're outside the UK, but they've been leading a quiet revolution to challenge traditional banks to do better — and it's been working. Both banks live on your phone through apps on iOS and Android, with no brick-and-mortar locations or clerks at desks. Instead, at Monzo's headquarters in London, employees' dogs commingle with engineers, support staff, and other workers in the buzz of a startup environment you'd typically find in Silicon Valley.

Mobile-only banks are a totally new approach to banking in the UK, with the ability to see real-time transactions as they happen, easily split bills with

friends, and use cards overseas with no fees. All of these features, and more, have led millions in Britain to now trust Monzo and Starling with their hard-earned cash. With just word-of-mouth and very little advertising, these two banks are showing bigger British banks — and the US — how 21st century banking is really done.

Both Starling and Monzo offer very similar cards and bank accounts that are quickly becoming popular with millennials across the UK — Monzo recently crossed 2 million customers and says it's adding 200,000 more each month, and Starling has more than 550,000 customers. You can easily track your spending habits in

their mobile apps and instantly see when a payment occurs via mobile notifications. Most other banks in the UK take days to process card payments, so you never truly know what your actual bank balance is. Monzo's and Starling's apps are both in real time, so you know whether you can make that big purchase or not. The apps are also very well designed and easy to use, unlike many of the cumbersome apps that have been built by big banks.

Features like easily sending money to friends or fee-free spending abroad are also helping spread the word of these mobile banks. Starling even offers location-based fraud protection so transactions are blocked if they don't



different approach to Monzo, which is focused purely on consumer banking. While a lot of the features are similar between the two, Starling feels like more of a traditional grown-up bank, while Monzo comes across as more hip and community-focused, regularly holding events to listen to and engage with customers. In my own experience using both cards, Starling is ahead in tech and features, but Monzo has the draw of its instantly recognizable bright coral card, better person-to-person payments, and great customer service.

You can sign up for both cards using a mobile app, and both verify your identity by asking for a copy of your ID along with a video of you holding that ID. Even creating joint accounts is as simple as sitting next to the person you want to open a joint account with, and none of it involves speaking to anyone or heading to a physical bank.

Monzo was founded in 2015 by Tom Blomfield, and the card originally launched in October 2015 as Mondo, before a name change. It was originally a prepaid card that you had



to load funds onto, before transitioning to a full bank account. Blomfield previously co-founded Starling with Boden before Monzo. After reported tensions between the two, Blomfield left Starling and took some team members with him to form Monzo. While the card features have always been a step behind Starling, Monzo's

match your mobile location, and Monzo was able to quickly adapt its systems to protect customers against a Ticketmaster breach last year. You can also block ATM withdrawals, online payments, contactless (tap to pay) payments, gambling payments, and even traditional magstripe payments with Starling. It's a lot more control over your card than you'd normally find with the traditional big banks.

This is all made possible because these mobile banks are new and rely on cloud-based technology, while the bigger traditional banks haven't overhauled their backend systems to keep up. "When we started, you couldn't actually host these technologies in the cloud," explains Starling CEO Anne Boden, in an interview with The Verge. Boden and her team have spent years challenging regulators to embrace the cloud and mobile banks. Starling was founded in 2014, before obtaining its banking license and launching full bank accounts in May 2017.

Boden is a banking industry veteran, but she originally studied computer science and chemistry after growing up in Wales. She started her career at Lloyds Bank where she helped build CHAPS, Britain's first real-time payments system. Boden has also spent time at Standard Chartered, USB, RBS, and ABN AMRO, before giving up on big banks to start something new.

"In January 2014, I decided we had to start from scratch on new technology," Boden says. "I had come to the conclusion that there were so many technologies now available that could be used, and it was possible to build a bank with a very different culture."

Starling is very technology- and engineering-led as a result and has its sights set on "banking as a service." The aim is to open up its own technology and APIs so that other businesses can use its payment services. Even other financial companies could rely on Starling's tech so they don't have to build out an entire system on their own. Starling has seen a lot of success here, and even the UK's Department for Work and Pensions is using its technology.

This is a very





customer focus has won over the hearts of people and helped spread its card to millions. “We got to about a million and a half customers without really doing any advertising,” says Blomfield in an interview with The Verge.

Monzo has achieved most of this through word-of-mouth. I often see people tapping their brightly colored Monzo cards on readers to pay for things in London, and the company has created a loyal following through community events and crowdfunding efforts. Monzo is now running a TV ad campaign, and has posters on buses and London’s Tube network that will undoubtedly help it sign up millions more customers.

Both of these cards have been able to spread so quickly thanks to being radically different to traditional banks, and the way the British banking system is ahead of those in the US both in terms of technology and less complex regulations at state and federal levels. Just 3 percent of cards in the US are contactless (tap to pay) according to a 2018 report from AT Kearney, compared to 64 percent in the UK. There are obvious reasons for

the disparity, particularly as the UK is far smaller than the US, but a key step was Transport for London (TfL) supporting contactless payments in 2014. New York City only just recently caught up last month, and retailers are still struggling to even roll out chip card readers in the US. It will be years until contactless payments are widespread in the US.

Monzo and Starling have also been able to take advantage of Apple Pay and Google Pay, so you can use an app and just your phone to manage your entire bank account and make purchases. I personally use an Apple Watch for the vast majority of my payments, and rarely use my card. Cash is still widely used in the US, though, while UK consumers are more used to using a debit card for transactions regularly.

Getting customers hooked to these cards is just one part of the complex banking puzzle, though. While Monzo and Starling are both appealing due to low or nonexistent fees and their great mobile apps, they both make revenue through offering services on top of a bank account. Starling offers overdrafts, loans, mortgage offers,

insurance, and savings deals through a marketplace in its app. The company generates referral revenue on these, but it seems to be focusing the bulk of its revenue efforts on its banking as a service offering.

Monzo also offers similar overdrafts, loans, and offers. There’s even a Monzo Plus card that includes travel insurance and the ability to withdraw up to £400 free every 30 days in another country. Monzo was forced to scrap its free ATM withdrawals overseas, as the card became a popular way for Brits traveling across Europe to make transactions or withdraw foreign cash.

Both of these mobile banks also have to convince UK consumers to move their entire bank account over. There’s a fast switching service to make this easier so your salary, regular payments, and bills are all switched over, but a big part of this is trust. I still personally use a big bank as my main current account, despite the fact that Starling and Monzo are both protected by the UK’s Financial Services Compensation Scheme that covers you for up to £85,000 if they collapse.