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From the Desk of the Editor

KYC Should Come into Focus For MFS

Digital Hundi has become the talk of the town in recent times after CID police arrested 16 members of a gang including the mastermind behind money laundering worth billions through mobile financial services. It is alleged that hundi traders laundered Tk 75,000cr in a year via mobile financial services (MFS) operators. This has worried bankers, operators and regulators as the MFS has become a game changer for poor people in Bangladesh.

With the increasing adoption of mobile and digital banking channels since 2011 after the entrance of bkash, Bangladesh has leapfrogged into a mobile innovation powerhouse in order to jump-start economic development, bypassing traditional banking services. This leads to the digital economy drive leading to a rise in cashless transactions.

However, the risks of fraud, money laundering and hundi through MFS are not over. Here KYC protocol should come into focus. Random opening of MFS accounts without KYC protocols may trigger money laundering and fraud in mobile banking. In 2021, when Nagad, a digital financial service outside the central bank supervision allowed millions of customers without KYC protocol and allowed all customers of Robi, a mobile phone operator to operate its accounts where KYC protocols were not maintained, many expressed grave concern that random opening of Nagad accounts without KYC protocol might trigger money laundering.

Seasoned bankers say any banking account without proper validation of customers through face-to-face interactions is risky and a big challenge for mobile banking. Therefore, regulators across the globe have imposed on MFS providers to identify and validate their customers properly through face-to-face interactions and follow KYC/e-KYC rules to avoid any deviations. As per BB guidelines, banks and MFS operators are required to periodically update the KYC records. This is a part of banks' due diligence framework.

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Editor's Pick

Should we cut the head to cure headache?

DON'T KILL MFS INNOVATION

● FARUK AHMED



"The widespread discussions about remittance flows and the Hundi market are largely wrong in their understanding of what is happening. Capital flight is only a small part of the Hundi market operations in Bangladesh. Blaming bKash and others is wrong".

--- Forrest Cookson, former president of AmCham

Digital Hundi has become the talk of the town in recent times after CID police arrested 16 members of a gang including the mastermind behind money laundering worth billions through mobile financial services. It is alleged that hundi traders laundered Tk75,000cr in a year via mobile financial services (MFS) operators.

CID police, however, didn't explain how hundi traders use any MFS tool to send hundi money when its network



is not connected to other money transfer services overseas. This has ignited a debate: Is MFS really involved in the hundi inflow in Bangladesh? Should we cut the head to cure headache?

Hundi means, money transfer from another country outside the banking channel. Since one cannot send money from another country directly through an MFS channel, the question has been raised how can we blame MFS for the medium of Digital Hundi?

A section of people often blames MFS operators for increased hundi inflow in Bangladesh where this unique payment innovation has been playing a vital role in higher remittance inflow delivering remittance money quickly to the recipients. Some economists and bankers see this as a blame game to malign the impressive growth of this fast-moving MFS industry and halt financial inclusion driven by MFS revolution since 2011. Some industry experts say blaming the MFS for helping hundi is a wrong perception which ultimately may kill this innovation. They have raised the crucial question: Should we cut the head to cure headache?

"Hundi is being conducted by syndicates of physical agents who use various communication methods. In Bangladesh, they use MFS as normal customers of MFS to send money to the recipients. There is no scope to send money beyond the limit and bypass the banking channels', said Forrest Cookson, an economist who has served as the first president of AmCham and has been a consultant for the Bangladesh Bureau of Statistics. "Blaming bKash and other MFS operators is wrong. The hundi market has prospered for years without mobile banking", he said in his article published recently.

"The development of mobile banking is not a major factor in this market. Blaming bKash and others is wrong. The existence of mobile banking makes moving money around inside Bangladesh cheaper and simpler, but the Hundi market has prospered for years without mobile banking".

"The widespread discussions about remittance flows and the Hundi market are largely wrong in their understanding of what is happening. Capital flight is only a small part of the Hundi market operations in Bangladesh", Forrest Cookson, an economist and the first president of AmCham said. A central bank official said it is impossible for anyone to remit money from overseas

places directly to any MFS account in Bangladesh without permitted banking channels. "Hundi agents living in the country may use MFS to remite money to the recipients in the country, like other MFS users under the existing regulations. More study is needed before blaming the MFS for the medium of hundi. Before that we should not blame MFS for hundi", he said on condition of anonymity.

About Tk 750 billion is laundered every year out of Bangladesh through hundi, an informal financial instrument used in trade and credit transactions, according to an estimate of CID. Hundi traders employ their agents in various locations and use the internet, WhatsApp, telephone and other tools to communicate with senders and recipients.

Many migrant workers especially those who work in the Middle East countries particularly Saudi Arabia, Qatar, Kuwait, Oman and Bahrain are sending money to their family members in Bangladesh through some agents of international remittance service providers connected to Bangladesh mobile financial services (MFS) while others send through hundi channels.

To push up remittance inflow, industry experts say, Bangladesh should build its own mobile remittance app, particularly for workers in Middle East countries so that they can send money instantly from their workplaces. More study is needed to explore more possibilities.

"Blaming the MFS for hundi inflow will divert the attention and kill this innovation which has emerged in Bangladesh as a game changer for poor people", said Prof Amjad Hossain of Rajshahi University.

We see that these MFS operators are bringing value to the economy and the people. So, we should not play any role that may kill this innovation", he said.

Industry experts say migrant workers' preference for

"Blaming the MFS for hundi inflow will divert the attention and kill this innovation which has emerged in Bangladesh as a game changer for poor people", said Prof Amjad Hossain of Rajshahi University.



hundi emanates from a few advantageous reasons - a) the commission rates for transferring money through hundi or hawala are quite low b) the exchange rate is higher c) easy as no requirement of disclosure of the source of income and d) delivery of money instantly to the respective recipient.

Transfer of remittances takes place through different methods. According to a study, 46% of the total volume of remittance has been channelled through official sources, around 40% through hundi, 4.61% through friends and relatives, and about 8 per cent of the total was hand carried by migrant workers themselves when they visited home.

Others include selling work visas. Migrants send work visas from their country of destination. Their families either sent another member abroad with that visa or sold it for cash.

In this connection, Mr. Forrest Cookson has given a good example of hundi.

Let's begin with a simple case: Mr. Ali want to send US \$50,000 to Australia to buy a condominium. He cannot legally do this as Bangladesh Bank will not allow him to buy the foreign exchange. So Mr. Ali contacts a representative of the Hundi market, explains what he wants, gives the details of the account to receive the money, and gives Taka 4.25 million to the Hundi representative [Taka 85/US dollar]. The Hundi delivers the money to the Australian account.

To obtain the dollars other Hundi representatives take the dollars from Bangladeshi workers in Saudi Arabia paying them Taka 82/US dollar. The dollars they take are used for the payment to Australia; the Taka received

from Mr. Ali are used to provide the Taka to the worker's families. The Hundi market earns Taka 150,000 from this transaction covering their costs and profits.

Whenever a state imposes capital controls preventing the free movement of funds, according to Mr Forrest Cookson, markets such as the Hundi are established. Further, the central bank in its endless efforts to enforce foreign exchange regulations becomes more and more intrusive in trying to limit the Hundi market.

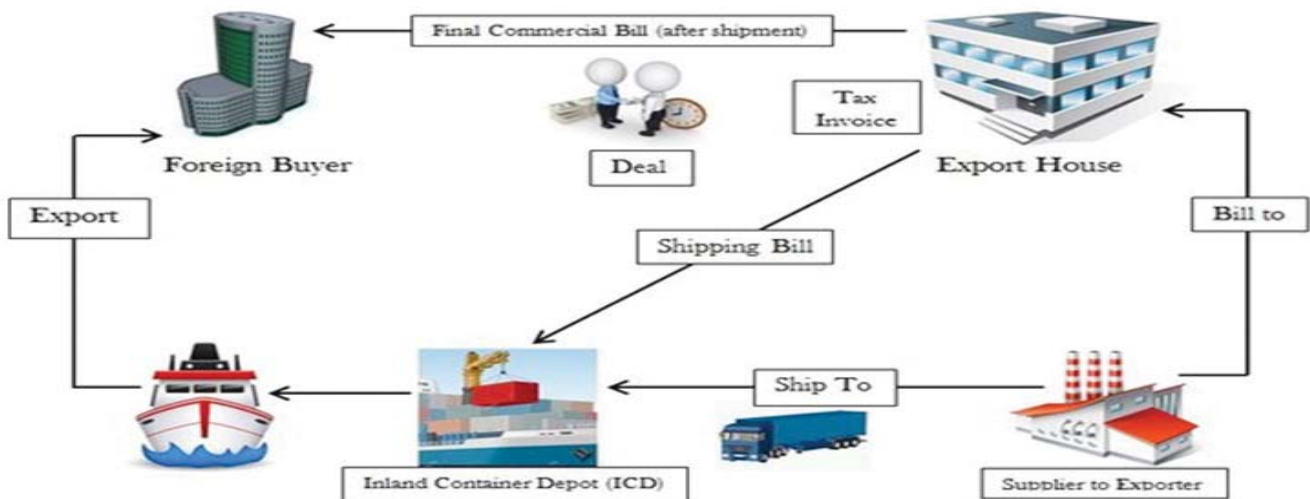
Transfer of remittances takes place through different methods. According to a study, 46% of the total volume of remittance has been channelled through official sources, around 40% through hundi, 4.61% through friends and relatives, and about 8 per cent of the total was hand carried by migrant workers themselves when they visited home.

"The hundi system has developed because the central bank in Bangladesh has put in place controls over capital flows. There is no foreign exchange transaction over Bangladesh borders. Foreign exchange is completely outside of Bangladesh's financial institutions", he noted.

"The development of mobile banking is not a major factor in this market. Blaming bKash and others is wrong. The existence of mobile banking makes moving money around inside Bangladesh cheaper and simpler, but the Hundi market has prospered for years without mobile banking", Forrest Cookson said.

There are a number of sources of demand for use of the facilities of the hundi market. Capital flight is the final source of demand. The bank transfer is handled through the hundi market.

The most important demand of hundi is to support the under-invoicing of imports; the second greatest demand comes from foreign persons working in Bangladesh remitting part of their salaries home. The substantial informal trade between India and Bangladesh largely imports into Bangladesh, maybe partly settled through the hundi market.



Finally, travel to India for education, medical treatment or tourism may be financed through the hundi market. Under invoicing is widely practised for imports from China and India; to a lesser extent from Japan, particularly with respect to automobile imports.

This is motivated by the high import taxes [the total import charges include many different taxes: customs duties, supplementary duties, VAT and Advanced Income Tax.] The total tax rates for imports of consumer goods are of the order of 40%.

MFS: A Key Enabler For Remittance Growth

With a dedicated mobile app based on MFS, industry experts say Bangladesh can attract more remittances, enabling migrant workers to send money to their families at home in real-time. The app will help migrant workers to send their hard-earned money directly to the mobile phones of their relatives in real-time at a low cost.

"MFS is an enabler to remittance growth and a safer route to push up foreign exchange reserve for Bangladesh", said a senior banker. "But all MFS players must play under the supervision of Bangladesh Bank to ensure that remittance money would be channelled through banks", he said.



Digital services (including mobile money, online, and bank account credits) have long been recognized as the main solution to bring down remittance prices. A survey conducted by the central bank of Kenya in 2021 established that the Kenyan diasporas prefer digital service providers due to convenience, efficiency in terms of speed / prompt service and ease of access. On average, recipients receive the funds sent on the same day, reflective of the high efficiency of these channels. A Global System for Mobile Communications Association [GSMA] study shows that international mobile money to mobile money service prices were only 1.7% in 2018 and 3.51% in 2020 compared to 6.75% for the Remittance Prices Worldwide average) (GSMA 2018) due to increased access, transparency,

and efficiency.

Every year, around 500,000 Bangladeshis leave the country to work abroad who are contributing 15 per cent of GDP by sending hard-earned remittances. From the migration process to remitting money to their families living in rural areas, the expatriate Bangladeshis have a feeling of being exploited and their frustration lead them to illegal Hundi for a better rate, lower fee and convenient remittance transactions.

If they find an alternative way to get better exchange rates and quick delivery at lower rates, they will refrain from being the victims of hundi traders who are exploiting them using the logo of mobile financial service (MFS) which is very familiar to them.

"Mobile Financial Service is a unique payment method and the best tool for the last mile solution", said Dr Yousuf Khan, a remittance expert and former Deputy Managing director of the Mercantile Bank. "Hundi traders are now misusing this tool effectively, so banks should immediately deploy this innovation in its remittance service model and offer better rates to keep migrant workers", he said.

Mobile technology cut remittance costs in half. The mobile technology enables efficiency and cost savings for senders and receivers of remittances. Most Bangladeshi expatriates are unhappy with the performances of exchange houses operated by commercial banks and the rates offered by them. Here, MFS has been helping banks as their last mile quick delivery solution.

Lower exchange rates and some incidents of delay in cash delivery driven by them driven by cash shortage in some bank branches allow migrant workers to use unofficial channels which ensure the quick and safe delivery of cash in remote areas.

Digital remittances play an enormous and vital role in the lives of migrants and their families. The money received in migrant households in migrants' countries of origin represents around 60% of household income,

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which is normally spent on essential items such as medicines, education, food, and housing expenses.

The proliferation of digital platforms for remittance is expected to encourage customers to move toward online transactions. Moreover, the rising penetration of mobile devices across the globe in recent years has encouraged the adoption of digital technology in remittance services and cross-border payments.

Customers across the globe are also shifting toward digital remittance services as they help reduce the money transfer time and remittance costs. Realising the potentiality of mobile remittances, many developing countries have developed mobile apps to attract remittances. Remittance inflows to Kenya have increased tenfold in the last 15 years reaching an all-time record of USD 3,718 million in 2021 after the introduction of GlobalPay app launched by M-PESA of Kenya.

Any banking account without proper validation of customers through face-to-face interactions is risky and a big challenge for mobile banking.

Remittances from more than 10 million citizens abroad are very important for Bangladesh and along with garment exports are key sources of foreign exchange earnings. The remittance sent by them is 2 times higher than readymade garments, 15 times higher than FDI, 5 times higher than foreign aid and 10 times higher than the industrial growth of the country.

KYC Should Come into Focus

With the increasing adoption of mobile and digital banking channels since 2011 after the entrance of bKash, Bangladesh has leapfrogged into a mobile innovation powerhouse in order to jump-start economic development, bypassing traditional banking services. This leads to the digital economy drive leading to a rise in cashless transactions.



However, the risks of fraud, money laundering and hundi through MFS are not over. Here KYC protocol should come into focus. Random opening of MFS accounts without KYC protocols may trigger money laundering and fraud in mobile banking. The CID's latest finding might be a bright example.

KYC stands for "Know Your Customer". To ensure that bank's services are not misused by the customer, and to follow the Anti-Money Laundering (AML) Standards and Combating of Financial terrorism guidelines laid down by Bangladesh Bank, banks follow a process to

obtain information about the identity and address of the customers. Banks follow this process while opening of accounts and periodically update the same.

For KYC in individual bank accounts, banks ask for a specified proof of address and Identity, with the latest photograph of the customer. For current accounts, requirements vary.

In 2021, Nagad, a digital financial service outside the central bank supervision allowed millions of customers without KYC protocol. The operators allowed all customers of Robi, a mobile phone operator to operate its accounts where KYC protocols were not maintained. Many had expressed grave concern that random opening of Nagad accounts without KYC protocol might trigger money laundering.

Seasoned bankers say any banking account without proper validation of customers through face-to-face interactions is risky and a

big challenge for mobile banking. Therefore, regulators across the globe have imposed on MFS providers to identify and validate their customers properly through face-to-face interactions and follow KYC/e-KYC rules to avoid any deviations.

One of the major pillars on which this MFS industry is standing is the simplified KYC introduced by Bangladesh Bank and the BFIU. As per BB guidelines, banks and MFS operators are required to periodically update the KYC records. This is a part of banks' due diligence framework.

So, KYC document is the only proof of identity binding an individual customer to his/her MFS account. If a KYC document is not in place, any person can do any financial crime through the acquired MFS account. As per BB guidelines, banks are required to periodically update the KYC records. And KYC is required to be done at least every 2 years for high-risk customers, every 8 years for medium-risk customers and every 10 years for low-risk customers.

The Bottomline

The hundi market has prospered for years without mobile banking. Blaming MFS is wrong. The existence of mobile banking makes moving money around inside Bangladesh cheaper and simpler, but the Hundi market has prospered for years without mobile banking. Capital flight is the final source of demand. The bank transfer is handled through the hundi market.

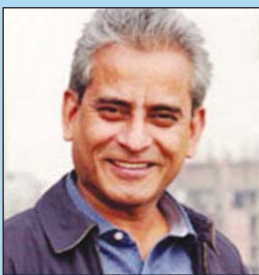
MFS is an enabler to remittance growth and a safer route to push up foreign exchange reserves for Bangladesh. We see that this innovation is bringing value to the economy and the people. So, we should not play blame game with MFS. We should not kill innovation.

What's so wrong with hundi?



Many Bangladeshi remitters resort to using hundi simply because it offers greater value for their hard-earned wages.

Birupaksha Paul



What is the reason behind hundi's existence? Why is it considered problematic, if other informal money transfer mechanisms aren't considered the same? And if hundi is so wrong, why aren't the authorities holding the policymakers who created the precondition

responsible?

It is the central bank which has been artificially fixing defective exchange rates for the US dollar since the late 2010s - an act in violation of its commitment articulated in the Bangladesh Bank (Amendment) Act of 2003, which targeted to make the dollar's value float based on the demand and supply in the market. The central bank's deviation from the policy commitment - or, more specifically, taka's artificial overvaluation as a false sense of economic vigour for at least five years since 2016 - is the main reason why hundi-makers

mushroomed at home and abroad. Remitters are like any other economic agents who will try to minimise cost and maximise revenue while sending their hard-earned dollars to their families in Bangladesh. In so doing, they encounter two avenues: the formal banking channel and the private-agent based informal channel, which we call hundi.

Remitters have every right to do cost benefit analysis, and many of them resort to using hundi simply because this channel offers greater value for their hard-earned wages. There are apparently five reasons to explain why.

First, official channels give inferior exchange rates to remitters - always less than what's given by hundi-makers. Second, hundi-makers charge no fees, whereas banks do. Third, hundi money reaches the family much faster than through banks. Fourth, women from villages fear entering banks and find understanding the procedure of remittance encashment challenging. Five, the banks in towns are often far away from their villages.

In contrast, these women are quite comfortable dealing with hundi agents living in their villages; they can easily draw the money from mobile financial services (MFSs) such as bKash in their village market. How would Korimon understand that taking money from Khedmat Mia is a financial irregularity in a country where bank looters are plundering millions of taka and getting repeated waivers from the central bank? If big default loans are redefined as new regular loans, and if money launderers are encouraged by the budget to become legal, why can't hundi-makers be redefined as remittance facilitators? Why are the hundi-makers chased by the Criminal Investigation Department (CID) and arrested when police fail to arrest numerous money launderers roaming around us with huge political clout?

When the Bangladesh Bank's faulty remittance policy, tardiness, and inadequate banking network engender the mushrooming of hundi-makers in an ever-growing trajectory, how many CID officers and how much resources can the government devote behind chasing them? Would that be worth it, while other erudite criminals are roaming around in society?

Hundi emerged in the 12th century in India. The British rulers found it a waste of energy to eradicate the hundi business since it is an informal bill of exchange - just like village mahajans earn abnormal profits by lending at exorbitant interest rates. And the British didn't attempt to arrest mahajans. Economists agree that the hundi business wouldn't have prevailed so long, had it not had strong economic underpinnings.

Korimon's husband Sattar works in a restaurant in New York City where Bangladeshi exchange houses would give him Tk 100 against one dollar. However, the exchange houses will charge USD 2 as a fee. Plus, Sattar requires both time and money to travel to Manhattan to hit the office. Sattar needs to buy a subway ticket, but his boss won't allow him to run for errands during the day. Then Sattar must fill out the form, waste a page of his chequebook, collect stamps, mail the envelope to the address in Manhattan, and wait for a week to hear that his money has been credited to Korimon's bank account. It sounds worse than the British system of money orders carried by the "Runner," as portrayed by poet Sukanta.

Let's add to this the weird nonmarket peanut - banks call it 2.5 percent incentive. So, Korimon will get Tk

10,250. Now, subtracting Sattar's cost for the fee and travel expenses or cheque page plus postal expenses, the net value that Sattar's family is getting against USD 100 is less than Tk 10,000 - say, Tk 9,800. However, Sattar knows one of his co-workers, Khedmat Mia, is a trusted hundi-maker and is willing to give Tk 10,600 for USD 100 - no strings attached. Sattar gives USD 100 to Khedmat Mia, who instantly calls his brother Keramat Mia in Nalitabari and instructs him to give that exact amount of money to Korimon bhabi within half an hour. Korimon is so happy to get the hassle-free remittance that gave her Tk 350 extra, while the Sattar family's overall gain through this hundi is more than Tk 800. Which path would Sattar choose, as a rational economic agent?

If the amount is USD 1,000, the additional gain is more than Tk 7,000. Both the satisfaction of speed and convenience are simply invaluable. It's a win-win situation for both parties. What is so wrong with that? The

bankers and police will argue that they are illegal because they are avoiding the official channel. But poor Korimon doesn't have the guts to say that their official rates are undervalued, and the total mechanism is cumbersome as well as bureaucratic.

The Bangladesh Bank must address these

areas to overcome the problems with hundi. The dollar's value must be market-based. The incentives are burdening the fiscal budget. They are now worthless given the high price for the dollar, and hence must be removed. Rather, the government can give some incentives to the exchange houses for enabling them to allow no fees for all sorts of remittances. Each bank must develop its own app for the electronic transfer of remittance funds as fast as possible. Instead of wasting energy on chasing or arresting hundi-makers, the central bank can think of including this network by giving them licences and thus devising more avenues to draw remittances from multiple sources. It's equivalent to the concept of agent banking, which tap USD 7.8 billion into the formal channel, will increase fiscal revenue, and thus will help the government address its fiscal incapacity. Let's convert a weakness into an opportunity.

(Dr Birupaksha Paul is a professor of economics at the State University of New York at Cortland in the US, and former chief economist at Bangladesh Bank.). The article was published in the Daily Star.



When the Bangladesh Bank's faulty remittance policy, tardiness, and inadequate banking network engender the mushrooming of hundi-makers in an ever-growing trajectory, how many CID officers and how much resources can the government devote behind chasing them?

IFIC Bank makes history by giving loans to 2500 entrepreneurs in a day

Express Report

IFIC Bank made history in the country's financial landscape on Tuesday disbursing Tk 55 crore loans among 2500 small and medium entrepreneurs across the country through its 1,100 branches and sub-branches across the country.

Abdur Rouf Talukder, Governor of Bangladesh Bank was present as the Chief Guest in this golden event titled 'Glorious Journey of CMSME Loan Refinancing Scheme Distribution' at the IFIC Tower in the capital city.

Most people who have received IFIC loans are very small entrepreneurs ranging from Mudi dokander to booksellers and women entrepreneurs like Bonita Rani, a seller of animal foods.

Of them, 10 entrepreneurs received loans at the event while others received from bank branches and sub-branches in different areas of the country at the same time which was shown online.

"I am delighted to witness this historical event. SME is the cornerstone of the economy. IFIC Bank is the first bank to start distributing loans under this refinancing scheme announced by Bangladesh Bank", the governor said in his inaugural speech.

Lack of lending to smaller businesses was one of the main drags on Bangladesh's economy. It needs to ensure that SMEs have the financing they need to be tomorrow's growth, Abdur Rouf Talukder said.

The central bank governor said that the government and Bangladesh Bank have given special attention to strengthening the SME sector with the aim of creating more employment with less money. "We have taken this refinancing scheme with the view to maintain economic balance in a post-Covid-19 pandemic", he said.

The event was crowded with bankers, economists and journalists of leading dailies. "IFIC Bank has changed this old definition by giving loans to SMEs and poor people quickly under easy terms", said a former banker who attended the function to enjoy this historic event in banking.

Somebody once defined a banker as a man who lends an umbrella when the weather is fine and asks for its return immediately after it begins to rain. The reason for this is that the umbrella did not belong to the lender. "But things are changing thanks to the central bank's prudent policy", said a journalist working in a daily.



A. R. M. Nazmus Sakib, Director of IFIC Bank, presided over the event, in the presence of Managing Director and Chief Executive of IFIC Bank, Shah A Sarwar and Deputy Governor of Bangladesh Bank, Abu Farah Md. Nasser.

"Bangladesh's banking industry needs sweeping changes so that it can better support small and medium-sized firms, and would benefit from more middle-sized banks which would be natural lenders to the sector", Shar A Sarwar said in his speech.

He said his bank has already distributed loans amounting to Tk 55 crore to 2500 CMSME entrepreneurs across the country through its 1,100 shakha-uposhakha under the scheme and connected masses to bring stability to the mainstream economy.

IFIC bank will give more money to more potential entrepreneurs in the coming days. With the support of Bangladesh Bank, the bank has already spread across the country and developed general people-friendly banking products for the masses, he noted.

"Today, people see the IFIC bank as their friend in need and their neighbour that stands beside them in their bad time", Shah A Sarwar said.

"We are implementing international best banking practices to suit the culture of Bangladesh with the aim of long-term sustainable development in the banking sector. Our effort will continue to keep our escalating growth, sound footing and people's trust", he said.

In order to increase employment and achieve economic development of the larger population of Bangladesh, Bangladesh Bank has formed this refinancing scheme to ensure credit facility at low interest and easy terms to the cottage, micro, small and medium industries-CMSME sector.

bKash honored as Best Financial Institution of the Year 2021



DF Report

bKash has been honored as the best financial institution of the year 2021 for its contribution to the country's financial inclusion. bKash wins 'Best Financial Institution of the year' as the first MFS provider in the country in the prestigious 'DHL-The Daily Star - Bangladesh Business Award', reads a press release.

Planning Minister MA Mannan handed over the award to Kamal Quadir, the founder and Chief Executive Officer of bKash at a ceremony held at Radisson Blu Dhaka Water Garden hotel on Friday evening. RS Subramanian, senior vice-president (South Asia) of DHL Express; Md Miarul Haque, managing director of DHL Express Bangladesh; Mahfuz Anam, Editor and Publisher of The Daily Star, among others, were present on the occasion.

DHL Express and The Daily Star have been jointly recognizing best companies and entrepreneurs for their contribution to the overall economic development of the country since 2000.

Kamal Quadir, founder and CEO of bKash said, "After 50 years of independence, Bangladesh is making a giant leap towards prosperity with inclusive growth.

Keeping up with this pace, in just over a decade, bKash has relentlessly worked to bring unbanked and under-banked people into the formal financial sector under the regulations of Bangladesh Bank from the very beginning, which reflected the government's vision. The recognition from the DHL-The Daily Star is a validation of the MFS provider's steadfast journey. It has not been a sprint, but a marathon with corporate discipline, compliant practices, and customer-centric focus. We will continue to try to contribute to Bangladesh's unstoppable march towards a cashless ecosystem and transformative financial inclusion."

bKash has been awarded as the country's Best Brand for three consecutive years in 2019, 2020, 2021 through consumer surveys by Bangladesh Brand Forum. bKash has also been ranked as the number one 'Employer of Choice' among multinational and local organizations across all sectors for two years in a row in 2020 and 2021, by Campus Track Survey of Nielsen.

It was also ranked as the 23rd company in the annual list of Fortune Magazine's "Change the World in 2017" among the top 50 companies across the world making changes based on social issues.

MFS to bring unprecedented change in financial inclusion, says BB official

DF Report

Bangladesh Bank (BB) Deputy Governor Ahmed Jamal has said mobile banking and digitation in core banking operations can play a significant role in financial inclusion for the people staying outside the coverage of formal banking.

To promote financial inclusion, he said, Bangladesh Bank (BB) has initiated a comprehensive financial inclusion campaign to ensure the availability of banking services to the un-served and under-served population segments through various support services.

As part of the financial inclusion, the BB deputy governor said, the central bank has been promoting mobile financial services (MFSs) which will certainly bring unprecedented change in the area of financial inclusion. Such efforts of bringing more people under the formal banking channel will lead the nation to achieve the sustainable development goal and economic freedom.

The deputy governor said these as the chief guest at the concluding session of the two-day Annual Banking Conference (ABC)-2022 organised by Bangladesh Institute of Bank Management (BIBM) at its auditorium in the city's Mirpur on August 28.

Ahmed Jamal said the central bank has long been focusing on full digitisation of banking operations to establish a viable, dynamic and efficient financial infrastructure to ensure financial stability.

BIBM Professor (Selection Grade) Dr Prashanta K Banerjee gave a welcome speech at the session while BIBM Director General Dr Md Akhtaruzzaman and ABC-2022 Organising Committee Chairman Professor Dr Shah Md Ahsan Habib also spoke.

The BB deputy governor told the Annual Banking



Conference-2022 that the central bank has promoted the establishment of environmentally-benign projects like renewable energy generation, application of energy-efficient technologies, and installation of effluent-treatment plants etc for a sustainable future for the country.

In addition to the mainstream central banking activities, BB also initiated a comprehensive financial inclusion campaign to ensure the availability of banking services to the un-served and under-served population segments through various support services, he mentioned.

He hoped that the papers presented at the BIBM conference by academicians, central bankers and practising bankers will help identify many critical issues and challenges confronting the banking industry of Bangladesh.

Earlier, in a plenary session, presenting the findings of a paper titled "How does the Covid-19 CMSME Stimulus Package Perform in Bangladesh?" Md Al-Amin Parvez, assistant director at Chief Economist's Unit of Bangladesh Bank, said about 77 per cent of the stimulus fund was disbursed to some 96,000 small entrepreneurs till June 2021 in the first phase of the Tk200 billion stimulus package while the second phase



of another Tk200 billion is still going on. In the study, he observed that SMEs are least successful in availing of stimulus packages compared to larger counterparts and the barriers to access to stimulus packages need to be identified to solve the problem. Citing existing surveys, Mr Parvez also said that micro and small firms received 18.4 per cent of the stimulus package provided by the government to address the adverse impact of the pandemic while 42.3 per cent of funds went to medium enterprises.

In another paper titled "Study of Climate Change Impacts on Sustainability of Banks", Dr Leena Mahesh Gadkari, associate professor at Thakur Institute of Management Studies and Research, India, emphasised proper assessment of climate change effects on a sector before channelling finance to it.

Carrying out a survey of different Indian financial institutions, she said banks and financial institutions need to check how climate-related disasters can affect their businesses.

They should also review risk assessment models while

lending and analyse whether any additional capital is required to be held to mitigate the ill effects of such disasters, she said.

Besides, she suggested providing better insurance coverage to agricultural funding as the sector is more vulnerable to frequent natural disasters.

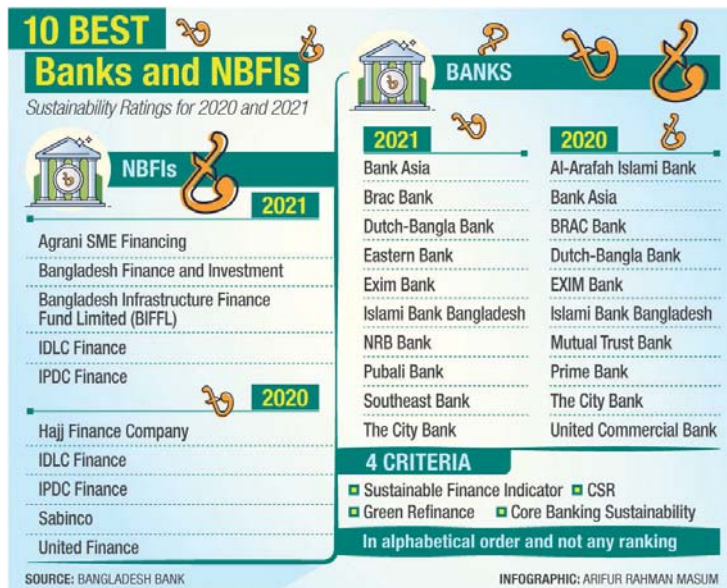
A total of 30 papers were presented at the ABC by banking and financial sector professionals from host Bangladesh, India and Nepal.

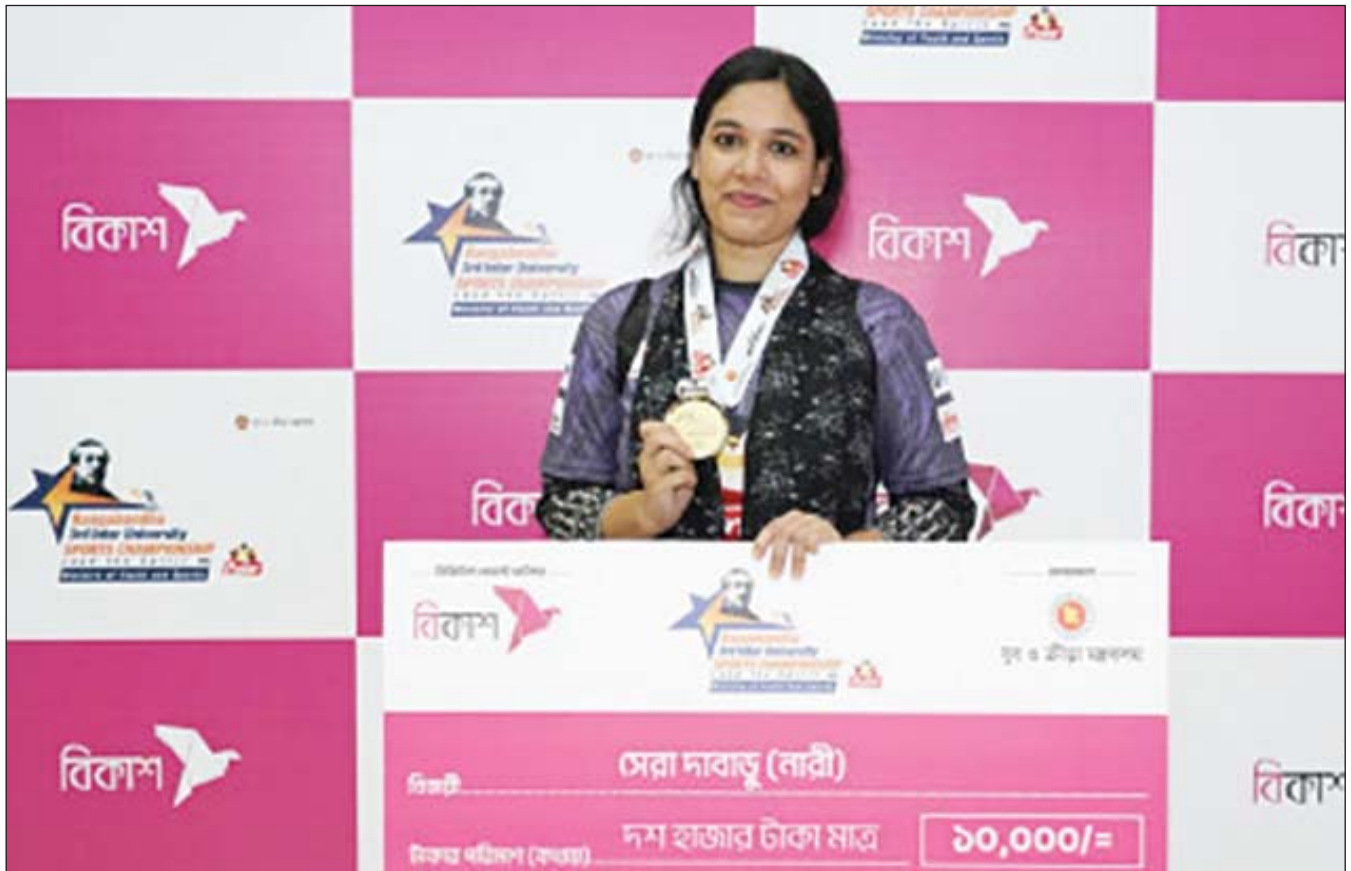
The BIBM handed over crests and certificates to the paper presenters and researchers at the concluding ceremony.

Besides, based on Central Bank's "Sustainability Rating 2021", BIBM and GIZ jointly honoured 10 banks and five non-banking financial institutions (NBFIs) for their better rating.

The ten banks are -- Bank Asia, BRAC Bank, Dutch-Bangla Bank, Eastern Bank, EXIM Bank, Islami Bank Bangladesh, NRB Bank, Pubali Bank, Southeast Bank, and City Bank.

The NBFIs are -- Agrani SME Financing Company Limited, Bangladesh Finance and Investment Co. Ltd, Bangladesh Infrastructure Finance Fund Limited (BIFFL), IDLC Finance, and IPDC Finance.





Bangabandhu Inter University Sports championship winners receive award money through bKash

DF Report

Winners of the Bangabandhu Inter University Sports Championship, organised by the Ministry of Youth and Sports, are receiving their award money through bKash.

Around 7,000 athletes from 125 universities are participating in this competition at 13 venues across the country, reads a press release.

bKash is the digital payment partner for this month-long event that started on 9 September.

Under the theme of "Bangabandhu's Sonar Desh, Tarunner Bangladesh", 3rd edition of the Bangabandhu Inter University Sports Championship is taking place with the participation of the country's public and private university students.

Planning Minister M A Mannan inaugurated the event as the chief guest.

State Minister for Youth and Sports Zahid Ahsan Russel, also the chairman of the organising committee of the competition; Bangabandhu Inter University Sports Championship Vice President Nahim Razzaq, and Youth and Sports Secretary Mesbah Uddin were present as special guests.

The championship is ongoing in 12 events including football, cricket, swimming, athletics, table tennis, basketball, volleyball, handball, cycling, chess, kabaddi and badminton, in both male and female categories. Gold, silver, and bronze medals will be awarded to the first three winners in each event of the tournament. The university with the highest number of medals will get the champion trophy.

BGMEA, upay sign deal to disburse stipend for BGMEA-SEIP project



DF Report

Bangladesh Garments Manufacturers and Exporters Association (BGMEA) and upay, one of the fastest growing mobile financial service providers in the country, signed an agreement to disburse stipends through upay.

Faruque Hassan, President of BGMEA, and Rezaul Hossain, Managing Director and CEO of upay inked the agreement on behalf of their respective organizations, reads a press release.

Under this agreement, the participants of the BGMEA-SEIP skill development project, an initiative for skill development of mid-level officials and workers in the RMG sector, would receive their stipend directly into their upay accounts.

The BGMEA-SEIP is jointly funded by Bangladesh Government and Asian Development Bank, and being implemented by BGMEA.

BGMEA President Faruque Hassan said, "The RMG industry is gearing up for the next level of growth where skill development is a top priority to equip the workforce with the skills and knowledge to meet the need of the industry in the coming days. BGMEA has taken a number of initiatives to digitize its services to

ensure quick, efficient and smooth services to all member factories, which are in alignment with the government's vision of Digital Bangladesh."

Rezaul Hossain, the Managing Director and CEO of upay, said, "We are thankful to BGMEA for selecting upay to disburse stipend among the participants of the BGMEA-SEIP skill-building project. The RMG industry has been the lifeblood of our economy for decades, accounting for more than 81 percent of the country's total export earnings. This project will help the receivers of the training to hone their skills and contribute more to the industry."

BGMEA Vice President Shahidullah Azim, Directors Rajiv Chowdhury and Neela Hosna Ara, Jishnu Roy Chowdhury, and Chief Sales and Service Officer of upay Emon Kalyan Dutta and Advisor, Jisnu Roy Chowdhury were also present at agreement signing ceremony held at BGMEA Complex in Dhaka.

upay, a subsidiary of United Commercial Bank, launched its operation in March 2021. upay customers enjoy a range of services, including fund transfer, utility bill payment, merchant payment, airtime recharge, traffic-fine payment, Indian visa fee payment, receiving inward remittances, salary and government social safety net, and other value-added financial services.

Savings scheme of Dhaka Bank and MTB now available through bKash

DF Report

Customers can avail digital savings scheme of Dhaka Bank and Mutual Trust Bank (MTB) through bKash accounts from anywhere in the country, 24/7. They can open savings schemes of different tenures and amounts of these two banks in just a few minutes from the comfort of their homes, avoiding the hassle of paper documents or forms, reads a press release issued by bKash.

With this, people outside the banking channel can open savings accounts without going to the bank counters. This service will further encourage people from all walks of life to save money and help ensure future financial security.

Last year, Bangladesh's largest non-banking financial institution, IDLC Finance, introduced the country's first 'Digital Savings Scheme' to enable customers avail the service through their bKash accounts. Following the success, the recent addition of these two banks will further strengthen the digital savings platform of bKash.

To open savings account, customers need to click on 'Savings (in bank and financial institution)' icon from the home screen of bKash app and follow some easy steps. They can avail the savings schemes in monthly installments of BDT 500, BDT 1,000, BDT 2,000 and BDT 3,000 starting from a minimum period of two years to a maximum of four years. After maturity of the scheme, customers can Cash Out the entire amount including profit from their bKash account without any charge.

The savings installments will be automatically transferred from bKash account to Dhaka Bank or MTB on a specific date of each month. The customer will be notified before each due date to keep sufficient balance in the account. Customers will be able to see all the important information 'Live' from the bKash app, including total savings amount, savings period, and profits.

Any customer, who is currently registered through e-KYC, can avail this Savings service using bKash app. However, customers can update their account information through bKash app.

In this regard, Emranul Huq, Managing Director and CEO of Dhaka Bank said, "Dhaka Bank is working relentlessly to make financial inclusion meaningful. In



continuation of this, the small savings scheme is launched in collaboration with bKash. As a result, marginalized people, who are outside the financial inclusion, will be able to deposit their hard-earned money in a completely hassle-free and secure way with the help of technology and without coming to the bank."

Syed Mahbubur Rahman, Managing Director & CEO of MTB said, "A small amount of savings can be very helpful for meeting up any future need. In a bid to encourage this perspective, MTB and bKash have jointly made Savings easier, more comfortable and safer using the latest and secured technology. We believe, this service is making financial inclusion more effective and meaningful by enabling everyone under and outside the reach of banking services to adopt digital savings schemes. It will contribute to the social security of people at large."

Kamal Quadir, Chief Executive Officer of bKash said, "Utilizing the latest technology, bKash has partnered with banks and financial institutions to make Savings more accessible and convenient for the customers. By enabling all the unbanked and underbanked customers to avail digital savings, this service will further cement the ecosystem of digital transactions."

BRAC Bank, upay sign deal on fund transfer and remittance services

DF Report

BRAC Bank has signed an agreement with mobile financial service provider upay recently, allowing BRAC Bank customers to transfer funds from Mobile App 'ASTHA' to their upay accounts, reads a press release issued by BRAC Bank.

Users can transfer up to BDT 50,000 to upay account in a day. Soon, upay customers will be able to transfer fund to BRAC Bank account from their upay account as well.

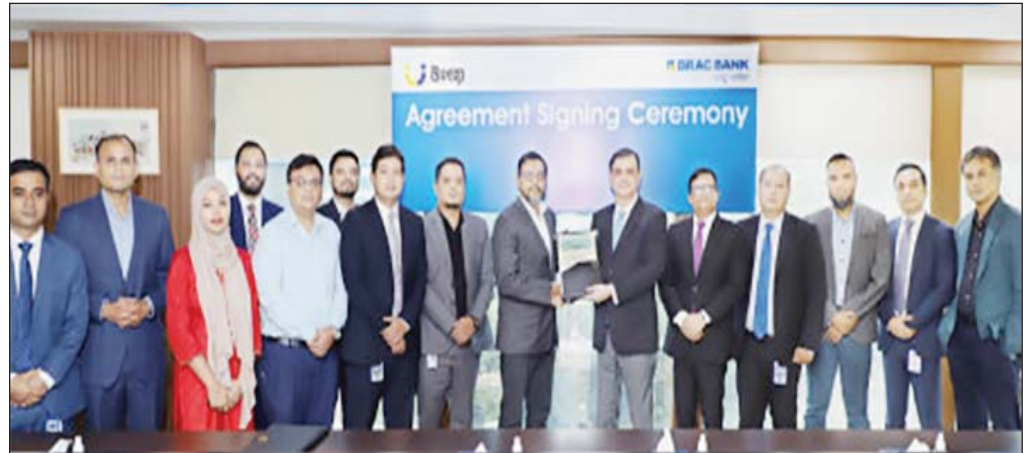
This agreement will also enable migrant Bangladeshis to send money home directly to upay account, with the help of BRAC Bank's 60+ remittance partners, including leading exchange houses and banks worldwide. Together, BRAC Bank and upay will automate the processing of remittance transactions, leading the way to the pinnacle of convenience where the beneficiary will receive the remittance instantly, no matter which corner of the world the remittance is sent from.

upay will also use the payment settlement services of BRAC Bank to facilitate transactions for its mobile account. The integration between BRAC Bank and upay will help the customers of both organizations enjoy smooth, reliable and secure transactions conveniently.

Under this agreement BRAC Bank shall provide the TCSA (Trust Cum Settlement Account) service which shall enable UPAY to operate its Trust Fund in line with MFS & TCSA guideline. Also UPAY shall avail various collection and payment solution that includes BRAC Bank's Corporate Internet Banking Platform, CORPnet.

Selim R F Hussain, Managing Director & CEO, BRAC Bank; Rezaul Hossain, Managing Director & CEO, upay; signed the agreement on behalf of their respective organizations at BRAC Bank Head Office in Dhaka on 28 August 2022.

From BRAC Bank, Tareq Refat Ullah Khan, Deputy Managing Director and Head of Corporate Banking; Md. Mahiul Islam, Head of Retail Banking; Jabelul



Alam, Head of Transaction Banking; Shahrear Zamil, Head of Remittance and Probashi Banking; Rashedul Hasan Stalin, Head of Payments and Partnership, were present.

From upay, Syed Md Enamul Kabir, Chief Financial Officer; Ziaur Rahman, Chief Strategy Officer; Shams Azad, Deputy Director, Strategy & Product; Syed Mohidul Islam, Assistant Manager, Strategy, were present.

Commenting on the partnership, Selim R F Hussain, Managing Director & CEO, BRAC Bank, said: "This partnership between BRAC Bank and upay will pave the way for a seamless digital payment experience for the customers. Now our ASTHA users will get more account fund transfer options. Expatriate Bangladeshis can directly send money to upay accounts of their loved ones. This integration with a leading MFS company is as part of BRAC Bank's continued pursuit to expand digital banking services and become the most connected bank in the industry. We will continue to form new partnerships to cater to the diverse needs of our customers."

Welcoming the collaboration, Rezaul Hossain, Managing Director & CEO, upay said: "At upay, we aim to offer the best service experience to our customers, backed by the most advanced technologies. It is our immense pleasure to start a partnership with BRAC Bank. We believe we can add significant value to our customers in local fund transfers and international remittances. This is just the beginning of our mutual partnership, which we look forward to expanding further as we strive to provide greater convenience to our customers."

Digital finance can help meet CMSME loans target to women entrepreneurs: Experts



DF Report

Bangladesh Bank has set a target of raising the ratio of CMSME loans to women entrepreneurs against the total CMSME loans to 15% by 2024. Experts and operators at a webinar held last week asked for concerted efforts by four sectors - cellphone, internet, smartphone and financial institutions - for digital finance.

"Digital Finance can help the banks and financial institutions to meet the target of loan disbursement to women entrepreneurs as many small entrepreneurs are afraid of taking loans from banks. This fear must be overcome", Rezaul Hossain, managing director and CEO of mobile financial service provider upay told the webinar.

The webinar themed "Innovations in financial services: are we addressing the financial needs and inclusion challenges of women", organised by Aspire to Innovate (a2i) project under the ICT Division.

Fahmid Kaisar, the business consultant of LightCastle Partners, presented the study paper titled "Assessing the current ecosystem of financial products for women in Bangladesh". At least 40%-50% of loan applications by women get rejected for lack of documents, the study says.

According to the study, no or expired trade licence, a

lack of guarantor, banks' aversion to lending to women, a lack of business financials and transaction history, insufficient business knowledge, and weak business plan are among the key reasons for rejection of women's bank loan applications in Bangladesh.

Fahmid Kaisar put forward a set of recommendations for the regulatory agencies as well as service providers to ensure increased lending to women entrepreneurs. He urged regulators to incentivise financial institutions upon meeting disbursement targets set for female entrepreneurs and encourage them to set up female-friendly branches.

He also recommended that financial institutions facilitate capacity development programmes for women entrepreneurs, market products according to beneficiary types, and introduce digital accounting to small and medium entrepreneurs.

He urged microfinance institutions to provide preferential rates to women who are directly involved in the business, adding this will encourage women to actively take ownership of their participation.

Financial inclusion of women is necessary for improving gender equity, increasing women's empowerment and asset ownership, Fahmid said, adding it will also help better financial management.

Addressing the online seminar, Jayasree Bagchi, director of the Financial Inclusion Department of the Bangladesh Bank, said the central bank has taken many initiatives to facilitate women entrepreneurs.

The financial sector has a target of raising the ratio of CMSME loans to women entrepreneurs against the total CMSME loans to 15% by 2024, he mentioned. Also, a separate desk has been set up for women in each branch of banks. A startup fund of Tk500 crore is being launched for new women entrepreneurs.

Rezaul Hossain, managing director and CEO of mobile financial service provider upay, asked for concerted

efforts by four sectors - cellphone, internet, smartphone and financial institutions - for digital finance.

Sonia Bashir Kabir, managing director of SBK Tech Venture, said women entrepreneurs should be taught why they need bank loans. "Many small entrepreneurs are afraid of taking loans from banks. This fear must be overcome. Products should be offered to women," she said.

Nahid Sharmin, gender specialist of the a2i Programme moderated the webinar, also addressed by Bipasha S Hossain of Swisscontact Bangladesh.



Upay signs agreement with KGDCL to facilitate bill payment

DF report

Upay, one of the fastest growing mobile financial service providers in the country has signed an agreement with Karnaphuli Gas Distribution Company Limited (KGDCL) under which customers of KGDCL can pay their postpaid gas bills through upay.

The service will be launched shortly after necessary technical integration between upay and KGDCL, reads a press release.

Emon Kalyan Dutta, chief sales and service officer of upay and Md Firoz Khan, the company secretary of KGDCL signed the agreement on behalf of their respective organizations.

KGDCL is a Bangladesh government-owned gas distribution company responsible for distributing gas in Chittagong district and the Chittagong Hill Tracts.

Among others, Engr Goutam Chandra Kundu (general manager, Planning and Development), Engr Aminur Rahman (general manager, Marketing, South Division), Engr Md. Rois Uddin Ahmed (general manager, IT and Prepaid Metering), Md Matiur Rahman

(general manager, Finance Division), Md Khairul Hassan (general manager, Accounts), Engr Hasan Sohrab, (deputy general manager, IT Department), KGDCL, and Rashedul Huque, assistant director, East Cluster, Md Iftekharuzzaman Chowdhury, general manager, Business Sales, and Mohammad Mockbul Hosin Bhiuya, deputy general manager of upay were present at the signing ceremony held at the KGDCL head office in Chattogram.

Besides, Senior Executive Vice President Md Aman Ullah, Executive Vice President Tunku Humayan Md Morshed, First Vice President Arfanul Islam, and First Vice President of UCBL Mehedi Hassan Chowdhury, were also present at the programme.

Upay, a subsidiary of United Commercial Bank, launched its operation in March 2021. Upay customers enjoy a range of services, including fund transfer, utility bill payment, merchant payment, airtime recharge, traffic-fine payment, Indian visa fee payment, receiving inward remittances, salary and government social safety net, and other value-added financial services.

Alpha Islami Life Insurance Ltd to use bKash payroll solution



DF Report

Alpha Islami Life Insurance Ltd, a fourth generation insurance company, will use the bKash payroll solution to pay salaries, commissions, and other allowances to their employees.

An agreement has been signed between bKash and Alpha Islami Life Insurance Ltd in this regard recently. Under this agreement, employees of Alpha Islami Life Insurance Ltd will receive salary, commission and allowances to their bKash account directly.

This solution has facilitated employees to get salaries uninterruptedly and also enabled the authorities to avoid cash handling and disburse wages in a more convenient and affordable way.

As a result, bKash Payroll Solution has gained momentum and currently more than 1200 organisations are disbursing salaries and allowances to their employees through bKash.

After receiving their salary in their bKash account, employees can enjoy a variety of services, such as send money, mobile recharge, utility bill payment, e-ticket-

ing, payment at online-offline shops and many more.

They can also get Cash Out facility from nearly 300,000 agent points and over 1500 booths of 13 banks located throughout the country.

In addition, eligible bKash users from employees can now apply for City Bank's 'Digital Nano Loan' ranging from Tk500 to Tk20,000 through the bKash app, receive the loan instantly, and repay the loan in three equal monthly instalments (EMI) from their bKash accounts.

They can also avail the 'Savings' scheme of IDLC Finance, Mutual Trust Bank, and Dhaka Bank in monthly instalments of Tk500, Tk1,000, Tk2,000, and Tk3,000 starting from a minimum period of two years to a maximum of four years.

Nura Alam Siddikie, Chief Executive Officer (Incharge) and Mohammed Shah Alam, DMD (Operation) of Alpha Islami Life Insurance Ltd; Ali Ahmmed, Chief Commercial Officer and ATM Mahbub Alam, Head of Payroll Business of bKash, along with other senior officials of both the organisations, were present at the signing ceremony.

IFIC Bank gets new deputy managing director

DF Report



IFIC Bank Limited has welcomed Gitanka D Datta as the Deputy Managing Director and Chief Business Officer (SME & Retail) of the company.

Prior to joining IFIC Bank, Gitanka spent over 27 years of his career with ANZ Grindlays Bank,

Standard Chartered Bank, Mastercard Bangladesh and HSBC Bangladesh where he held various Business leadership positions.

He started his banking career in 1995 with ANZ Grindlays Bank as a Management Trainee, and also worked as a consultant for Maldives Islamic Bank to develop their Digital Banking & Payments Strategy.

Gitanka holds an MBA from Institute of Business Administration (IBA), University of Dhaka.

Mercantile Bank launches 25 agent banking outlets

DF Report



Mercantile Bank recently launched 25 agent banking outlets across the country.

Md Quamrul Islam Chowdhury, managing director, virtually inaugurated the outlets from the bank's head office in Dhaka, said a press release.

Now the bank has 187 such outlets offering services involving opening of different accounts, deposit schemes or cash deposit, withdrawals, transfers, utility bill payments and remittance transfers.

Mati Ul Hasan, additional managing director, Adil Raihan, deputy managing director, and Darpan Kanti Roy, head of agent banking division, were present.

Tap brings add money and fund transfer facility

DF Report

Trust Axiata Pay or Tap is one of the country's leading mobile financial services providers that launched an inter-banking transaction service with the collaboration of Sonali Bank.

From now on, Tap service holders can avail of the services with the help of Sonali Bank's add money option without visiting the bank, reads a press release.

Tap brings this service in order to simplify and bring cost efficiency for the customers for the financial transaction.

Customers can avail of the services without any charge by adding the Sonali Bank option to the Tap apps.



To enjoy the service, add money or fund transfer option needs to be accessed. While linking the bank account, the name of the account holder and bank account number need to be provided to complete the process, CEO of Tap Nazmul Hasan said: "Both time and money would be saved due to the Tap and Sonali Bank collaboration. At the same time, money transfer for customers would be safe and hassle-free."

He also mentioned that Tap customers can add money or fund transfer of a maximum amount of Tk50,000 daily and Tk300,000 monthly.

Besides Sonali Bank, Tap customers can also add money through Trust Bank, Mutual Trust Bank, Mastercard/Visa card.

Nagad In Troubles For Tk 317cr Overdue loans Taken Against Customer Money

Nagad in tussle with the Bangladesh Bank and the Bangladesh Post Office over its overdue loan of Tk317 crore taken against customer money

DF Report

Bangladesh Post Office lists Nagad as its mobile financial service (MFS) provider and Nagad on its part claims that it is the digital transaction service of Bangladesh Post Office. It mentions the Bangladesh Post Office in all its communication materials.

Now a financial burden of Tk317 crore overdue loan taken by Third Wave Technologies, Nagad's technology partner, from the Exim Bank has surfaced putting the post office in hot waters as the Bangladesh Bank is asking the post office to adjust the loan by September this year to meet up the shortfall in Nagad's account.

The central bank issued a temporary licence to run a mobile financial service to the post office and Nagad is operating under that temporary licence.

Tanvir Ahmed Mishuk is the managing director of both Third Wave Technologies and Nagad.

At the heart of the matter is a Tk500 crore loan that Third Wave Technologies took in February 2021 from Exim Bank against Nagad's "trust fund" - money

kept in its customers' accounts. The loan was taken in violation of MFS rule by using its customers' money as collateral. When the money was used as collateral for the loan, it created a shortage in Nagad's account. This shortage means Nagad has virtually created more e-money than real money kept in its customers' accounts or "trust fund". According to the MFS rule, e-money

must be equal to real money in an MFS company's account.

Electronic money (e-money) means electronically stored monetary value issued against its real money balance, which can be used as a mode of payment.

Three months after taking the loan, the Bangladesh Bank in May 2021 issued a trust fund management guideline restricting loan against trust fund.

The Bangladesh Bank first raised the issue of the loan taken against Third Wave Technology, also owned by Nagad's Managing Director Tanvir Ahmed Mishuk, when the post office applied for extension of its temporary licence for the fifth time.

Later in September 2021, the central bank extended the interim licence period of Nagad for a fifth time at the condition of adjusting loans taken against the public money by 30 September this year.

Meanwhile, of the total loan, Tk317 crore became overdue, and Exim Bank informed the Bangladesh Bank of the matter, saying that Third Wave Technologies did not pay their overdue even after repeated calls.

The Bangladesh Bank forwarded the letter to the Bangladesh Post Office, asking it to meet up the shortfall as per MFS licence condition.

The Bangladesh Post Office, on 10 April, wrote to Tanvir Ahmed Mishuk to take necessary measures to meet up the shortfall of Tk317 crore in the trust fund.



Bangladesh Bank, in a letter to Nagad on 16 May, said that taking loan against public money by Third Wave Technologies was a clear violation of the central bank rule. Nagad was informed about the violation and was instructed to take necessary steps but they did not follow the instructions.

When Tk317.60 crore of the total loan amount became overdue, Exim Bank adjusted that money in March this year from the trust fund given by Nagad as security for the loan.

After encashment of the due loan amount by Exim Bank, Nagad on 5 April requested Bangladesh Bank to take action against Exim Bank, terming the loan adjustment unlawful and demanded justice.

In response to that, the Bangladesh Bank, in a letter to Nagad on 16 May, said that taking loan against public money by Third Wave Technologies was a clear violation of the central bank rule. Nagad was informed about the violation and was instructed to take necessary steps but they did not follow the instructions.

Hence, the loan adjustment issue was completely the matter of the relevant bank, the Bangladesh Bank has nothing to do with it, the letter mentioned.

Mohammed Haider Ali Miah, managing director of Exim Bank, said they encashed the deposit lawfully after the loan became overdue.

According to the loan condition, banks can adjust the loan on the maturity of the deposit kept as security, he said.

"We have adjusted the loan taking permission from the Bangladesh Bank," he said.

After the overdue loan adjustment, the trust fund of Nagad is in a deficit of Tk 317.60 crore which means Nagad's e-money balance is greater than its real money.

According to trust fund guidelines, the balance of the fiat money fund must be equal to or greater than e-money at the end of every day.

If there is any shortfall in the trust fund, the service provider shall deposit the required amount to correct the same.

As the loan created a deficit in the trust fund of Nagad, the Bangladesh Bank asked the post office to adjust the loan by September this year to meet up the shortfall of public money.

In a letter to the Bangladesh Post Office, the central bank said that Third Wave Technologies has taken loans using public money as security resulting in a shortfall in real

money than e-money which is a clear violation of Bangladesh Mobile Financial Services (MFS) Regulations, 2018.

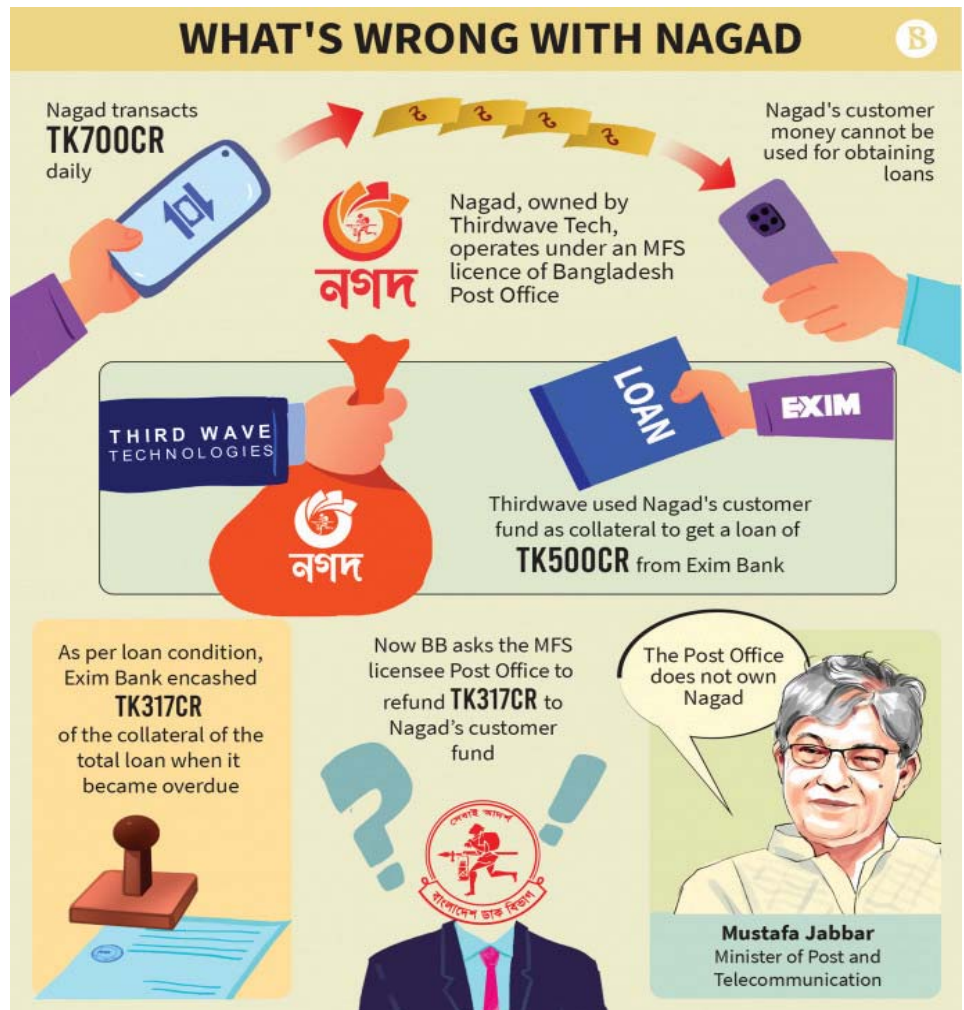
Despite the risky operation of Nagad, the central bank extended the interim licence period considering their request and at the interest of customers, the letter said.

However, the condition of the licence is that the Bangladesh Post Office has to adjust the loan within one year or owners of the entity will deposit their own money to meet up the shortfall of public money.

Bangladesh Post Office will be solely responsible for meeting the shortfall until Third Wave Technologies free from lien the deposit amount given as security to the Exim Bank, according to the letter.

This shortfall means Nagad has virtually created more e-money than real money kept in customers' trust fund account. The rule is to balance the e-money created with real money to keep inflation in check.

Now the Post Office is under the burden of making up the shortfall of Tk317.60 crore, as the Bangladesh Bank has all along held the Post Office responsible for all liabilities of Nagad because the MFS licence was issued in the name of the Post Office.



The licensing issue of the Bangladesh Post Office's mobile financial service is also a bit complicated. According to the regulations, an MFS company cannot exist on its own but has to be a subsidiary of another financial institution or government entity. For example, bKash is a subsidiary of Brac Bank and Rocket of Dutch-Bangla Bank.

To get a full licence, the Bangladesh Post Office has to form a company to run Nagad as its subsidiary. Despite being given five extensions, the last of which is to end on 30 September, Nagad could still not become a subsidiary of Bangladesh Post Office.

Under this situation, since Nagad as an MFS cannot operate alone, it has applied to the Bangladesh Bank to operate as a non-bank financial institution under which it will work as a subsidiary to legalise its operation.

Commenting on the situation, Mustafa Jabbar, Minister for Posts and Telecommunications recently said: "Bangladesh Post Office does not own Nagad and is not going to take any stake in it." Now the Post Office does not want to own Nagad with which it shares 51% revenue.

He said Bangladesh Post Office does not operate Nagad, it has no ownership in it and no post office employees work with Nagad.

Explaining the relation with Nagad, he said the company only shares revenue with the Bangladesh Post office.

Bangladesh Post Office does not operate Nagad, it has no ownership in it and no post office employees work with Nagad.

... Mustafa Jabbar

Minister for Posts and Telecommunications

BB curtails Nagad's operation

Bangladesh Bank suspended Nagad's new merchant acquiring activities until meeting the shortfall of public money.

Later, Nagad filed a writ petition against the Bangladesh Bank for its inaction against Exim Bank instead of meeting up the shortfall of public money.

In the petition, Nagad made seven officials from the top tier of the central bank respondents.

Petitioner in its writ petition filed on 18th May said that Bangladesh Bank has failed to take action against Exim bank for its unlawful encashment of term deposits that was given as the security of the loan.

The respondents include: The governor; the deputy governor, banking regulation and policy department; the deputy governor, payment systems department; the deputy governor, department of banking inspection-7; the executive director, banking regulation and policy department; the executive director, payment systems department; and, the general manager, department of banking inspection-7.

Nagad is in denial

Though Nagad is in trouble with the loan of Tk 317 crore, it had denied taking the loan previously when The Business Standard published a report in this regard.

In a rejoinder sent to the Business Standard on 29 June 2021 Nagad referred to a report titled "Nagad does not meet licence conditions for a third time" mentioning that Nagad Ltd. hasn't adjusted loans was an untrue statement and therefore needed to be corrected.

How Nagad grew so fast

From the beginning of its journey, Nagad branded itself as a government backed MFS provider which helped it to gain customers faster.

Tanvir Ahmed Mishuk is the shareholder of Nagad on behalf of Sigma Group which has majority investment in the MFS provider. Mishuk is also a board member of Sigma group.

At a discussion with journalists on 23 March 2021, Tanvir Ahmed Mishuk explained the ownership issue of Nagad, saying that the venture started with the Bangladesh Post Office under a revenue-sharing model.

In the model, Nagad would share only revenue with the government. But they now have to adopt the shareholding model as per the MFS guidelines to get a licence from the Bangladesh Bank.

In the shareholding model, the Bangladesh Post Office will get 51% ownership, he said.

"We are facing some difficulties in the shareholding process because the company now is in losses. So, the Bangladesh Post Office has to take a share of the losses. Previously, they would get income from Nagad as per the revenue-sharing model," he said.

On the other hand, taking ownership by a government organisation is a long process, which is delaying the licensing, he added.

Nagad is a fast-growing company that became the second largest MFS by achieving 53 million customers within just two years and a quarter after it started its journey. The daily transaction of the company is Tk 700 crore, according to the MFS website.

As a government backed MFS provider, Nagad gained customers faster by operating government transactions.

For instance, in FY21, the government disbursed Tk5,065 crore under the social safety net programmes through MFS operators, of which 75% was disbursed by Nagad.