



New Era in Banking

Speech of **Dr. Atiur Rahman**, Governor, Bangladesh Bank

Roundtable Discussion on ICT Budgeting

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Special Guest

Information and Communication Technology (ICT) plays a vital role in supporting and maintaining economic development of a nation by simplifying, hosting and integrating activities at multi-sectoral levels. Empirical analyses suggest that there is a strong correlation between a country's socio-economic development and its proficiency in science and technology. With the view of developing a digital Bangladesh, the present government has placed its 'Vision 2021' where high performing inclusive economic growth will be attained with the virtue of modern ICT.

Bangladesh Bank (BB), being the monetary authority of the country, is at the forefront of government's firm commitment to be digitized. BB has adopted advanced ICT in all spheres of its functions including monetary policy, banking supervision and internal management. BB has already introduced, e-banking, e-commerce, e-recruitment, e-tendering, mobile banking, automated clearing house etc.; a historic move towards achieving technology-led productivity across all economic sectors including agriculture and SME.

Prompt and safe delivery of workers' remittances, at affordable costs, to recipients in rural areas away from bank branches has for long remained a challenge for banks. BB has now been encouraging partnerships between banks and mobile phone networks for extending banking services to the door of the mass people. Fast expanding mobile telephony in Bangladesh already covers well over half the total adult population. This has opened up windows of opportunity for creative partnerships of banks and mobile telephone companies in devising cost effective arrangements for delivery of remittances (and eventually other financial services) through the countrywide area agent networks of mobile phone companies covering rural areas distant from bank branches. A number of such BB approved partnerships are already active and some more preparing themselves for launching.

Farmers now can open bank accounts at only Taka 10. About 9.0 million farmers have already opened accounts since the measure taken by BB. Since many farmers depend on remittances for their household expenditure, they will now be able to receive remittances directly to their accounts more easily and quickly. Banks have been well advised to keep these accounts active and operational for effective financial inclusion. Use of biometric and mobile technology should also be encouraged in this process of financial inclusion. Besides, BB has strengthened its monitoring and supervision activities on agricultural and SME credit with the help of existing countrywide mobile network, keeping record of cell phone numbers of farmers and small entrepreneurs.

Installation of 'Bangladesh Automated Clearing House (BACH)' is a remarkable event in the history of financial sector in Bangladesh which will ease the remittance channel and payment system, and therefore, will bring dynamism in business activities. The system has been started in early November 2009 on experimental basis, participated by some well prepared banks and will be inaugurated formally soon. The progress in this front is notable as more than 80 percent checks are being cleared automatically. Those banks that are yet to send the images of checks electronically are paying for their non-performance. Hope, all the banks will rise up to the occasion and show their full commitment for this IT option. Online CIB report, a pivotal component of risk management measure, is expected to be experimentally launched by June 2010. The final operation of CIB online will be launched in 2010 when banks and financial institutions will be able to access the CIB data base online, and get the credit report of the concerned borrower. Besides, a national payment gateway, connecting all banks for inter-bank transactions will be established soon. Necessary technical and financing preparations have all been completed in this regard.

BB has introduced Taka 2.0 billion refinance line in FY 10 against bank loans for environment friendly investments in solar energy, biogas plants and effluent treatment plants. Recently, BB switched over to solar-powered lighting by setting up a 20 kilowatt solar panel, as a move towards encouraging green energy in Bangladesh. A new refinance facility of Taka 5.0 billion has just been introduced to capacitate jute sector, the age-old green pillar of Bangladesh economy.

Central Bank reform program initiated ICT packages; includes Networking, Banking application, Enterprise Resources Planning Solution, Enterprise Data Warehouse etc.; with a view to ensuring efficient management of assets including human resources. Under networking program, all the departments of BB Head Office and its nine branch offices have already been brought under computer network (LAN/WAN) connecting almost 3100 PCs.

Enterprise Resources Planning (ERP) solution covers digitization of procurement (e-procurement), cash management, access control etc. Enterprise Data Warehouse (EDW) creates the platform of electronic data bank, which will provide all information and statistics related to monetary, trade and fiscal areas of the national economy, where all the concerned officials of BB will have access to use it for further policy analyses. Recently, BB has commenced web based e-tendering system which will cover announcement of tender, distribute schedules, bidding etc. to ensure simplicity and transparency of tendering process. Bangladesh Bank website, one of the highest resourceful websites among the Government agencies, is continuously updating information for the end-users.

The present government of Bangladesh has identified ICT as one of the major thrust sectors for rapid economic development, reducing unemployment and poverty alleviation. As part of it, the government has made ample allocations for ICT in the national budget and has already met the target set for FY 2009-10. Under Equity and Entrepreneurship Fund (EEF), around Taka 45.0 crore has been disbursed against 34 projects during 2002-2010 for the development of ICT sector and another Taka 168.6 crore is waiting to be disbursed. We have involved representatives from the IT sector in processing and approval of the IT projects under EEF. The onus is now on the IT entrepreneurs how they make the best use of this budgetary opportunity.

BB's vision is to be paperless within the shortest possible time where all correspondence (both internal and external) will be online. BB is accordingly formulating and implementing proactive policies as well as providing guidelines to the banks and financial institutions in devising cost-saving innovative financial products with the mission of digitizing the financial sector over the near and medium term. Going digital is, in fact, a change in mindset. The BB leadership has been not only encouraging its officials to change the gear but also providing hands on training, constant monitoring and of course, incentives for good performance. Steadily, BB is emerging as a show case of success story in IT adoption. I will encourage all the stakeholders present here to watch the progress made in the IT front in BB and provide necessary technical help wherever needed. Some of them are already sitting in many of our advisory panels and I want to take this opportunity to thank them from core of my heart. Thank you all.

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