

# Towards Digital Bangladesh

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Digital technology brings people from any location within the shortest possible time -- to the benefits of information technology. So we should not only dream but also take initiative to achieve and sustain the dream to be a digitised nation. The universal role of information and communication technology (ICT) is vital for socio-economic development of a developing country like Bangladesh. Availability of information helps increase productivity, ensures fair and competitive market and empowers marginal people.

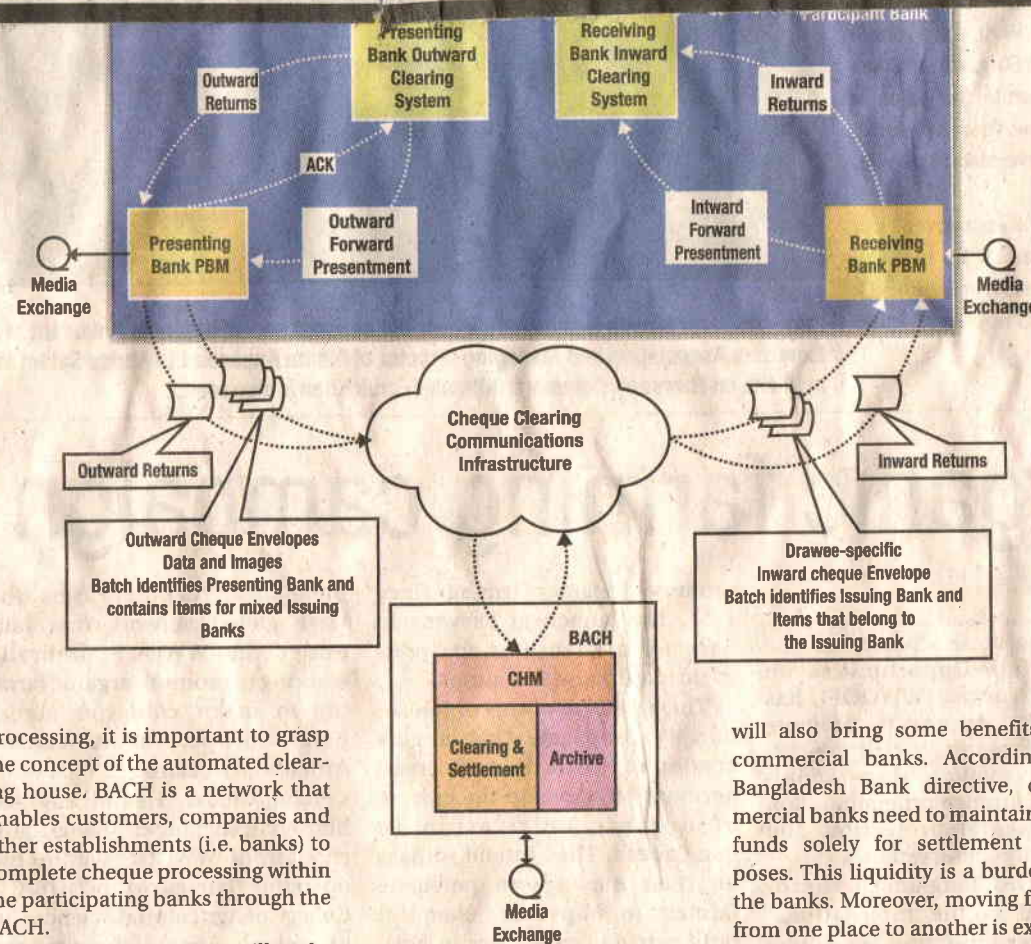
The Bangladesh Bank (BB) has already taken such a tremendous technology-based initiative, BACH (Bangladesh Bank Automated Clearing House), which moves towards achieving the goal of Digital Bangladesh. This is one of such technologies that will enable integration with different banks on a single platform. The technology is being implemented and system integration testing is going on. Hopefully, the system will be in place soon.

Now there are four payment and settlement systems: (a) Bangladesh Bank's clearing houses in Dhaka and its branches in seven other cities, (b) Sonali Bank's clearing houses in 31 towns where there are no BB branches, (c) Large value cheque settlement system of BB, and (d) BB foreign currency clearing system in Dhaka, which clears and settles foreign currency cheques and pay orders. Initially only Dhaka zone will be operating through the BACH. The rest will be implemented in phases.

In order to understand BACH

processing, it is important to grasp the concept of the automated clearing house. BACH is a network that enables customers, companies and other establishments (i.e. banks) to complete cheque processing within the participating banks through the BACH.

This payment system will make use of the automated clearing house to enable electronic payments or fund transfers in future, and small and big business houses will be benefited. The business houses planning to use such a system should be aware of the pros and cons of using this payment method. Knowing both the benefits and risks will help them make suitable deci-



sions that can improve online business activities through faster check processing.

Basically, BACH processing makes it possible for online businesses to deposit cheques using the automated clearing house network; this method is important in order to secure payments from customers faster and without hassles. BACH

will also bring some benefits for commercial banks. According to Bangladesh Bank directive, commercial banks need to maintain idle funds solely for settlement purposes. This liquidity is a burden to the banks. Moreover, moving funds from one place to another is expensive and results in poor liquidity management. Besides, there are many risks involved in end-of-day settlements. These drawbacks in payment system can be eliminated by introduction of BACH. Since BACH processing is done electronically, a bank will not need to process bad cheques several times. This system or method is also exposed to fewer mistakes. With the BACH

system, there is no such scope for mistakes and thus the businesses and customers are more protected.

There are still some things that can go wrong with BACH payment - cyber criminals can hack into system and harm online banking transactions. There are a lot of things that can be done to minimise the risks involved in cheque payment method. The banks should ensure that dedicated computers will be used for internet banking. Separate computers will be used for other important transactions that are involved in BACH and thus will lessen the chances of account being hacked.

The entire system design is flexible for banks to participate in the BACH network. The banks can choose any clearing model from these three: 1. Centralised, 2. Distributed, 3. Cluster.

In any of the three models, all cheques are collected and scanned in a designated location. It can be done centrally at head office or branch, or any regional or zonal location. It is also possible to use distributed model for outward clearing but centralised model is for inward clearing. In addition, if any bank wants to provide services to another bank, it is also possible.

Despite all concerns, it makes us hopeful and dream about the digitised clearing system. The Bangladesh Bank is the core component of the entire monetary system. If the central bank can be digitised, it will transform our banking and eventually digitise the concept of business, commerce and trade, and help us achieve Digital Bangladesh.

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