

StanChart executes Bangladesh's first-ever blockchain LC transaction

MAHMUDUL HASAN

Standard Chartered has executed the country's first-ever blockchain transaction by issuing a letter of credit for Viyellatex, in a development that can go on to make the process of trade, both at local and global levels, much streamlined.

"The whole process was smooth and hassle-free. It's like the transaction on a mobile financial service provider -- you made a transaction through SMS or an app," KM Rezaul Hasanat, chairman and chief executive officer of Viyellatex Group, a top garment exporter, told The Daily Star yesterday.

The entire transaction was paperless and completed digitally by Contour, a global network of banks, corporates and digital solutions, all on one connected decentralised platform leveraging Corda blockchain.

A blockchain is a database that is shared across a network of computers. Once a record has been added to the chain it is very difficult to change. To ensure all the copies of the database are the same, the network makes constant checks, according to Reuters.



Blockchains have been used to underpin cyber-currencies like bitcoin but many other possible uses in areas such as banking and supply chain are emerging.

Under the transaction, Viyellatex -- which exports \$300 million worth of garment and textile items and counts Puma, S Oliver, Espirit, Marks and Spencer and Sainsbury among clients -- imported textile items from Viyellatex Spinning.

Standard Chartered acted as the issuing bank for the applicant as well as the advising bank for the beneficiary of the letter of credit (LC).

Most of the garment exporters source raw materials such as textiles and yarn as well as accessories locally through inland LCs, which involve tedious paperwork.

Normally, Viyellatex has to prepare an application requesting LC and an employee has to go to the bank with the printed application to hand it over.

A designated person from the supplier has to come to the bank as well to receive the copy of the order after the bank's scrutiny.

Later, the supplier submits an invoice after shipping the items and a person from Viyellatex has to obtain it. When Viyellatex gives a nod, the bank makes payment to the supplier.

With Contour, there will be no such paperwork and no need for bank visits. All parties -- buyers, banks, beneficiaries -- involved in the process can perform all tasks simply by logging on to Contour's network.

"It is not cumbersome like normal ones. Besides, it's time and cost-efficient," Hasanat said.

Built on R3's Corda blockchain, Contour provides a distributed trade network enabling an enhanced degree of collaboration across the main elements of trade with all participants leveraging the network to create and renew trade data in real-time.

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Cheap rawhides have nothing to do with high prices of leather goods: experts

REFAEY ULLAH MIRDHA

That very low prices of rawhides will be able to keep prices of leather goods such as footwear and bags from going abnormally high in the domestic markets is not necessarily true, finds research of the Bangladesh Trade and Tariff Commission (BTTC).

Generally prices of leather goods such as footwear, belts and bags are expected to be very low considering the fact that prices of rawhides, the main ingredient for making leather goods, has been low in the country over many decades.

However, leather comprises less than 5 per cent of the production cost of a pair of leather shoes, according to a senior research officer of the BTTC.

Other costs tend to be high such as those for labour, transportation, branding, administrative and managerial works and running establishments alongside that of bank interest rates and stock lots.

As a result, the low prices of rawhides are not reflected in prices of leather goods in the domestic markets.

Moreover, local leather footwear and leather goods manufacturers have recently turned to making high-end and semi high-end goods for customers as demand for those increased with rising incomes in Bangladesh, the BTTC official said seeking anonymity.

As a result, the prices and comfort of leather goods increased in the country although



COLLECTED

Prices of leather goods have remained exorbitantly high despite that of rawhides remaining next to nothing for long, something industry insiders blame on other factors of production. The photo was taken at an Apex Footwear showroom sometime back.

the longevity of the shoes and bags decreased significantly.

For instance, most leather footwear companies previously used wood to make soles, meaning the bottom part of shoes, which tended to bring about longevity. But nowadays, the soles are made from natural rubber, which costs higher.

Use of non-leather footwear such as sneakers, most of which are imported, has also increased in Bangladesh, the BTTC official also said.

Demand for synthetic or nylon thread-made non-leather footwear is higher among middle and upper middle income people in urban areas. A section of affluent

and health conscious citizens use these items to go to their offices, as a fashion statement or simply for outdoor activities such as running.

Even office-going executives use non-leather footwear items. A significant number of people use non-leather shoes as official shoes because they like casual

attires for going to offices. These changes have come about mainly for changes in tastes in the world of fashion.

As a result, leather shoes are being squeezed out of the markets, which has also had a negative impact on their sales.

This has prompted leather goods manufacturers, especially those with shoe segments, to make hefty profits from sales of a lower quantity of shoes to fewer customers.

Moreover, leather goods manufacturers say they sell goods in bulk quantities only on a handful of occasions around the year such as Eid-ul-Fitr, Pehela Baishakh, Eid-ul-Azha and Durga Puja.

For the rest of the year, they cannot log adequate sales despite having to continually spend money for running their businesses such as for operating showrooms and maintaining employees.

The BTTC blames an organised syndicate for prices of rawhides hovering at abnormally low rates in the local markets over the past two consecutive years.

Moreover, tanners incurred losses of around Tk 500 crore while relocating their factories from the city's Hazaribagh area to Savar Tannery Industrial Estate (STIE) in 2017.

They have been suffering from a cash crunch for this, said the BTTC official who has been conducting research on the leather industries over the years.

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AB Bank puts Aman Feed's factory and land on sale for failure to pay loans

SOHEL PARVEZ and AHSAN HABIB

AB Bank has put the factory of Aman Feed and its collateral on sale for its failure to pay Tk 268.40 crore in loans and interest within the sanctioned timeframe of July.

"We gave them enough time and talked to them on several occasions, but to no avail. That's why we have put their factory and lands in Sirajganj and Gazipur on auction," said AB Bank's President and Managing Director Tarique Afzal.

The bank estimates that the approximate value of the property, including the factory in Sirajganj and lands in Sirajganj and Gazipur, is more than Tk 70 crore.

Aman Feed, a concern of Aman Group, got the revolving loans to buy capital machinery and raw materials in 2006 when it began commercial production to make poultry, fish, shrimp and cattle feed to cater to the burgeoning poultry, aquaculture and dairy industries, officials said.

Bangladesh needs nearly 65 lakh tonnes of feed per year and the poultry industry is the main consumer.



Aman also has business in poultry breeding and hatchery.

AB Bank said it filed cases against Aman Feed under negotiable instrument law earlier and arrest warrants were also issued against the officials of the company.

The lender had granted Aman Feed time to pay back the loans in a bid to reduce its non-performing loans and improve overall financial health.

"But, as the company did not

AMAN FEED'S SHARE PRICE HAS BEEN SLIDING THE PAST TWO YEARS



pay back the loans, we have put all its enforceable mortgages on auction," Afzal said.

The bank published notices for selling the property shown as mortgage by Aman Feed's Managing Director Md Shofiqul Islam.

Bangladesh Securities and Exchange Commission had also fined all the directors of Aman Feed except the independent director Tk 25 lakh each in January for violation of securities rules.

Aman Feed got listed with the stock exchanges in 2015 after floating two crore shares to the public and raised Tk 72 crore to use the fund for expansion, loan repayments and as working capital.

The company, however, in its IPO utilisation report submitted to the stock market regulator said all the loans as per the proposal in the initial public offering (IPO) were repaid to AB Bank.

The bank in October last year

issued a legal notice to Aman Feed saying the company has failed to pay the monthly instalments of loans.

A special audit report of MBS and J Partners Chartered Accountants said the company had not used the money properly and provided false information to the stock market regulator.

The bank gave Aman Feed various opportunities, including loan rescheduling facility and interest waiver, Afzal said, terming the company a willful defaulter.

Aman Feed's Chairman Rafiqul Islam did not respond to phone calls and text messages from The Daily Star yesterday.

In the financial year that ended on 30 June 2019, Aman Feed reported Tk 621.68 crore in sales, up 15 per cent from a year earlier.

The company's sales rose 20 per cent year-on-year to 160,870 tonnes in its 2018-19 financial year, according to its annual report for 2019.

Aman Feed's net profit dropped 11 per cent to Tk 47.87 crore in the 2018-19 financial year from a year earlier, while earnings per share also declined.

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Two-thirds new poor received cash support

Says finance ministry, which looks to prepare a comprehensive database of the poor by December

REJAUL KARIM BYRON

The government has distributed cash support among 35 lakh beneficiaries rendered poor because of the coronavirus pandemic after preparing a database through multi-layer scrutiny of the people who needed it most.

This means two-thirds of the 50 lakh poor families suffering from the economic consequences of the coronavirus outbreak in Bangladesh received Tk 2,500 each, according to a finance division letter.

After the government put in place the countrywide shutdown on 26 March to slow the spread of the rogue pathogen, millions lost jobs.

This prompted the government to allocate Tk 1,250 crore for the 50 lakh poor families whose breadwinners were rendered unemployed.

Rickshaw and van-pullers, day labourers, construction workers, agriculture farmers, employees of shops, people employed at small businesses, poultry labourers and transport workers were supposed to be the targeted beneficiaries.

Prime Minister Sheikh Hasina

inaugurated the government-to-person fund disbursement on May 14.

But the government faced a real challenge when it came to reaching genuine beneficiaries as it did not have a comprehensive database.

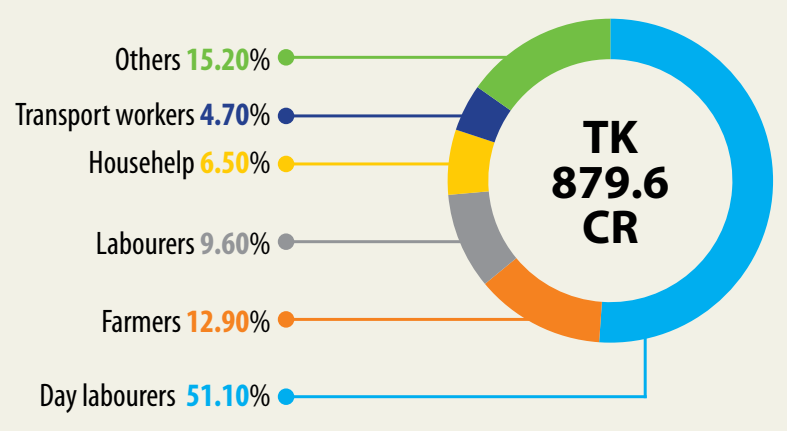
Bangladesh's safety net schemes are historically marred by fragmentation, weak targeting and inefficiency and the weaknesses were again manifested at a time when the poor have been facing possibly the worst crisis in their lives.

The information and communications technology division compiled a list of potential beneficiaries from across the country using inputs from the field-level administrations and scrutinised them through the central aid management software. It sent a list of 49,30,154 people to the finance division in three phases.

The finance division cross-checked it against the databases of the national identification (NID) card of the Election Commission, the Department of National Savings, the post office, the social safety net programmes (SSNPs), pensioners and public sector employees.

Day labourers got the lion's share of govt's Tk 2,500 cash support

SOURCE: FINANCE MINISTRY



It also took the help of the National Telecommunication Monitoring Cell and the Bangladesh Telecommunication Regulatory Commission.

The finance division struck the names of the 14,32,801 off the list for flaws.

Subsequently, the finance division allocated Tk 89.58 crore among 34,97,353 people through electronic fund transfer, according to a letter of the finance ministry to the Prime Minister's Office.

Of the sum, Tk 34.48 lakh involving 2,331 people came back as the related

mobile phones were not active.

The database was prepared under the finance ministry's project on strengthening public finance management to enable service delivery. The PMO directly supervised the whole work.

The beneficiaries comprise of mostly new poor and they don't receive any support from the existing SSNPs.

When the initiative was rolled out, mobile financial services Nagad, bKash, Rocket and SureCash were each given the responsibility to transfer the funds to 17 lakh, 15 lakh, 10 lakh and 8 lakh account-holders.

Nagad distributed Tk 324.47 crore among 12.9 lakh beneficiaries. Bkash channelled Tk 233.99 crore among 9.3 lakh beneficiaries, Rocket Tk 177.44 crore among 7.05 lakh recipients and SureCash Tk 120.79 crore among 4.8 lakh beneficiaries.

Banks wired Tk 22.88 crore among 90,980 beneficiaries.

Of the beneficiaries, 26,38,899 were male and 8,58,454 female.

The age bracket of 31 to 40 years was the largest beneficiary segment at 33 per cent.

Some 13.64 per cent of the beneficiaries were less than 30 years of age and those in the age bracket of 41 to 50 years made up 26.44 per cent of the beneficiaries.

Those aged 51 to 60 years were 16.68 per cent of the recipients and those aged 61 to 70 accounted for 7.34 per cent of the beneficiaries.

The government has not decided yet whether it would go for distributing the cash support among the rest of the targeted people, said a finance ministry official.

The new database gave the government a basis to come up with a comprehensive list of beneficiaries.

The government is looking to come up with the database by December, Finance Minister AHM Mustafa Kamal told The Daily Star last week.

The database would help distribute support accurately to the targeted groups, he said.

Shubhashish Barua, an assistant professor of the Department of Development Studies at the University of Dhaka, yesterday said it has to be looked into whether those who need it the most received the support.

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