Sheikh Fazle Fahim reelected Cacci vice president

STAR BUSINESS DESK

Sheikh Fazle Fahim

Sheikh Fazle Fahim, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), has recently been re-elected vice president of the Confederation of Asia Pacific Chambers of Commerce and Industry (Cacci).

The approval was made during the 92nd council meeting of Cacci held through cloud conference, according to a statement.

Earlier in 2018, Fahim was elected vice president of Cacci for 2018-2020 at the 32nd CACCI Conference held in Turkey.

Fahim is also vice president of the Saarc Chamber of Commerce and Industry.

Established in 1966, Cacci is a regional organisation of apex national chambers of commerce and industry and business associations of 28 countries of Asia and the Pacific.

It serves as a forum for promoting the vital role of the businesspeople in the Asia and Western Pacific region, increasing regional business interaction and enhancing regional economic growth.

Presided over by Samir Modi, the current president of Cacci, participants of the 92nd council meeting conveyed thanks to the FBCCI for successfully organising the 33rd conference in Dhaka in November last year.

The next Cacci conference has been proposed to be held in Singapore in 2021 and extension of nomination submission deadline for a Cacci awards was also approved at the meeting.

Cacci regularly organises conferences, high level meetings and seminars for enhancing trade and business relations among member countries. It also mediates in exchange of business and investment knowledge, policy advocacy and creating strong network among the business community.

RBI committee recommends reshaping domestic banking industry

REUTERS, *Mumbai*

A working group at India's central bank has recommended a series of changes that could transform the country's banking landscape by paving the way for large industrial conglomerates to set up banks.

The proposals could also allow large non-banking finance companies and niche payment banks to convert into lenders.

In a report made public on Friday, the committee recommended that banking regulations be amended to allow large industrial houses to act as so-called bank promoters, meaning they could take a significant stake in a lender, something the central bank has strongly resisted in the past.

"Allowing corporates into banking is a path that the regulator should tread on carefully because how much ever ring-fencing they do, problems may crop up," said Ashvin Parekh, an independent financial services consultant.

Analysts said the move could be aimed at pumping more capital into the banking sector and increasing competition, but warned supervisory challenges could intensify.

Bajaj Group, Piramal Group and Reliance Industries are well-positioned to expand into banking, said an investment banker who did not wish to be named.

As well as opening up the banking sector, the committee suggested adjusting the size of the stakes major shareholders can hold in a lender.

For investors not involved with the bank at the outset, or non-promoter shareholders, a uniform cap of 15 per cent instead of a current tiered structure was suggested by the committee, which was formed in June to review ownership guidelines and the corporate structure of Indian private sector banks.

It recommended increasing the size of the stake that promoters in private banks can hold to 26 per cent from the current 15 per cent over a 15-year time frame.

In 2018, billionaire banker Uday Kotak, managing director of Kotak Mahindra Bank, took the central bank to court over an order from the regulator to reduce his stake in the lender to 15 per cent.

The panel's recommendations may also pave the way for shadow banks to convert into lenders. A Non Banking Financial Company (NBFC), or shadow bank, with assets of 500 billion rupees ($6.75 billion) and above may be considered for conversion into a bank after 10 years of operations, the report said.

India's central bank has invited comments on the report which can be submitted until Jan. 15, 2021.

REUTERS/FILE

CCTV cameras are seen installed above the logo of Reserve Bank of India inside its headquarters in Mumbai.

CCI clears Reliance-Future's $3.4b deal despite Amazon's objections

REUTERS, *Mumbai*

India's antitrust body on Friday cleared conglomerate Reliance Industries' $3.4 billion deal to buy Future Group's retail assets, thwarting Amazon.com's efforts to block the deal.

The Competition Commission of India (CCI) announced its decision in a tweet on Friday, with details likely to be made public later.

Amazon had approached the CCI and the country's market regulator SEBI alleging the deal would violate some pre-existing agreements it had with Future Group.

Last month Amazon won an injunction from a Singapore arbitrator to halt the deal pending arbitration.

Amazon, Future and Reliance did not immediately respond to a request for comment.

While the deal is yet to receive approval of stock exchanges and market regulator SEBI, the three companies are now embroiled in a legal battle at the Delhi High Court over the transaction.

An Indian antitrust lawyer said the CCI only looks into competition issues around a deal and is not concerned with other disputes between parties.

"It's (CCI) not a regulator which approves the transaction as such," the lawyer said.

Amazon says its 2019 deal with a Future Group subsidiary included clauses saying it could not sell its retail assets to certain parties, including Reliance. Future has argued it entered into the deal with Reliance because its retail business was severely hit during the COVID-19 pandemic and it was critical to protect all its stakeholders.

Costly staple hurting low-income people

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He apprehends that if the harvest season failed to cool the market, things may even turn for the worse.

Rice mill owner Ahmed Ali of Lalmonirhat town sees no sign of prices reducing this year. He said farmers seemed unwilling to sell their paddy and whatever they were letting go of were fetching high rates.

Mills, which turn the paddy into rice, were having to accept the rates, for which market prices were eventually not decreasing, he said.

Investors bet on overpriced mutual funds

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The appetite for the mutual funds was largely limited to the closed-end funds that are traded on the bourse. The demand for the open-ended ones, which are not traded, has almost been the same.

The performance of the closed-end funds was lower than that of the open-ended fund in recent times.

Year-to-date return of the DSEX, the benchmark index of the Dhaka Stock Exchange, was 11 per cent on November 16 whereas the return on aggregated closed-end mutual funds was 8.5 per cent.

For the open-ended funds, the return was 12.4 per cent, data from IDLC Asset Management showed.

"The closed-end funds were at the top of the demand only because of the rumour. There was no big jump in the stock market, so the funds have no potential to make a major stride during the pandemic," said another merchant banker.

He said almost all the mutual funds traded below their NAV in the last few years and none looked at them although they were lucrative at the time.

Some mutual funds have potential, and their price is lower than their asset value, but the investors were rushing towards some specific funds.

The units of CAPM IBBL Islami Mutual Fund rose around 150 per cent to Tk 16 in the last two weeks. SEML IBBL Shariah Fund doubled to Tk 14.50, DSE data showed.

The sponsors of some mutual funds have started to sell their stake seeing higher profits.

Eastern Bank, one of the sponsors of EBL First Mutual Fund, expressed its intention to sell 8.95 lakh units out of its total holding of 28.95 lakh at a prevailing market price.

Padma Bank Securities, one of the corporate sponsors of SEML FBSL Growth Fund, disclosed that it would sell its 15 lakh units of the fund.

Before the rise of the units of the mutual fund sector, the gamblers had spread rumours about the insurance sector, pulling general investors. Both sectors have started to fall, and general investors are not selling the funds at a loss, said Khairul Bashar Abu Taher Mohammed, CEO of MTB Capital.

"It ultimately reduced their purchasing power of the investors, thus the turnover of the market," he said.

The units of 29 mutual funds are still trading below their face value, DSE data showed. As the funds' net asset value is lower than their face value, their price is also lower, according to analysts.

The mutual fund sector has been struggling because of the weak performance of the fund managers, they said.

The Bangladesh Securities and Exchange Commission (BSEC) has formed a committee as some mutual funds were rising abnormally.

"The BSEC will look into the trades of the funds. If any irregularities are found, we will take actions," said BSEC Spokesperson Rezaul Karim.

Skills development crucial to cope with Covid-19

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"Still, we are going through the pandemic. Growth without employment generation will not be sustainable. Therefore, the government is prioritising skill training with an enabling environment," he said.

Dulal Krishna Saha, executive chairman of the National Skills Development Authority, said the country needs hard, soft and human skills.

Non-governmental organisations and other private sector entities should come forward with skill development programmes, he added.

Sudipto Mukerjee, the resident representative of the UNDP Bangladesh, called for inclusive and equal growth in Bangladesh.

"Soft skills need to be adopted," he said, adding that ensuring vocational and technical training alongside improved education and job quality is important.

Terming Bangladesh's youth to be very creative, he stressed on the need for greater digital literacy.

Tuomo Poutiainen, country director for the International Labour Organisation, underscored the need for a framed job strategy.

Bold actions need to be taken to generate a skilled workforce and grab hold of the future job market. The private sector needs to work horizontally with the government and other stakeholders, he said.

Poutiainen also stressed on the need for innovation and entrepreneurship development as well as business management training courses.

Yasir Azman, chief executive officer of Grameenphone, said the country's youth has potential.

"We need to ignite and encourage the youth to face the challenges of future robotics," he added.

Tk 200cr likely to be left unspent in VAT Online Project

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"If the project ends now, we will have half of the target accomplished," he said, adding, "We want hundred per cent output."

Financed by the World Bank, the VOP has to develop 16 modules, and all the modules are not yet ready. Only five, including two involving VAT registration and returns, are completely ready.

"We have readied another five modules but could not complete testing," he said.

Rahman said they had developed processes for running almost all of the components, except for those involving risk management and audit. It will take more time to develop these two modules, he said.

The head of the VOP, citing discussions with the WB, expected that multilateral lender would grant an extension of the completion deadline of the project.

The government approved the VAT automation project in 2014 and later hired Vietnam-based FPT Information System Corporation to develop the integrated VAT administration system software (IVAS) & network services and produce hardware.

Under the VOP, the NBR aims to connect its 12,287 VAT circles, 84 divisional offices, 12 commissionerates and other VAT related offices under a single platform.

It also aims to integrate with Bangladesh Bank, the Office of the Comptroller and Auditor General and the income tax department with a goal of increasing revenue collection, according to the NBR.

Banks' excess liquidity doubles

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Imports have also gone down at a faster pace since the initial spread of the coronavirus, playing a role in widening the excess liquidity in the market, said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

A collapse in demand and the stagnant situation in the industrial sector has narrowed the imports of capital machinery, industrial raw materials and consumer items, he said.

Banks usually manage their lion shares of profit from lending and foreign trades, said MA Halim Chowdhury, managing director of Pubali Bank.

"So, the actual profit in the banking sector will decline because of the business slowdown," he said.

Jamuna Bank has even given out short-term loans at an interest rate of 3-4 per cent to keep the disbursement moving, said its Managing Director Mirza Elias Uddin Ahmed.

The space of the loan disbursement has narrowed to a large extent at a time when the central bank is supplying money on a regular basis to the market, he said.

"The existing excess liquidity is undoubtedly a good trend for the market. And the central bank should not mop up the fund at this moment," he said.

He, however, went on to express a fear that investment in the speculative sectors like capital market and land will widen alarmingly in the days ahead if the banking sector holds the excess fund in the long run.

Second wave starts taking a toll on garment export

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In the case of knitwear, the buyers had placed 20 per cent fewer work orders compared to the last season because of fresh lockdowns in some places in Europe, his main export destination.

But, in case of woven, his buyers placed the same volume of work orders as that of the last season, he said.

"Buyers are delaying in placing the projected work orders, but they are pushing us for quick catering to the orders which have already been placed," Khan said over the phone.

He said although the buyers were promising to come back with work orders with improvements to the Covid situation, the suppliers would by this time face a gap in production and associated sales, which posed a danger to the sustenance of the business.

The small and medium enterprises are the main victims from the overall pandemic as they have a lesser capacity to cope up with work order losses.

For instance, Ahmed F Rahman, managing director of Kappa Fashions which employs nearly 1,000 workers, received 30 per cent fewer work orders.

On an average, he churns out one million t-shirts and polo shirts every month from his factory, but this month he received work orders for only 700,000, as buyers were very cautious about placing work orders fearing that they would not be able to sell those for the second wave.

A company in German already owes him over $150,000 and is citing excuses of being under the process of liquidation. Other buyers are even negotiating over prices in work orders that have already been placed, he said.

"This time I am very cautious (about which people to do business with) so that I do not face any work orders cancellation and non-payment from my buyers," said Rahman.

Data of the July-September 2020-21 period shows that exports to non-traditional markets suffered the most while that to the European Union and the US maintained stable growth, which actually helped Bangladesh make a turnaround in its exports.

"Now since Europe has entered into a fresh wave of COVID infection, emergencies and lockdowns are being declared in many countries including France, Germany, Belgium and Greece, and more are feared to follow the trail…," said BGMEA President Rubana Huq.

"…it would be difficult for us to cope up if the EU's demand for clothing and its sourcing is troubled further. This is worrying for us since Europe is our major market," she told The Daily Star a few days ago.

Huq in an audio message yesterday said the retailers and brands were making delays in placing work orders.

The factories will have to suffer if the retailers and brands delay the placing of work orders because the factories will have to keep the capacity idle if there is no work order from the buyers.

The World Trade Organization (WTO) yesterday said world merchandise trade appears to have rebounded strongly after plummeting in the midst of the Covid-19 pandemic, but whether growth can be sustained going forward was unclear.

A sharp rise in the barometer of trade index was driven by a surge in export orders, but mixed readings in other components and the resurgence of Covid-19 could weigh on trade in the coming months.

Trade-related uncertainty remains high. The second wave of Covid-19 infection is already underway in Europe and North America, leading to renewed lockdowns that could trigger another round of business closures and financial distress, said the WTO.

On a more positive note, progress has been reported in the development of a vaccine, but when and how it might be deployed is not yet known, according to the WTO.

Women RMG workers paying price for long-term unemployment: ILO

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In the case of dismissals due to the Covid-19, this may lead to disproportionate dismissals of specific groups of women regardless of their actual skill level or years of service at a given factory, the ILO said.

Before the Covid-19 pandemic, women leaders were underrepresented in trade unions, employers' organisations, factory management and other labour institutions. The same trend can be seen in Covid-19 response committees and decision-making spaces.

Existing barriers to women adopting more prominent leadership roles include gender norms and stereotypes, time constraints due to family responsibilities, and a lack of leadership and career path opportunities. These factors are further intensified by the social impacts of the coronavirus, the ILO said.

Recommendations include a greater focus on retrenchment and closure practices as well as addressing women's disproportionate unpaid care obligations so they can return to work as factories resume operations.

"Efforts to address the Covid-19 pandemic should account for the unique ways that women and men may encounter the effects of the coronavirus at work, at home and in their communities."

The importance of strengthening efforts to combat violence and harassment in the workplace is highlighted, in view of emerging data showing that the Covid-19 has increased the risks of gender-based violence.

In addition, the need to ensure women's voice, representation and leadership in dialogue and decision-making is also seen as key to ensuring a full and fair recovery from the pandemic.

"It is crucial that governments, businesses and other stakeholders understand the multi-dimensional impacts of the Covid-19 pandemic on both women and men workers, and design policies that enable a smart, sustainable and gender-responsive recovery," said Jessica Wan, a Better Work Gender Specialist.

"Otherwise, the Covid-19 crisis threatens to exacerbate pre-existing inequalities and will hamper the social and economic sustainability of the garment sector."

Uncertainty halts recovery of car sales

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Khasru said that he has already had to close two of his three showrooms in Dhaka.

Farzana Khan, deputy director for sales at Hyundai Motors Bangladesh, said her company's sales had slightly improved following the nationwide general holiday aimed at curbing the spread of the Covid-19.

However, the business, in general, has dropped by around 50 per cent. The company sold around 70 units per month in 2019, and the number has come down to 35 to 40 units per day this year.

"People are avoiding big purchases due to their declining incomes. They are uninterested in spending money on non-essential items at the moment," Khan said.

Besides, banks and non-banking financial institutions (NBFIs) are comparatively more conservative than before when it comes to approving auto loans.

"Banks and NBFIs are not interested in approving auto loans for anyone other than salaried individuals," Khan said.

A senior official of Pubali Bank also acknowledged that banks are slightly cautious in case of approving auto-loans. Before approving a loan, lenders need to think about the increased risk.

However, IPDC Finance has been flexible about approving auto loans as the Bangladesh Bank has relaxed rules on auto-loan disbursements from NBFIs, said Md Nurul Islam, head of the auto and personal loan department at the NBFI.

In some cases, IPDC Finance provides 100 per cent loan against the price of a passenger car based on the vehicle's condition and brand.

However, the NBFI is cautious in disbursing auto-loans to the applicants involved in risky businesses, Islam said. IPDC disbursed around Tk 20 crore in auto-loans in October.

According to Haque, not one member of the Barvida has received funding from the government's stimulus packages as of yet.

In June, reconditioned vehicle traders demanded Tk 500 crore from the package for industries and service sectors to cope with the economic fallout caused by the Covid-19.

The Barvida has more than 870 members that pay their income taxes, and these members have already invested around Tk 20,000 crore in the sector over the past 30 years, Haque said.

Khasru went on to say that importers have to pay Tk 800 per day to the Chattogram Port Authority as a rent for each unit of the car stored.

Importers were not exempt of this payment, which excludes customs duty, even during the two-month nationwide shutdown, he added.

There are around 6,000 vehicles stranded at the Mongla and Chattogram ports as importers have been unable to have them released amid the cash crunch brought on by the lower sales and a lack of funding from the stimulus packages.

The sales of both used and branded cars have reduced significantly by the Covid-19 fallout, Khasru said.