

RECOVERY OF E-COMMERCE INDUSTRY

# Purchases thru cards cross Tk 900cr in March

STAR BUSINESS REPORT

E-commerce purchases through cards bounced back in March as the total transaction value crossed Tk 900 crore for the first time since July last year, when a number of scams were unearthed in the sector.

Customers spent Tk 908 crore through cards on products and services available from e-commerce sites in March, up by about 18 per cent from the month before and 6.31 per cent year-on-year, according to data from Bangladesh Bank.

Industry insiders said pre-ramadan sales, especially groceries, contributed to the growth in March.

Orders of Daraz, the top e-commerce platform in Bangladesh, grew by more than 40 per cent year-on-year that month.

"We witnessed growth in our fashion and grocery sales in March," Tajdin Hassan, chief marketing officer of Daraz, told The Daily Star.

Campaigns on women-centric goods – fashion items and beauty products – early in March and grocery items later the same month contributed to Daraz's growth in the period, according to Hassan.

Waseem Alim, chief executive officer of the biggest online grocery platform Chaldal, said the e-commerce sector is slowly recovering from the downturn triggered by the scams uncovered last year.

Syed Mohammad Kamal, country director of Mastercard, said customers started spending more in March as they were in a buying mood after the Covid-19 situation improved.

Industry people say that considering the better performance in March, the e-commerce sector would have grown at a much faster rate if the scams that plundered thousands of crores taka did not take place.

E-commerce purchases through cards hit an all-time high of Tk 1,277

in June last year and the figure was Tk 1,183 crore a month earlier.

At the time, controversial e-commerce platforms in Bangladesh were deluged with orders under Ponzi-like schemes that lured unsuspecting customers on the back of hefty discounts.

A comprehensive assessment by Bangladesh Bank found that twenty-five e-commerce platforms in Bangladesh, including Evaly, E-orange, Qcoom, Dhamaka, Aladinerprodip, Sirajganj Shop, Alesha Mart and Dalal Plus, received Tk 6,050 from March to June last year from clients through payment gateways and banks.

However, many customers did not receive their desired products despite making payments in advance. This dealt a huge blow to the e-commerce sector, which was growing at breakneck speed before the anomalies surfaced.

In July last year, customers spent

Tk 740 crore on products and services through cards, which was the lowest in the preceding five months and 42 per cent less than its value in June last year, when it was Tk 1,277 crore.

From July to October in 2021, e-commerce transactions through cards remained below the Tk 800 crore mark as customers lost their faith on e-commerce platforms.

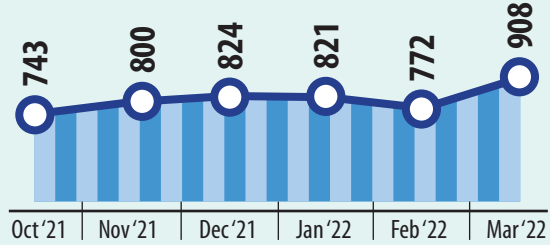
Alim of Chaldal said new customer acquisition has been slow ever since the Ponzi-like schemes of certain e-commerce companies emerged last year.

The local e-commerce industry had been growing over the last decade and the growth accelerated after rising Covid-19 infections forced people to stay at home and place orders online.

The sector has been scrambling to regain momentum ever since a Bangladesh Bank report last year on Evaly found that the e-commerce platform had a huge mismatch in its assets and liabilities.

E-COMMERCE TRANSACTIONS BY CARDS

In crore taka; SOURCE: BB



AT A GLANCE

- E-commerce transaction rebounded in March
- Pre-Ramadan grocery sales contributed to the growth
- Customers acquisition still low for image crisis due to scams
- Over 25 e-commerce sites were involved in scams
- They took thousands of crores of taka in advance payments
- Many customers haven't yet got their money back



## Square Pharma gets nod for production in Kenyan factory

AHSAN HABIB

Square Pharmaceuticals Kenya EPZ Ltd, a subsidiary of Square Pharmaceuticals, has recently received a go-ahead to start commercial manufacturing in its Kenyan factory.

The company will manufacture and sell generic pharmaceutical medicine in Kenya and East African Community (EAC).

Square Pharmaceuticals Kenya got the certificate of good manufacturing practice and commercial manufacturing licence on May 26 from the Pharmacy & Poison Board of Kenya, the drug regulatory authority of the east African country.

"It is a big achievement for Bangladesh as Square Pharma is going to manufacture drugs in a foreign country," Muhammad Zahangir Alam, chief financial officer of the company, told The Daily Star.

"The news will create a positive image for Bangladesh in the global arena."

**The project's construction began in 2019 and the civil construction work was done by September 2021. The trial operation started in December 2021**

Thanks to the approval, there is no problem in starting commercial production now, he said.

Some time is needed to start marketing of any drug in a brand-new factory, Alam said.

Once the marketing starts in full swing, the east African region would be covered from this factory, he said.

"The beginning of commercial manufacturing of our drugs in a foreign land is a matter of pride for us."

The project's construction began in 2019 and the civil construction work was done by September 2021.

The trial operation started in December 2021, according to the company's annual report for 2020-21 fiscal year.

Kenya's geographical position and membership in the EAC gives it a unique opportunity to facilitate easy access to the market of around 15 crore people in the EAC.

Any production in Kenya is considered local manufacturing in the EAC, which includes Kenya, Tanzania, Uganda, Rwanda, and Burundi.

Despite being a highly disease-prone zone, the pharmaceutical market is largely dependent on imports.

Nearly 80 per cent of the total market demand is met by importing pharmaceutical products.

The Kenyan project is financed by a 40:60 debt to equity ratio.

As a part of the investment, a total amount of \$12 million has been remitted by Square Pharmaceuticals to Square Pharmaceuticals Kenya EPZ Ltd.

Yesterday, the share price of Square Pharma rose 0.14 per cent to Tk 216 at the Dhaka Stock Exchange.

## Lack of compliance

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earn \$10 billion to \$12 billion per year from the leather and leather goods sector if it is nurtured and monitored properly.

She said there are many challenges in the sector. The major one is solid waste management, according to a press release from the webinar organisers.

"Companies from the EU, Italy, and India are coming to us, but we are not getting suitable offers from them," she said, adding that ensuring a fair price of leather is a challenge and marginal businessmen don't get the desired price.

Speaking about the CETP, the secretary said the previous ETP and the current ETP are not the same as chemicals of 109

nozzles have already been ensured. However, it has not been possible to clear one module, she said.

"The compliance of the ETP is now good compared to the past," she said, adding that the government plans to set up a CETP in Rajshahi.

According to the RAPID assessment, the previous tannery plots at Hazaribagh must be released by the Rajdhani Unnayan Kartripakkha (Rajuk) as soon as possible. The plots have been marked as the "red zone" by the Rajuk since 2017. As a result, tanneries can't sell them.

But they are required to pay Tk 800 crore in interest every year on their previous loans amounting to Tk 8,000 crore. If the

Rajuk releases the plots, the tannery owners will be able to sell them and repay their loans, said the RAPID.

Responding, Sultana said the industries ministry is in talks with the Rajuk to bring Hazaribagh out of the red zone.

The assessment called on the Department of Environment to issue environmental clearance certificates to tanneries based on their performance as soon as possible since securing the accreditation is one of the primary requirements for getting the LWG certification.

Prof Eusuf proposed forming a Leather Development Authority under the Prime Minister's Office to ensure the management and development of the sector.

## Uphill task ahead

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The tax collector posted 23 per cent year-on-year growth to hit Tk 23,730 crore in April riding on buoyant growth of income tax receipts and increased value-added tax (VAT).

Yet, it registered 15 per cent year-on-year growth in revenue collection during the July-April period of fiscal year 2021-22.

To attain the remaining target, it will have to post 45 per cent growth in collection in the last two months of the fiscal year.

"We are going to see a huge shortfall from the target despite the fact that the overall tax target has remained the same for the last two years," said Ahsan H Mansur, executive director of the Policy Research Institute (PRI) of Bangladesh.

He said the NBR could collect Tk 60,000 crore at best in the May-June months.

Tax collection usually remains higher in the last quarter of a fiscal year because the implementation of Annual Development Programme (ADP) gathers pace during this time.

Referring to the overall collection growth in the current fiscal year, Mansur, a former economist at the International Monetary Fund, said overall collection should have grown higher amid surging imports.

Imports grew 44 per cent in the first nine months of the current fiscal year, according to Bangladesh Bank data.

The revenue authority logged 19.5 per cent year-

on-year growth to Tk 73,060 crore in customs duty collection during the July-April period.

Apart from customs duty collection, the NBR could post 10.5 per cent year-on-year growth to Tk 84,916 crore in the July-April period, reflecting an increase over March.

In April this fiscal year, VAT receipts shot up 16 per cent year-on-year.

Income tax collection rose 57 per cent at the same time while overall collection grew 16 per cent in the first 10 months of the fiscal year.

Taxmen collected Tk 69,110 crore during the period, according to the data.

An official of the NBR seeking to remain unnamed said overall collection might be around Tk 300,000 crore by the end of this fiscal year.

Mansur however was sceptical in this regard.

Citing the collection growth trend of 13 per cent for the last nine years, he said the NBR might not be able to achieve the goal even if the current year's target is given in the next fiscal year.

"It will not be an easy target," he said, adding that economic growth would slow down because of monetary tightening, exchange rate shock and possible increase in prices of petroleum and fertiliser to reduce pressure on the state coffers to bear subsidy bills for the two items.

The NBR is likely to get a Tk 370,000 crore tax target for the next fiscal year of 2022-23.



Md Sazzad Hossain, deputy managing director and chief operating officer of Bank Asia, poses for photographs with the participating agents of the bank's Rangpur Division in Bank Asia Agent Conference-2022 held at RDRS Guest House in Rangpur recently.

PHOTO: BANK ASIA

## Container vessels

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sit with the port chairman this morning to discuss the issue.

The CPA terminal officials gave the directives to shipping agents verbally at a berthing meeting in the morning. The shipping agents protested and sought to boycott the meeting but was dissuaded by the BSAA leaders.

Contacted, CPA Secretary Md Omar Faruk said he was not aware about any such decision. He said it may be a proposal from the CPA officials to the shipping agents.

Sources said the CPA was taking the decision to reduce vessel congestion ahead of upcoming Eid-ul-Azha.

Officials of different shipping agents said if such decisions were imposed, most vessels would be forced to leave behind export-laden containers and face huge losses. A shipping agent official

said it was possible for gearless vessels arriving with 900 TEUs to 1,000 TEUs of import-laden containers to leave within the said time.

But even if a gearless vessel comes with over 1,500 TEUs of import-laden containers, it will be difficult for it to complete unloading and loading containers within that time, he said.

And for geared vessels, it was too difficult since those need much time in discharging the import-laden containers due to a current scarcity of space inside the port yards, he said.

As of yesterday morning, 37,259 TEUs of goods laden containers were lying at the port occupying over 92 per cent of the designated space for such containers.

The scarcity of space is hampering smooth and timely discharge of import-laden containers from the vessels, said the shipping agents. Contacted, BSAA

Chairman Syed Md Arif said the decision of limiting stay times at jetties to 48 hours was not feasible at all.

If the vessels are forced to leave within the said time, most will have to leave without taking the expected number of export-laden containers and eventually they will face a lot of financial losses, he said.

The CPA should not take such a decision all of a sudden without discussing the issue with stakeholders and without giving time to adapt to the shift, he said.

Regarding the size-based berthing restriction, Arif said vessels usually arrive loaded with containers and if a vessel has to carry over 1,500 TEUs, its draft would be more than 10 metres.

The port cannot accommodate such levels of draft in its jetties, he said.

He said they would convey the challenges to the CPA chairman in today's meeting.

## Exchange-traded funds

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"The DSE wants to prepare the market now. We are going to raise awareness among people so that they can realise what the product is and thereby invest."

Whenever the stock exchange officials talk with foreign investors and ask them to invest in Bangladesh's stock market, the foreigners ask whether there were an ETF or other products apart from equities, he said.

"The ETF is one of the best products to stabilise the market, so we have focused on it," said Bhuiyan.

The size of an ETF would be a minimum of Tk 50

crore, of which 10 per cent will be funded by sponsors and 2 per cent by the asset management company. The rest can be raised from the public.

With the investment into an ETF, investors will basically invest in an index and it is more transparent than mutual funds as the asset manager cannot buy stocks or any product other than the fixed index.

If needed, the DSE will launch ETFs in the pharmaceutical sector or other sectors, Bhuiyan said.

DSE Chief Operating Officer M Shaifur Rahman Mazumdar said the premier bourse has taken the initiative to establish

an alternative trading board (ATB) where open-ended mutual funds, debt securities and non-listed equities would be traded.

"Now, we have all the technologies to trade the products, except for mutual funds, so we are bringing the technologies," he said, adding that the DSE has already signed a memorandum of understanding in this regard with the Bombay Stock Exchange.

The ATB will be ready for trading all the products within next September, he said.

Md Ziaul Karim, chief technology officer of the DSE, was also present at the event.