Give loans against digital business ID

E-commerce urges govt

STAR BUSINESS REPORT

E-commerce entrepreneurs yesterday urged the government to provide them with bank loans by taking into account their digital business identification (DBID) in place of trade licences.

"Many e-commerce and F-commerce entities have no trade licence and they don't have the access to finance. The DBID should be used as a substitute of trade licence," said AKM Fahim Mashroor, CEO of AjkerDeal, an e-commerce platform.

"Bangladesh Bank can issue orders for this to accept DBID as replacement of trade licence for the e-commerce and F-commerce sites," he added.

The commerce ministry launched the DBID for the e-commerce companies in February this year with a view to check irregularities in the sector. He spoke in the first of a series of e-commerce policy dialogues at Sonargaon hotel in the capital.

The commerce ministry and the USAID in association with the Aspire to Innovate (a2i) organised the event.

The National Board of Revenue should relax the new requirement in the finance bill of compulsory income tax return for any kind of digital business, industry people said in the dialogue.

They said logistics companies should be integrated with product delivery verification and escrow systems for online payment.

Tapan Kanti Ghosh, senior secretary at the commerce ministry; NM Zeaul Alam, senior secretary to ICT division; AHM Shafiquzzaman, director general at the Directorate of National Consumers Right Protection; Md Hafizur Rahman, additional secretary to the commerce ministry; Rezwanul Haque Jami, head of eCommerce at a2i; Zeeshan Kingshuk Huq, consultant of DAI Global, also spoke.

Customer turnout has fallen sharply at restaurants near Mawa ferry terminal by the Padma river since the opening of the Padma Bridge, with nearly all traffic opting to use the bridge instead of ferries. Fried hilsa was the biggest draw at the eateries, drawing not only those arriving to cross the river but also aficionados from as far as the capital. The photo was taken on Tuesday. PHOTO: AMRAN HOSSAIN

NID sufficient for securing digital business ID

As per new guidelines for e-commerce firms

MAHMUDUL HASAN

People can no longer operate e-commerce businesses in the country without having a digital business identification (DBID) number, which can be availed even without a trade license given that the entity has an official website or social media page, according to new guidelines in this regard.

As per the rules set by the commerce ministry, any e-commerce or F-commerce platform can now obtain a DBID number using the company chairman's national identification number.

Dubbed as the "digital business identification (DBID) registration guideline 2022", the measure aims to help recognise digital commerce platforms and entrepreneurs as valid business entities.

Upon receiving an application, the Office of the Registrar of Joint Stock Companies and Firms (RJSC) will verify whether the company bears the same name as any other company with a registered DBID, which much be unique for each organisation.

Applicants must display the terms and conditions of their digital business in Bengali on their website.

The guideline also made it mandatory for online businesses to show their registered DBID number on their official website or social media page.

The guideline comes five months after the introduction of the DBID in February, when it was launched by the commerce ministry with a view to checking irregularities in the sector.

It aims to streamline the sector and bring back customers' trust following widespread fraud that unfolded last year.

Over 25 e-commerce platforms had offered hefty discounts against advance payments but only to cheat customers out of huge sums of money.

According to a Bangladesh Bank report, the controversial e-commerce platforms collectively received Tk 6,050 crore in just four months last year. Most of their customers and merchants have not been able to get their money back since then.

Amid the subsequent customer outcry and criticism over state agencies' inaction, the government initiated a crackdown in the second half of 2021.

It started with the arrest of E-orange owners Sonia Mahzabin and her husband in August last year for allegedly embezzling Tk 1,100 crore.

Rapid Action Battalion then arrested Mohammad Rassel, chief executive officer of Evaly, and his wife Shamima Nasrin, chairman of the company, in mid-September.

Nasrin has since gotten out on bail. On July 4 last year, the commerce ministry issued the Digital Commerce Operation Guidelines, 2021.

It stipulates, among other things, that if the online platform and delivery destination are within the same city, the handover must be made within five days.

The commerce ministry said the existing entities which are running digital commerce business will have to apply for DBID within 90 days of the publication of the guideline.

Export growth to slow in FY23: BB

STAR BUSINESS REPORT

Bangladesh's export growth may witness a slowdown in the next fiscal year, said the central bank in its monetary policy unveiled yesterday.

The projection comes as export grew 34 per cent year-on-year to $47.17 billion in the July-May period of the just-concluded fiscal year.

The export growth is likely to remain low because of weak external demand.

Owing to domestic demand, there is the possibility of higher import bills, said the BB while releasing the monetary policy that seeks to tighten the money supply to contain inflation.

Import bills soared 39 per cent in the first 11 months of FY22.

Remittance to rise this fiscal year: BB

STAR BUSINESS REPORT

Remittance inflow may rebound significantly in Bangladesh in 2022-23 fiscal year as increased number of people flew abroad for jobs, Bangladesh Bank Governor Fazle Kabir said yesterday.

The forecast comes at a time when remittance earnings, one of the key pillars of Bangladesh's economy, dipped 16 per cent year-on-year to $19.19 billion in the July-May period of the just-concluded fiscal year, weakening the country's foreign exchange reserves amid surging import bills

Between July and May of FY22, 8.77 lakh workers left the country in search of jobs abroad, nearly four times 2.31 lakh Bangladeshis who went to other countries in the same period a year ago, according to data from the Bureau of Manpower, Employment & Training.

Bangladesh logged nearly $25 billion in remittances in 2020-21 fiscal year, posting a 36 per cent year-on-year growth.

Trade deficit projected at $33b in FY22

STAR BUSINESS REPORT

Bangladesh's trade deficit is projected to be $33 billion in the just-concluded fiscal year as export earnings and remittances continue to fall below the overall import cost, said Bangladesh Bank in its monetary policy for the next fiscal year.

The trade deficit is expected to increase further to $36.70 billion in the next fiscal year of FY2022-23, beginning today.

The new projection is higher than the BB's initial projection in the MPS for 2021-22.

The central bank had projected the trade deficit to be at $26.60 billion in FY22. But the deficit widened to $27.56 billion in the first 10 months of FY22.

The BB also projected an increase in the current account deficit to $17.73 billion from $4.5 billion a year ago.

Inflation, flood dim cattle

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Livestock Services (DLS) say the number is adequate to meet demand for the event, the second biggest religious festival among Muslims across the world.

However, the number of farmers rearing cattle has declined by 2 per cent year-on-year to 6.81 lakh this year as many had to quit amid soaring production costs and the coronavirus pandemic.

Farmers rear and fatten bulls and other animals to profit from high demand during Eid-ul-Azha, which accounts for half of the total cattle slaughtered in the country annually and provides key raw materials for the nearly one billion US dollar export earning leather and footwear industry.

"We have good stock of cattle. The problem is cost of ingredients of cattle feed has gone up globally and it has increased our cost," said Mohammad Imran Hossain, president of the Bangladesh Dairy Farmers' Association (BDFA).

Prices of cattle are likely to be higher this year than the previous year, he said.

"Otherwise, any crisis is unlikely," said Imran of BDDA which represents 16,000 dairy and cattle farmers in Bangladesh.

However, the demand for animals for Eid-ul-Azha did not pick up until mid-last week.

Hossain said advance sales and booking at his farm, Sadeque Agro, has been low this year compared to the previous year.

"We could sell 60 per cent of bulls two weeks ahead of Eid last year. This year, we have so far been able to get advance booking for 30 per cent of the bulls," he said.

"It appears that sales will start to pick up by the end of this week and onwards as job holders will get salaries after the month closes," Hossain added.

Anikuzzaman Razu, owner of Mondol International Ltd, a cattle trading firm based in the Gabtali cattle market, said the cheerfulness that was seen in the previous year is absent this year.

The cost of feed has gone up to a very high level while transport costs have also increased.

In addition, floods are another factor for which many people, who usually participate in Eid-ul-Azha in a big manner, are helping flood victims financially.

"So, this group may not take part in the festival to that extent," he said.

"Many people become financially weak for the coronavirus induced economic adversary. Salaries and incomes did not increase even though living costs have gone up for spiralling commodity prices," Razu said, adding that many would opt for performing their religious duties of sacrificing animals by pooling the required funds with relatives and other people.

This may create high demand for relatively smaller bulls, which are sought after by lower-middle and middle-income families for Eid-ul-Azha as all cannot afford to spend higher, said farmers and traders.

Shah Mohammad Emran, general secretary of BDFA, said buyers may be waiting for the opening of cattle markets for Eid-ul-Azha to get an idea about prices as inflation has strained their wallets.

"Inflation has hit directly on the wallets of people," he said, fearing that demand for cattle may decline if the flood situation worsens.

Cattle feed costs have soared 40 per cent over the last couple of months and there will be a subsequent impact on the prices of animals, he added.

Mir Kashem Ali, owner of the Marsh Agro cattle and dairy farm in Faridpur, a district in the central region, said he was planning to try online sales as responses until mid-last week were low.

He could sell only three bulls through advance booking.

"It is not clear how the market will be this year," he said.

Golam Raheed, a dairy farmer in the northern division Rajshahi, said flood in the northeast region may impact overall demand for cattle during Eid-ul-Azha.

"We have seen in the past a good demand for cows from Sylhet region during the festival. Demand from the region has been low until now as survival has become challenging because of floods," he said.

"So, it is very difficult to predict how the market will be this year," he said.

BDFA President Imran however hoped that the total number of cattle slaughtering would be higher this year than what it was last year as the economy is recovering from sluggishness.

Jahangir Alam Khan, an agricultural economist, echoed the same.

"Many people got back their jobs after the resumption of economic activities while mobility has increased for lifting of restrictions to curb the spread of coronavirus. Things will change this year even though there is inflationary pressure," he said.

Overall demand should increase 10 per cent this year, added Jahangir, former director general of the Bangladesh Livestock Research Institute.

Rakibur, whose farm had sold 200 cattle in advance until Wednesday, is however not as upbeat.

"Things will start to become clear from Friday (today)," he said.

Businesses frown at

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realistically defined for the benefit of business, industry and banks."

Mir Nasir Hossain, a former president of the FBCCI, said as businesses are going through difficulties, the lowering of the credit growth target is discouraging.

He, however, admitted that the credit growth remains much lower than the target every year.

Hossain argues that if higher investment flows in keeping with the improvement of the business environment, the country may face a liquidity crisis.

"So, a higher credit growth for the private sector is expected from the central bank."

Foggy stance of BB

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only affects growth while international prices only affect inflation. This is hard to reconcile with a key time-tested lesson from Economics 101: when both price and volume are rising, it must be the case that demand played a key role in shaping the movement of both variables.

The MPS rightly highlights all sorts of factors that are likely to push inflation further in FY23. Yet it projects a decline in inflation to 5.6 per cent while growth is projected to increase to 7.5 per cent in FY23. How will these be possible without significant increase in productivity, reversal of international price increases and a decline in domestic demand growth?

The BB's assessment of global price outlook does not, and rightly so, suggest that international price increases will be reversed in FY23. Padma Bridge will boost productivity growth for sure, but certainly not dramatically so in the short-run.

The FY23 budget is expansionary. The only likely source of a slower demand growth is subsiding pent-up demand. It is hard to believe it will be enough to reverse the rise in inflation as projected when all other factors are working against such a reversal.

The policy stance for FY23 is described as "tight" and "cautious".

The tightness can be found only in the increase in the policy (repo) rate by 50 basis points. With the lending rate capped at 9 per cent, and the weighted average lending rate at 7.1 per cent in May, there isn't much wiggle room for transmission of the higher policy to the rest of the economy.

Moreover, with long-term treasury bonds priced between 7.8 and 8.4 per cent, who would want to lend to the private sector at 9 per cent when it is inherently risky and the regulator keeps extending forbearance on non-repayment?

The supply of T-bills and bonds will have to dry out completely to make the lenders interested in other lending options. The BB has committed to remaining "watchful of this lending cap issue and taking policy actions if necessary."

The rest of the FY23 MPS is neither tight nor cautious.

The broad money growth is projected to rise from 9.1 per cent in FY22 to 12.1 per cent, the public sector credit growth to rise from 27.9 per cent to 37.3 per cent and the private sector credit growth to rise from 13.1 per cent to 14.1 per cent.

Some of the measures announced are in fact likely to be inflationary. Further increases in LC margins on non-essential imports will push up prices even if they are effective in reducing the demand for foreign exchange. The promised new refinance line for import substituting products and continued support to stimulus packages are expansionary measures.

When import substitutes themselves depend on import of raw materials, intermediate inputs, and capital goods, even the intended reduction in demand for foreign exchanges is unlikely to result, at least in the short run. The BB has probably attained the unique status of a central bank that has coopted "import substitution" as part of its policy objective.

The MPS appears rather complacent on its stance on the exchange rate while recognising that the taka is currently overvalued based on the real effective exchange. Risking undervaluation, rather than overvaluation, is the most appropriate way for a central bank to provide protection to both imports substituting and export-oriented industries.

It is hard to fathom why the BB has chosen something pretty much outside the domain of monetary policy while maintaining a foggy stance on the exchange rate, something at the core of monetary management.

The author is an economist

Maintaining stability

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(GDP)," said the monetary policy for fiscal year 2022-23.

Bangladesh Bank Governor Fazle Kabir announced the monetary policy yesterday.

Considering the economic impact of the Padma Bridge, a 7.5 per cent real GDP growth target seems consistent with the BB's model-based GDP growth forecasts for FY23, it added.

However, headwinds to this growth and inflation outlook could emerge from a number of factors such as the unfavourable outcomes of the Russia-Ukraine war, the continuation of soaring global commodity and energy prices, and sustained widening current account deficits with the depreciation pressure on exchange rate.

"Given the escalated global commodity prices, the government's fuel and fertiliser subsidies will increase substantially, creating pressure on fiscal management," said the central bank.

"The pass-through of soaring global commodity prices and the exchange rate depreciation could impair domestic price stability through import channels," it said.

Bangladesh Bank, however, is hopeful that the direct adverse impact of the war on Bangladesh would be limited as its trade with Russia and Ukraine is shallow.

"However, if the war lingers and propagates in neighbouring European countries, which happen to be the major destinations of Bangladesh's exports and sources of remittance, the effects of the war could be non-trivial," it said.

The slashed growth forecasts and any possible economic recession in the advanced economies, particularly in Europe and the US, are concerns for the Bangladesh economy, said the BB.