

**BY THE NUMBERS**

- Bangladesh has more than **1,200** active startups
- 200** new startups join the industry every year
- Startups made around **\$800m** investment so far
- Created **1.5m** formal and informal jobs in last decade

SOURCE: DCCI

**STRENGTHENING STARTUP ECOSYSTEM**

- Govt established a venture capital firm
- Set up **28** high-tech parks and data centres
- BSEC drafted rules for small-cap companies
- Startup policy set to be framed
- A payment gateway to be launched soon

**WHAT NEEDS TO BE DONE**

- ➔ Enhance regulatory collaboration among all agencies
- ➔ Improve valuation system for startups
- ➔ Mitigate financing problem
- ➔ Invest in fintech and logistic areas
- ➔ Reform policies



**Is hundi here to stay?**

MAMUN RASHID

Hundi might be informal, but it is quite well-organised and more importantly, it is perceived to be much easier and more convenient in comparison to the formal banking system.

The statistics speak for themselves. Only 51 per cent of the remittances that come to Bangladesh comes through formal and legal ways and the rest, 49 per cent of the remittances, come through hundi, according to the finance minister.

Even though banks have recently begun offering incentives on money transfers from abroad, hundi continues to remain more lucrative and convenient than the banking system.

So, is hundi here to stay?

To understand the strong prevalence of hundi, we need to first understand the reason for its high demand.

Hundi agents offer senders more favourable exchange rates and in the case of the taka, the rates are higher than the official rates.

If a sender agrees to the rate, an agent contacts another agent in the receiving country i.e., Bangladesh to deliver local funds to the sender's designee.

Once the funds are delivered, the receiving agent makes a video call to the sending agent to confirm the transaction. The entire process can be completed within a few hours and is quite safe.

For Bangladesh, where 25.34 per cent (as per Population and Housing Census 2022) of its citizens are illiterate, who don't know how to write and sign, this is very convenient.

On the contrary, doing transactions through banks is deemed a complicated task, involving a lot of formalities, often taking days. Even the withdrawal of money ensues a conundrum of questions from bankers and delays.

Furthermore, women from villages fear entering banks and find understanding the procedure of remittance encashment to be challenging. But hundi money reaches the family much faster than through banks, sometimes even at their very doorstep.

**Even though banks have recently begun offering incentives on money transfers from abroad, hundi continues to remain more lucrative and convenient than the banking system**

Another reason for the high demand for hundi is for facilitating under-invoicing of imports.

Our import-export traders usually tend to do under-invoicing and over-invoicing for tax evasion. Lower invoice cost means lower import tax. The importer pays for the import partly with a letter of credit and partly with a bank transfer facilitated by hundi agents.

Since there is such a significant preference for hundi, the authorities need to address it to overcome the problems and fix the issues within our own legal or formal system, which are deterring customers.

The dollar's value must be market-based and not artificially controlled. The hundi market sets its own price and so it can always adjust to increase the amount it takes off the remittance flows.

The point is that if hundi is so successful and widely preferred, it is time to learn from it and fix the existing formal system while also curtailing the illegal and unwanted activities of the system.

Coupled with this of course comes the political governance, as a significant amount of hundi money, not coming to the country, is used for the transfer of "corruption" or "easy money" earned by political cronies.

The author is an economic analyst.

**Congenial ecosystem needed for startups to thrive**

Say speakers at DCCI seminar

STAR BUSINESS REPORT

Startups are doing relatively well in Bangladesh but their success rate is not quite satisfactory owing to problems from a lack of access to finance to age-old valuation process to a dearth of private equity and incubation, said speakers and industry people yesterday.

"A startup-friendly ecosystem in the country has not been substantially equipped, but startups can be a great economic enabler for Bangladesh," said Rizwan Rahman, president of the Dhaka Chamber of Commerce & Industry (DCCI). He spoke at a seminar styled "Journey of CMSMEs from startup to scale up: prospects & challenges" organised by the chamber.

In Bangladesh, there are more than 1,200 active startups and around 200 new startups join the industry every year. Startups made around \$800 million in investment and created 15 lakh formal and informal jobs in the last decade, according to a press release of the DCCI.

Still, in the Global Startup Ecosystem Index 2022, Bangladesh ranked 93rd out of 100 countries.

A dearth of financing and policy support are root causes of weak startup growth in developing economies, including Bangladesh, said Rahman, citing the global publication.

The government has taken initiatives to strengthen the startup ecosystem. They include establishing a venture capital firm, 28 high-tech parks, and a number of data centres.

The Bangladesh Securities and Exchange Commission (BSEC) has also drafted rules for small-cap companies.

"Taking the urgency of a smooth ecosystem into account, we need to create international standard startup incubation centres, startup pioneers, expert consultation and mentors. We need to organise exhibitions and arrange low-cost financing," said Rahman.

"Reforms are needed in the area of industrial, export, fiscal and SME policies as

for startups."

According to the senior secretary, the government has taken an initiative to frame a startup policy and a payment gateway platform named "Binimoy" will be launched soon.

"Data protection is also an important element for an effective ecosystem of startups."

Shaikh Shamsuddin Ahmed, a commissioner of the BSEC, said that SMEs and startups had received much priority in the latest industrial policy.

"But we need to enhance the regulatory

and mitigate financing problems if the risks can be rationalised in this sector.

Ambareen Reza, chief executive officer of Foodpanda Bangladesh, said the success stories of startups would ensure trust and trust would attract others to come to the sector.

For angels to grow, access to finance is a great challenge, she added. "We need investment in the fintech and logistic areas."

Nirjhor Rahman, CEO of Bangladesh Angels, said liquidity is the key thing. "We have to ensure investment and working capital for new startups."

While presenting the keynote paper, Fahim Ahmed, CEO of Pathao, said that startups are enabling the digital transformation of Bangladesh and helping SMEs by creating market access, accelerating fintech, adopting technology and enabling mobility.

He listed regulatory framework, policies, limited human capital, technology, finance and access to the international market as some of the challenges facing the startup sector.

Tanveer Rashid, director for finance at Chaldal Ltd, described the government's Startup Bangladesh as a good initiative.

He called for making the valuation process simplified to draw more investment.

Rashid admitted that most startups make losses in the early stages and this is a barrier to securing finance.

"So, banks are reluctant to finance startups," he said, requesting the regulators to look into the issue.

**"A startup-friendly ecosystem has not been substantially equipped in Bangladesh, but startups can be a great economic enabler for the country," said Rizwan Rahman, president of the DCCI**



well as foreign exchange regulations."

Zeaul Alam, senior secretary of the ICT Division, said that cottage, micro, small and micro-enterprises and startups directly or indirectly create a large number of employments.

"The government is working to create a startup ecosystem in the country through various initiatives."

Technical centres are being established at the upazila level where startups will get space to work, he said. "In the hi-tech parks, there will be ample opportunities

collaboration among all the agencies at the operational level. Based on reality, a few changes are coming into effect, but we need to improve the valuation system for the startups."

The more the country heads towards the Fifth Industrial Revolution, the more it needs an easy valuation process, according to Ahmed.

"We have established the IT framework. Now we need to implement it. For that, regulators need to be more supportive of startups or new ventures."

He said private equity, venture capital and angel investors can play a vital role

**Robi revenue rises 6pc in Q3**

STAR BUSINESS REPORT

Robi has maintained its growth momentum in the third quarter of 2022 when its revenue grew 5.9 per cent year-on-year to Tk 2,207.4 crore.

The telecom operator's revenue also rose by 4.8 per cent compared to the last quarter when it gained a profit after tax (PAT) of Tk 29.2 crore, Robi said in a statement yesterday.

In the last quarter, the company's voice revenue increased by 6 per cent and data revenue by 2.8 per cent compared to the previous quarter.

In year-on-year comparison, the voice revenue growth stood at 8.7 per cent and data revenue growth 3.8 per cent, according to the statement.

However, the country's second biggest operator has seen a 0.3 per cent fall in its subscriber base in the third quarter compared to the second quarter.

Its subscriber base reached 5 crore 44 lakh at the end of Q3, posting a 2.5 per cent rise year-on-year.

The company had 4 crore 11 lakh data subscribers in the last quarter, which is a 4.8 per cent rise year-on-year.

In the first nine months of 2022, Robi's revenue reached Tk 6,331.7 crore when it made a profit after tax of Tk 56.9 crore.

The telecom operator said in the last quarter around 50.9 per cent of its subscribers were 4G users, around 75.5 per cent were internet subscribers and, of the data subscribers, 67.3 per cent were 4G users.

Robi also claimed that it has brought 98.2 per cent of the population under its 4G network coverage with 15,219 4G sites.

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People queue up to purchase rice at a subsidised rate of Tk 30 per kilogramme from a truck running open market sales, a government support programme for the low-income group to cushion the blow of rising food prices. They demanded that the quota per person be increased while the programme be run in every locality. One person can avail a maximum of five kilogrammes. In this way, around 2 tonnes are sold from the truck every day. The photo was taken at Taker Bazar in Sylhet on Thursday.

PHOTO: SHEIKH NASIR

**Global award for BTRC's 'One Country, One Rate'**

STAR BUSINESS REPORT

The steps taken by Bangladesh Telecommunication Regulatory Commission (BTRC) to ensure affordable broadband internet got global recognition as its internet at a flat rate initiative named 'One Country, One Rate' has won the ASOCIO 2022 award in the category of "Environmental, Social and Governance".

Brigadier General Md Nasim Parvez, director general of the systems and services division at the BTRC, received the award at ASOCIO World Summit 2022 held in Singapore on Friday.

"Ensuring affordable internet to all people in every corner of the country is a complex task. But Bangladesh has successfully achieved 'One Country One Rate'

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