



PHOTO: KONGKON KARMAKER

Farmers of a northern district plant paddy saplings which had been grown on a seedbed for the Boro season that runs from November through February. The season's paddy accounts for nearly 55 per cent of Bangladesh's yearly rice production. Some 19,885,283 tonnes of rice were cultivated in the season in fiscal 2020-21, a rise of 1.22 per cent from that in the year before, according to the Bangladesh Bureau of Statistics. The photo was taken from Pairabandh area of Rangpur's Mithapukur upazila yesterday.

Rice price high for excessive profits by millers, retailers

Finds a survey by BRRI

STAR BUSINESS REPORT

Excessive profits secured by rice millers and retailers are to blame for the price hike in Bangladesh despite a bumper production, found a survey of Bangladesh Rice Research Institute (BRRI).

The BRRI conducted the research at the field level to find out why the price of rice was not decreasing in the market.

The research has shown that rice mill owners and retailers are making excess profits, said BRRI Director General Md Shahjahan Kabir at an event yesterday.

In the Annual Research Review Workshop organised by the BRRI in Gazipur, he said rice mill owners were making a profit of Tk 8 to Tk 14 per kilogramme of rice.

The production cost of farmers has also increased slightly, according to a

statement of the agriculture ministry.

Besides, corporate groups are entering the rice market and trying to take control, he said.

There was a bumper yield in the Aman season and so there will be no shortage of rice till next June, he said, adding that instead there would be a surplus of 42 lakh tonnes.

Apart from the demand for rice of 17 crore people, non-human consumption (26 per cent) has also been taken into consideration here, he added.

The demand for rice will increase in the coming days, said Agriculture Minister Muhammad Abdur Razzaque.

"On one hand the population is increasing, on the other hand agricultural land is decreasing. The use of land for other crops including corn and vegetables is also increasing," he said.

"Crops that used to be grown at home

are now being cultivated in the fields," he said, adding that as a result, the amount of land available for rice cultivation was decreasing.

In order to increase the production of rice under these critical conditions, more emphasis should be placed on research.

There was a bumper yield in the Aman season and so there will be no shortage of rice till next June, said BRRI Director General Md Shahjahan Kabir

At the same time, there should be rapid expansion of new varieties which are invented, he added.

The government is working to ensure nutritious food for all. The use of land is also increasing for the commercial production of various fruits, he said.

In this situation, all organisations, scientists and officials must face the challenges of the future with a coordinated and specific plan, he added.

He called for objective research to find out the real reason behind the rice price hike despite bumper production.

"We have found many reasons in the research of the BRRI. Apart from the BRRI, the Bangladesh Institute of Development Studies, the Centre for Policy Dialogue and other research institutes also need to conduct research on this issue," he added.

Shamsul Alam, state minister for planning, Wahida Akter, agriculture secretary, Shaikh Mohammad Bokhtiar, executive chairman at Bangladesh Agricultural Research Council, and Badal Chandra Biswas, director general at the Department of Agricultural Extension, also spoke.

StanChart Saadiq named 'Islamic Banking Window of the Year'

STAR BUSINESS DESK

Standard Chartered Saadiq Bangladesh has been recognised as the "Islamic Banking Window of the Year" at the 7th Islamic Finance Forum of South Asia Awards for its customer-centric ethos, dynamic range of shariah-compliant products and contributions to the growth of Islamic banking, both locally and globally.

In recent times, Standard Chartered Saadiq Bangladesh has launched several notable products and services to draw in customers.

As of 2021, Saadiq customers can enjoy the benefits of real time on-boarding (RTOB), through which customers can open an account in less than seven minutes.

Digital solutions such as Saadiq Non-Face to Face (NF2F) also help Saadiq customers open and manage their finances with ease.

Saadiq Personal Finance and the Saadiq Sadaqah Account enable customers to make the most of their Islamic banking experience.

The Saadiq Sadaqah Account, a one-of-a-kind Mudaraba based savings account, enables clients to seamlessly donate profits realised in the account to a charity of their choice.

"Our suite of Islamic banking offerings is also delivered through modern channels that are convenient for them to access," said Sabbir Ahmed, head of consumer, private and business banking of the bank.

Meghna Bank brings digital payment solution

STAR BUSINESS DESK

Meghna Bank launched an end-to-end digital service titled "Meghna Access" for corporate payment solution and real time distributed cash collection solution.

Sohail RK Hussain, managing director of the bank, inaugurated the solutions at its head office in Dhaka recently, said a press release.

These solutions are useful for all scale corporate ventures and public sector bodies to collect and pay through the internet with confirmed data security.

Meghna Access will also provide its extended version of unique facilities through "Virtual Accounting Solution".

It eliminates the need to maintain multiple operating accounts for the segregation of funds by clients' business units or product specific.

Multiple Virtual Accounts can be created under a single operating account to segregate funds and easily identify payments and collection deals.

This unique solution will simplify the fund management and payment processing for all clients by bringing in greater visibility, transparency and control and real time customised reconciliation.

Policies and reality checks

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The unlocking of the global factory comes with the risk of an economically damaging surge in the disease. The consensus among economists is recession looms large. The question seems to be how hard or soft the landing will be.

The base case for the global economy is weak even if crude finishes the year lower than it was at end-December and the US dollar does not appreciate further.

The weaponisation of energy and the spillovers from excessive tightening of policies in the advanced economies have increased the risk of debt distress and inflation persistence in the developing economies. Post-pandemic recovery in the latter has generally lagged that in developed economies.

Central banks in developed economies are not known as good accountants of spillovers in their conduct of monetary policy. The least they need to reflect upon going forward is how to correct the angst to safety-driven bubbles in the value of the dollar flamed by loss of credibility of international monetary and fiscal coordination. Currency misalignments and mismatches risk financial stability with disproportional damage to finance for development. Reality checks are pretty much in order.

In Bangladesh, there is a lot to reflect upon as the economy enters the new year facing macroeconomic challenges it has not encountered in recent decades. How have the variety of policy experiments introduced to deal with a sequence of economic problems fared? In this day and age when creativity is abundant with assistance from artificial intelligence, any policy can be justified a priori based on intentions. The test of a successful policy is in whether empirically the intentions turn into outcomes. If the answer is affirmative, the policy continues. If not, course corrections, including reversals, is warranted.

Consider the financial sector. Two

significant recent policies were the extension of regulatory forbearance and the imposition of a 9 per cent interest rate cap on all bank lending. The narrative justifying these measures was that it will reduce non-performing loans and increase financial inclusion by expanding access to credit. Has this held up to the test of time? Without a rigorous empirical analysis, a conclusive answer is not possible. But any casual examination of financial sector data will tell you that the answer is most probably no. NPLs have increased, and access is business as usual.

A second case is the foreign exchange market. The Bangladesh Foreign Exchange Dealers Association and the Association of Bankers' Bangladesh were moral-suaded by the Bangladesh Bank to introduce a multiple exchange rate system in mid-September 2022. It was touted as a novel out of the box solution that will bring back stability and alleviate the foreign exchange shortage. Yes, exchange rates have been stable since on the surface, but the shortage has only deepened as indicated by the accelerated depletion of BB forex reserves in the second half of 2022. The rate stability by shadow fiat is superficial when the market is not trading much. Data suggests a clear case for reversal to a float managed in cognizance of supply and demand balancing.

We have experimented with a buffet of subsidies. Exports, remittances, diesel, fertiliser, food and so on. Each of these cases deserves separate empirical scrutiny. The expectation from export subsidy was product and market diversification. Related data makes one raise eyebrows at best. The expectation from subsidy on remittances was increased inflows through formal channels. The opposite seems to be happening of late despite increase in the rate of subsidy and easing of eligibility requirements. What went awry in all these cases? Reflections based on data must not

miss infrastructure milestones such as the Padma Bridge, valued at \$7 billion at inception. Anecdotal data on real estate price movements in the region associated with PB suggests value realisation is probably underway. The asset having been already built, now the policy focus must naturally shift to the "other factors", including bridge management, enabling, or constraining the realisation of opportunities opened by the bridge. There are also lessons to be learnt on project financing and implementation that may be adjudged transferable to other contexts, not to speak of the role of political commitment in the provision of a national public good.

Policies have beneficial consequences and collateral damages, intended or otherwise. Smelling the policy from results on the ground, rather than the ex-ante benevolent wishes, is the hallmark of evidence-based policymaking. Any nimble policy making process prominently features reality checks which in turn need immunity from policy principals to mitigate the risk of policy-based evidence production.

The writer is a former lead economist of the World Bank's Dhaka office.

Govt developing 10 export sectors to earn \$1b from each

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Last year some Tk 200 crore was earned from the DITF, he said, adding that this year more was expected to be earned as now there was no apprehensions over Covid-19.

Senior Commerce Secretary Tapan Kanti Ghosh said the new venue has been built at a cost of Tk 1,300 crore and now expansion work was ongoing.

The commerce ministry and Export Promotion Bureau has been holding the DITF since 1995. AHM Ahsan, EPB vice-chairman, was present at the briefing.

What's in store for Bangladesh

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of US dollars." The economist estimated that Bangladesh is at least losing half a billion US dollar in remittance per month to informal channels because of the system.

Bangladesh is trying to secure a \$4.5 billion in loan from the IMF over a three-year period.

"If the country makes just a one reform, \$6 billion would flow into the country every year," he said.

More than 10 lakh migrant workers are estimated to have left the country for jobs abroad. And these workers went to the countries where economies are booming for the price hikes in commodities and inflation is hovering around 3 to 5 per cent.

"The capacity to send remittance has not declined. So, we need a market-based uniform rate of the buying and selling of the US dollar. And this can be done overnight," said the former World Bank economist.

Nazneen Ahmed, country economist at the United Nations Development Programme, thinks 2023 would not be an easy year for Bangladesh.

"It would again test the country's resilience to various shocks. Higher inflation is still persisting and would remain a concern in 2023."

She said it would be difficult to check higher inflation amid the post-pandemic recovery, the election year and the pressure to create jobs. So, she called for drawing up strategies to minimise the impacts of higher consumer prices on the low-income groups and the poor.

There is a concern that there might be food shortage globally.

But Ahmed says she does not think that Bangladesh would face any major food crisis. "We had a good harvest in 2022. And Bangladesh grows its main food on its own."

Ahmed suggested the government maintain its restrictions on unproductive and non-essential

expenditure and travels in order to save the US dollar and fast-track the implementation of the ongoing mega projects.

Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue, said the country would have to improve its balance of payments position by raising export and remittance receipts. Similarly, the exchange rate management will have to be made market-oriented.

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"The coordination between the fiscal policy and the monetary policy has to be ramped up to counter imported-inflation. Social safety net programmes have to be strengthened. Domestic resources mobilisation should get priority."

The former professor at the University of Dhaka called for accelerating digitalisation at the National Board of Revenue and showing zero-tolerance to capital flight.

"Good governance has to be ensured at all levels."

The new year comes at a time when commodity prices are showing a downward trend whereas oil prices are moving upwards.

"So, we will have to formulate policies in a dynamic manner. This is a volatile situation, so sticking to a one policy might not work. Policy-making has to be evolving depending on requirements."

Facilitating the opening of letters of credit, needed to accelerate the economic growth, would be

particularly difficult amid a drastic fall in reserves. If reserves continue to decline and the price of the dollar keeps increasing, businesses, except for exporters, will fall into trouble. Businesses have already become wary because of the worsening political climate.

"Experience shows that the economy does not perform well in an election year," said Muiinul Islam, a former president of the Bangladesh Economic Association.

Investments might slow in 2023 as investors will be cautious in injecting fresh funds apprehending political instability, according to Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

In 2023, the government would have to restore discipline in the banking sector. Otherwise, it would not be able to get rid of the ongoing liquidity crunch and play its due role in the economy. Banks are the biggest financiers in Bangladesh.

Standard Chartered Bank Group Chairman José Viñals is, however, optimistic.

He said some of the headwinds the world saw in 2022 would moderate in 2023 and the challenges that Bangladesh is now having are of external origin, mostly.

He thinks inflation has peaked in the US and the European Union, the largest export markets for Bangladesh. China is also opening up after abandoning its zero-Covid policy. There has been improvement in India, Asean and other economies.

"All of these are going to have a beneficial impact on Bangladesh," Viñals told The Daily Star during an interview in Dhaka last month.

"The implementation of the IMF programme, once it is confirmed in January, and the reduction of external headwinds will make 2023 a better year for Bangladesh and put the country on the higher growth trajectory going forward."