

Star BUSINESS



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Issue bonds, rely less on call money market

BB asks NBFIs

STAR BUSINESS REPORT

Bangladesh Bank yesterday asked non-bank financial institutions (NBFIs) to take initiatives such that they can mobilise funds issuing bonds instead of relying much on the interbank call money market.

Some of the NBFIs are now failing to repay depositors due to a mismatch of the maturity period of funds, according to a central bank notice.

The mismatch arises as the NBFIs usually disburse long term loans among borrowers taking short-term loans from the interbank call money market, it said.

The interbank call money market is a platform through which banks and the NBFIs borrow and lend

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FOREX-RELATED ECONOMIC INDICATORS

LC OPENING
Slumped 14%
in Jul-Dec
(year-on-year)

LC SETTLEMENT
Declined 9%
in Jul-Dec
(year-on-year)

FOREX RESERVES
Dec 29 of 2022: \$33b
Jan 25 of 2022: \$45b

DOLLAR VS TAKA
Jan 25 of 2023: Tk 106
Jan 25 of 2022: Tk 86



Why taka depreciated massively

- War-induced economic turmoil globally
- Higher prices of goods and energy abroad
- Lower remittances and exports
- Illegal capital flight

RECOMMENDATIONS

- Allow market-based exchange rate
- Lift interest rate cap
- Speed up foreign-funded project execution
- Prioritise projects on a need basis
- Ease import of raw materials



Adani loses Asia's richest crown

Stock wipeout reaches \$86b

REUTERS, Bengaluru

Shares in Indian tycoon Gautam Adani's conglomerate plunged again on Wednesday as a rout in his companies deepened to \$86 billion in the wake of a US short-seller report, with the billionaire also losing his title as Asia's richest person.

Wednesday's stock losses saw Adani slip to 15th on Forbes rich list with an estimated net worth of \$75.1 billion, below rival Mukesh Ambani, the chairman of Reliance Industries Ltd who ranks ninth with a net worth of \$83.7 billion.

Before the critical report by US short-seller Hindenburg, Adani had ranked third.

The losses mark a dramatic setback for Adani, the school dropout-turned-billionaire whose fortunes rose rapidly in recent years in line with stock values of his businesses that include ports, airports, mining, cement and power. Now, the tycoon is fighting to stabilise his companies and defend his reputation.

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DOLLAR SHORTAGE

Let taka depreciate further: economists

AHSAN HABIB

As the US dollar shortage persists, businesses in Bangladesh are increasingly finding it difficult to open letters of credit (LCs) since banks can't supply the adequate American greenback needed to finance imports.

This means many companies can't secure the raw materials required to keep their factories up and running, which has forced them to cut production and hampered job creation.

Most of the listed companies representing various sectors that disclosed their financial reports last week said the LC opening problem has hurt their production of goods. As a result, profits have fallen drastically.

Against the backdrop, economists are recommending the government make the foreign exchange rate market-based and allow the depreciation of the local currency gradually against the US dollar in a bid to reduce the demand for the American greenback and draw remittance.

In September, the central bank fixed uniform buying and selling rates of the US dollar in order to contain the volatility in the foreign exchange market, which has been caused by a dollar shortage driven by higher import

bills amid lower export and remittance receipts.

The move eased the volatility initially to some extent but has largely failed to overcome the crisis. Rather, the dollar shortage has deepened and the crunch may linger since the factors responsible for the current

the exchange rate was adjusted, the interest rate cap on loans was not removed.

"A crawling downward adjustment of the local currency against the greenback is a must at the moment," said Bhattacharya.

He thinks that if the government does not allow

reduce the money supply by raising the interest rate in a bid to contain the inflationary pressure."

Inflation eased for the fourth consecutive month in December as it slipped to 8.71 per cent. In August, inflation surged to a 10-year high of 9.52 per cent.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, also thinks that the exchange rate and the interest rate should be left to the market instead of being determined by the central bank.

In April 2020, the central bank set the lending rate at 9 per cent. The lending rate was adjusted upwards to 12 per cent in January for only consumer loans.

With a market-based exchange rate, the local currency may weaken further, but it will be helpful in bringing stability in the demand and supply of dollars, Mansur said.

"If the government keeps the rate low artificially, there will be a point when it would have to be adjusted drastically and the consequences of such drastic adjustment would be much dire."

For a proper macroeconomic situation, an environment needs to be created where demand and supply should be market-based.

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situation such as the Russian war in Ukraine and the global energy crisis are still there.

"There are multiple issues in the economy and the government is worried about investment, the banking sector and higher inflation. But a coordinated macro-management is still missing," said Debapriya Bhattacharya, a distinguished fellow at the Centre for Policy Dialogue.

The government has unveiled some policies but they were not inter-lined. So, for example, when

the adjustment, there will be a crash-landing for the taka like it happened recently.

As the foreign exchange reserves depleted fast, the local currency lost its value by about 25 per cent against the US dollar in the last one year and the major depreciation took place between August and September.

Bhattacharya said the government thinks that the downward adjustment of the currency may stoke inflationary pains.

"But the government should

Fresh impetus to contactless payment

STAR BUSINESS REPORT

Bangladesh Bank yesterday widened the scope for contactless payments in order to further boost touch-and-go transactions and push the country towards a cashless economy.

From now on, contactless payments of up to Tk 5,000 per transaction can be done using debit and prepaid cards apart from credit cards, the central bank said.

Earlier, up to Tk 5,000 payment could be done through contactless credit cards. In case of debit and prepaid cards, the limit was Tk 3,000 per transaction.

"It is a revolutionary step at a time when the world is moving towards contactless payment. The more people use contactless cards, the more cashless the economy will become," said Syed Mohammad Kamal, country manager of Mastercard, a global payment technology company.

The development comes at a time when the use of cards, including contactless ones, is increasing gradually thanks to efforts by the financial institutions to popularise tap-and-pay technology, which allows users to make payments digitally and avoid close contact with salespersons during purchases.

Bangladesh Bank allowed the rollout of contactless cards since 2018, and its popularity has accelerated because of the coronavirus pandemic both locally and globally.

As of November 2022, banks have issued 3.49 crore cards, including 2.94 crore debit cards and 20.87 lakh credit cards. Card users transacted over Tk 39,000 crore in November, according to Bangladesh Bank data.

Kamal said contactless payment technology is present in more than 60 per cent of the credit cards issued in Bangladesh so far.

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CARD TRANSACTION

(As of Nov 2022)

	DEBIT	CREDIT	PRE-PAID	TOTAL
Cards	2.95 crore	20.87 lakh	32.79 lakh	3.49 crore
Transaction amount (In crore taka)	36,356	2,459	301	39,117

SOURCE: BB

TRANSACTION LIMITS

- Limit for contactless payment for debit, pre-paid cards raised to Tk 5,000 from Tk 3,000
- For transaction over Tk 5000, users have to use their PIN
- More than 60pc credit cards are contactless in Bangladesh

Increased electronic transactions would enhance transparency and boost the state's revenue collection

A senior official of Bangladesh Bank

Loans from export dev fund made costlier

STAR BUSINESS REPORT

Bangladesh Bank yesterday raised the interest rate on loans availed from its export development fund (EDF) by 50 percentage points to make borrowing costlier in an effort to save foreign currencies.

As per the new decision, if manufacturers and exporters take loans from the EDF, they have to pay interest at the rate of 4.5 per cent whereas previously it was 4 per cent.

Meanwhile, commercial banks have to pay 3 per cent whereas it was 2.50 per cent earlier, according to a BB notice.

Banks first take money from the EDF and then use it to disburse loans among businesses.

The central bank started to increase the interest rate in July last year, when clients had to pay 2 per cent.

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STOCKS

DSEX ▲	CASPI ▲
0.16%	0.14%
6,277.18	18,540.06

COMMODITIES

Gold ▲	Oil ▼
\$1,927.85	\$78.97
(per ounce)	(per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.27%	▲ 0.07%	▲ 0.36%	▲ 0.90%
59,708.08	27,346.88	3,377.65	3,284.92

Apex Footwear's earnings surge

STAR BUSINESS REPORT

Local footwear giant Apex Footwear's earnings surged 86 per cent in the second quarter ending on December 31 buoyed by increased exports and domestic sales.

The company posted Tk 2.79 earnings per share in October-December period, up from Tk 1.50 the same period a year ago, according to a disclosure at the Dhaka Stock Exchange (DSE).

With the October-December earnings, Apex Footwear's overall net profit soared 42 per cent year-on-year to Tk 5.22 per share.

With the October-December earnings, Apex Footwear's overall net profit soared 42 per cent year-on-year to Tk 5.22 per share. Its sales revenue rose 41 per cent to Tk 801 crore in July-December

Its sales revenue rose 41 per cent to Tk 801 crore in July-December period of the financial year from Tk 556 crore a year ago.

Apex Footwear's shares rose 60 per cent to Tk 259.10 at the DSE yesterday.

Apex Footwear said its earnings have increased as export sales as well as local sales increased to a good extent compared with the same period of last year even after an increase in most of the expenses, including tax deducted at source.

The company also posted an increase in its net operating cash flow per share as its receipts from customers were healthier than payments compared with the same period last year.

The net asset value increased too because of an increase in non-current assets and the net impact of decrease in non-current liabilities.



Beneficiaries of a Re-skilling and Employment Reintegration Programme of UCEP Bangladesh and Standard Chartered Bangladesh apply their training in manufacturing batteries at a factory inside an industrial estate of the Bangladesh Small and Cottage Industries Corporation in Sylhet. The photo was taken recently. PHOTO: DWOHA CHOWDHURY

UCEP-StanChart training countering Covid job losses

DWOHA CHOWDHURY

As soon as the coronavirus pandemic hit Bangladesh in early 2020, thousands of people, mostly in the informal sector, lost their jobs.

One of them is Rasel Miah. He lost his job at a workshop as soon as the government imposed the nationwide shutdown.

Unemployed for over a year, he heard non-governmental organisation Underprivileged Children's Educational Programmes (UCEP) Bangladesh offering a training in Sylhet and enrolled.

"After completing the automobile servicing course at UCEP, I got my job back at the same workshop where I was working. But now, I am being paid Tk 3,000 more," he said.

The vocational training was a part of a Re-skilling and Employment Reintegration Programme of UCEP Bangladesh.

The programme was launched on December 2020 in collaboration with Standard Chartered Bangladesh (SCB) and hundreds of youths from around the country are being reintegrated into the workforce through retraining.

According to a study conducted by the Bangladesh Institute of Development

Studies (BIDS) in 2020, around 57 per cent of people working in informal sectors became unemployed and 32 per cent faced reduced incomes due to the pandemic.

While many returned to work after the shutdown was withdrawn, thousands still remain unemployed.

The programme aimed to reskill those unemployed youths who were between the ages of 18 years to 35 years and reintegrate them into the workforce.

In the first three phases of the programme, 1,600 people from Rajshahi, Rangpur and Khulna divisions received training in welding, mechanical and electrical services, tailoring and automobile servicing. Around 91 per cent of them have already secured employment.

The fourth phase of the programme is progressing in Sylhet division now, with 278 people of Sylhet district having already received training and in the process of being reintegrated.

Moreover, as the region was recently hit by a devastating flood, 222 flood-hit people from Sunamganj and Habiganj are also planned to be reskilled and reintegrated.

According to UCEP Bangladesh, before selecting beneficiaries for trainings, they conduct a rapid needs assessment.

Then they form each group of beneficiaries making sure that 50 per cent are women, 50 per cent men, 50 rural people and 2 per cent people differently abled.

UCEP Bangladesh, with the support of the SCB, also extended food packages to the beneficiaries four times during the training.

Joly Begum is another beneficiary who lost her job at a biscuit factory during the pandemic. After receiving training from UCEP Bangladesh, she got a new job at a battery factory named Suntec Energy.

"After the training, I got the job placement here and the management is happy with my and others' performances," she said during a conversation at her workplace recently.

"We train them in the trades that are high in demand and ensure their employment by communicating with the companies," said Mohammad Kayum Mollah, acting regional manager of UCEP Bangladesh in Sylhet.

"One-time financial help does not benefit for long," said Bitopi Das Chowdhury, head of corporate affairs of the SCB.

"That's why, being a force for good, we are engaging in such programmes where we can help people with something sustainable and might help them become successful and solvent," she said.

Unilever Bangladesh appoints new finance director

STAR BUSINESS DESK



Unilever Bangladesh yesterday appointed its first female finance director.

Zinnia Huq replaces Zahidul Islam Malita, who has been appointed procurement finance director in Singapore, said a press release.

A finance graduate of the Institute of Business Administration at the University of Dhaka, Huq is also a fellow certified management accountant of the Chartered Institute of Management Accountants, UK.

She previously served at GlaxoSmithKline Bangladesh and BAT Bangladesh before joining Unilever in 2019.

South Korea slides toward recession

REUTERS, Seoul

South Korea's economy inched toward its first recession in three years as data on Wednesday showed its January trade deficit soared to a record thanks to a plunge in exports caused by a combination of long holidays and cooling global demand.

Asia's fourth-largest economy, which relies heavily on trade for growth, shrank by 0.4 per cent in the October-December quarter and is now on the brink of falling into what would be its first recession since the middle of 2020 during the height of the Covid-19 pandemic.

Exports fell 16.6 per cent in January from a year earlier, trade ministry data showed, worse than an 11.3 per cent decline predicted in a Reuters survey and the fastest drop in exports since May 2020.

Imports fell 2.6 per cent compared with a year earlier, less than a 3.6 per cent drop predicted in the survey. As a result, the country posted a monthly trade deficit of \$12.69 billion, setting a record amount for any month.

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (FEB 1, 2023)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 75	1.5 ↑	5.47 ↑
Coarse rice (kg)	Tk 46-Tk 50	-2.04 ↓	1.05 ↑
Loose flour (kg)	Tk 58-Tk 60	-1.67 ↓	66.2 ↑
Lentil (kg)	Tk 95-Tk 100	-4.88 ↓	0
Soybean (litre)	Tk 168-Tk 170	-2.59 ↓	14.58 ↑
Potato (kg)	Tk 25-Tk 30	39.47 ↑	76.67 ↑
Onion (kg)	Tk 35-Tk 40	-9.64 ↓	25 ↑
Egg (4 pcs)	Tk 42-Tk 45	19.18 ↑	19.18 ↑

SOURCE: TCB



Ahmed Shaheen, additional managing director of Eastern Bank, handed over to Abdur Rouf Talukder, governor of Bangladesh Bank, signed documents of an agreement on facilitating investments for export-oriented industries using a Tk 10,000 crore central bank fund at the latter's headquarters in Dhaka on Monday. PHOTO: EASTERN BANK



Mohammed Monirul Moula, managing director of Islami Bank Bangladesh, handed over to Abdur Rouf Talukder, governor of Bangladesh Bank, signed documents of an agreement on facilitating investments for export-oriented industries using a Tk 10,000 crore central bank fund at the latter's headquarters in Dhaka on Monday. PHOTO: ISLAMI BANK BANGLADESH



Shahriar Kamal, managing director of Concord Group, inaugurated the construction of its 5th Green Brick/Block Plant at Munshiganj's Gojaria upazila through a ceremony at Renaissance Dhaka Gulshan Hotel yesterday. PHOTO: CONCORD GROUP



Emranul Huq, managing director of Dhaka Bank, handed over to Abdur Rouf Talukder, governor of Bangladesh Bank, signed documents of an agreement on facilitating investments for export-oriented industries using a Tk 10,000 crore central bank fund at the latter's headquarters in Dhaka on Monday. PHOTO: DHAKA BANK



Humaira Azam, managing director of Trust Bank, handed over to Abdur Rouf Talukder, governor of Bangladesh Bank, signed documents of an agreement on facilitating investments for export-oriented industries using a Tk 10,000 crore central bank fund at the latter's headquarters in Dhaka on Monday. PHOTO: TRUST BANK

Concord to construct 5th block plant

STAR BUSINESS DESK

Concord Group is going to set up its fifth green block manufacturing plant installing a German machine in Munshiganj's Gajaria upazila.

Managing Director Shahriar Kamal launched the construction through a ceremony at Renaissance Dhaka Gulshan Hotel yesterday, said a press release.

The first and second plants use machines brought from Spain capable of producing 59,520 blocks

every eight hours. The third uses a machine from Germany manufacturing 26,080 blocks while the fourth one made in the US producing 12,000 blocks, all within the same period.

Nazia Karishma Kamal, director of the group, Md Abdus Salam Molla, superintending engineer of Local Government Engineering Department, and Md Ashraf Al Alam, director general of House and Building Research Institute, were present.



Md Hsan-uz Zaman, managing director of Midland Bank, inaugurated a branch at AK High School Bhaban in Girza Mohollah of Barishal Sadar Thana last Thursday. Wahidul Islam, Barishal superintendent of police, Hasan Mahmud Babu, president of the school, and Md Mizanur Rahman, head of the branch, were present. PHOTO: MIDLAND BANK



Md Anisur Rahman Miah, chairman of Rajdhani Unnayan Kartripakkha, inaugurated IFIC Bank's sub-branch on Pubail Thana Road at Pubail in Gazipur last Thursday. Md Nurul Hasnat and Gitanka Debdip Datta, deputy managing directors of the bank, were present. PHOTO: IFIC BANK



Draft digital commerce act facing backlash

Entrepreneurs say it would hinder development of the sector

STAR BUSINESS REPORT

E-commerce entrepreneurs yesterday came down heavily against the formulation of a new law to regulate the sector, saying that it would hinder the development of digital commerce in Bangladesh.

The "Digital Commerce Act 2023" recently prepared by the commerce ministry includes provisions that will practically upend the business of small-and-medium digital commerce entrepreneurs, they said.

The law bars people from running a digital business without obtaining a Digital Business Identity (DBID) from the ministry. If anyone is found operating a digital business without it, then that person would be fined Tk 5 lakh or have to spend one year in prison as a penalty.

"The new law will be suicidal for the sector. I think we don't need a law because

existing laws are enough for the sector," said Fahim Mashroor, chief executive officer of AjkerDeal.

"Imagine a woman entrepreneur who runs a small business through a Facebook page is made to go to jail or face a Tk 5 lakh fine for not getting a DBID. This law is particularly harmful for them," he added.

Millions of educated young women are not getting employed as there are not many jobs available for them. As such, a significant portion of them have been trying to sustain their livelihoods by starting online businesses using Facebook or other digital platforms.

"Whereas we should be trying to help them, we are doing everything to make it harder for them to do business. Millions of small online traders are being blamed and new laws are being put in place for a few e-commerce fraudsters," Mashroor said.

He was speaking at a roundtable on the

draft of the new Digital Commerce Act, organised by the Bangladesh Association of Software and Information Services (BASIS) at its office in Dhaka.

The "Digital Commerce Act 2023" recently prepared by the commerce ministry includes provisions that will practically upend the business of small-and-medium digital commerce entrepreneurs, businesses said

The law comes amid widespread scams centring the e-commerce sector in 2021, when it was found that some fraudulent platforms embezzled thousands of crores of taka from customers and merchants.

Wassem Alim, the CEO of Chaldal, a top online grocery platform, said the law

would restrict the sector's growth rather than help it flourish.

There is a trend in the country where laws are enacted only after an incident occurs.

"But when any fraud happens, no authority gets the courage to implement the law. So, no fraud occurs because of the lack of law, it takes place due to the lack of implementation," he added.

Alim then said the digital commerce sector in Bangladesh is very small and so, a law can be formulated when it grows further. Alim also criticised the harsh penalty regime included in the law.

Syed Mohammad Kamal, a director of BASIS and country manager for Mastercard Bangladesh, said there are adequate laws or rules to regulate e-commerce in Bangladesh, such as the consumers' rights protection law, Bangladesh Bank's escrow system and logistics authority.

Loans from export

FROM PAGE B1

This means the interest rate has increased 125 per cent in the past seven months.

A Bangladesh Bank official said the country's foreign exchange market has been facing volatility in recent months, which was why the central bank was trying to reduce the spending of dollars to alleviate the stress.

The foreign exchange reserves of Bangladesh have already decreased to a large extent thanks to higher import payments against slower-than-expected export earnings and feeble remittance inflow.

The foreign exchange reserves stood at \$32.29 billion on January 25 in contrast to \$45.15 billion a year ago. So, the central bank is now putting in the efforts to decrease the spending of dollars by taking different measures.

International Monetary Fund (IMF) earlier asked the central bank to calculate its foreign exchange reserves, excluding the amount kept aside for the EDF.

Under such a situation, the central bank has now discouraged clients from taking loans from the EDF by increasing the interest rate.

The EDF has already been reduced to less than \$6 billion from \$7 billion.

Fresh impetus

FROM PAGE B1

He said contactless payment technology will improve user experience and reduce the risk of fraud.

A senior official of Bangladesh Bank said increased electronic transactions would enhance transparency and the state's revenue collection.

Mahitul Islam, head of retail banking at Brac Bank Ltd, said users of contactless cards would not require to insert cards in the point of sales (POS) terminals and give their PINs for over Tk 5,000 transactions from now on. They will be able to make payment by tapping their cards and using PINs only, he added.

"This is a very good step. This will speed up digital transaction," said Islam.

Issue bonds

FROM PAGE B1

The share slides come just a day after the Adani Group managed to muster support from investors for a \$2.5 billion share sale for flagship firm Adani Enterprises, in what some saw as a stamp of investor confidence at a time of crisis.

The report by Hindenburg Research last week alleged improper use by the group of offshore tax havens and stock manipulation. It also raised concerns about high debt and the valuations of seven listed Adani companies.

The BB issued the circular to implement the fact-finding committee's recommendation, he said.

The BB official said a good number of the NBFIs have recently faced a wide range of scams. And scamsters have even siphoned off money from the NBFIs by mobilising funds from the interbank call money market.

The central bank formed a "fact-finding committee" in 2021 to look into the scams at the NBFIs.

The committee has recently suggested that the central bank bar the NBFIs from borrowing from the interbank call money market, said the BB official.

Costly dollar hits

FROM PAGE B4

"These two items account for almost all the decline in net profit."

In the six months to December in 2022, the company's manufacturing costs rose by Tk 21 crore because of power and fuel price hikes while its travel and freight spending increased by more than Tk 10 crore and international freight spending by Tk

Adani loses

FROM PAGE B1

The group has denied the allegations, saying the short-seller's narrative of stock manipulation has "no basis" and stems from an ignorance of Indian law. It has always made the necessary regulatory disclosures, it added.

Shares in Adani Enterprises, often described as the incubator of Adani businesses, plunged 28 per cent on Wednesday, bringing its losses since the Hindenburg report to more than \$18 billion. Adani Ports and Special Economic Zone dropped 19 per cent. Both stocks marked their worst day ever.

Md Mezbaul Haque, spokesperson of the central bank, said the latest instruction would help the NBFIs avoid the maturity mismatch of their funds. This will help to manage the NBFIs' liquidity operations efficiently, he said.

But Mominul Islam, managing director of IPDC Finance, said it would be difficult for the NBFIs to follow the instruction of the central bank due to the absence of a vibrant bond market.

Borrowers in Bangladesh have collectively mobilised only 1 per cent of their total loans by issuing bonds, he said.

Businesses are highly dependent on the banking sector to manage their required funds, he said.

"Both the BB and Bangladesh Securities and Exchange Commission should take measures to make the bond market vibrant, otherwise it will be tough for the NBFIs to depend on the present bond market," he said.

Let taka depreciate further

FROM PAGE B1

4 crore, Alam said.

Moreover, Renata increased raw materials inventory by Tk 247 crore to ensure the drugmaker's protection against dollar shortages in the near future, he said.

The stock build-up and increased expenditures as outlined earlier adversely affected Renata's cash flow, he added.

Remittance hits

FROM PAGE B1

managing directors of banks, have recently decided to collect remittances from foreign exchange houses at Tk 107 per USD.

A managing director of a bank, however, says that some banks have offered more than the ceiling. "So, some banks have managed to receive more remittances than others."

Between July and January, expatriate Bangladeshis sent remittances amounting to \$12.45 billion, up 4.25 per cent year-on-year.

However, the flow of remittance is still lower than expected given that a record number of Bangladeshis went abroad in 2022 in search of jobs.

Pay 'ethical' price for apparel

BGMEA urges global buyers

STAR BUSINESS REPORT

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) yesterday asked international retailers and brands to pay "ethical" prices for apparel items sourced from the country as local producers have spent heavily on improving their safety and compliance standards.

"Massive safety initiatives along with extensive awareness programmes have led to a remarkable transformation in Bangladesh's garment sector, said Faruque Hassan, president of the BGMEA, at a hotel in Dhaka yesterday.

"Workers are more empowered and aware about their rights and welfare than ever," he added.

Hassan then said a culture of trust and respect is essential for long-term success in business as such practices boost employee confidence and motivates them to perform better.

Citing how garment factories in Bangladesh have taken many initiatives beyond their legal obligations to ensure workers' welfare, he said nobody can justify a lower price to produce socially fair goods.

Moreover, the industry has made exemplary progress in areas of environmental sustainability and making the workplace more comfortable for workers.

Global buyers now feel more confident and interested in sourcing garments with the "Made in Bangladesh" tag as they know the products were manufactured in factories that are safe and environmentally sustainable, he added.

The BGMEA chief made these remarks while addressing a stakeholder engagement session of the "RESPECT" programme organised by Tesco, a UK-based retail company.

The RESPECT programme aims to create a culture of respect and fair treatment among staff in garment factories, according to a statement from the BGMEA.

Emirates runs demo flight

using sustainable aviation fuel

STAR BUSINESS DESK

Emirates has operated a demonstration flight on the use of a 100 per cent sustainable aviation fuel (SAF) to power one of the engines of a Boeing 777-300ER.

The flight took off from Dubai International Airport last Monday and flew for more than one hour over the Dubai coastline, said a press release.

The demonstration flight using the "drop-in" SAF, meaning one that can be added to any fossil jet fuel to reduce emissions with no changes needed to the aircraft, is the first in the Middle East and North Africa.

Currently, Emirates is working alongside partners GE Aerospace, Boeing, Honeywell, Neste and Virent to procure and develop a blend of SAF that closely replicates the properties of conventional jet fuel.

Between July and January, expatriate Bangladeshis sent remittances amounting to \$12.45 billion, up 4.25 per cent year-on-year

Still, the remittance has not picked up proportionately as workers reportedly send half of their money to the beneficiaries back home using informal channels

hand, capital flight will be costlier amid a higher exchange rate regime."

As the demand for US dollars can't be met, banks are delaying the opening of LCs, so the government should try to increase the supply of the American greenback, said Mustafa K Mujeri, executive director of the Institute for Inclusive Finance and Development.

Export and remittance receipts have to be increased to ensure higher availability of the US dollar, he said, adding that the loans from the IMF may improve the situation.

On January 30, the IMF approved a \$4.7 billion credit facility for Bangladesh.

Mujeri, also a former director-general of the Bangladesh Institute of Development Studies and a former chief economist of the central bank, says if the government allows a market-based foreign exchange rate and lets a slow depreciation of the local currency, it may offer some respite since the move is expected to bring down the demand for dollars.

"However, a higher depreciation will fuel inflationary pressure, so the process should be slow."

owing to the better rates of the US dollar offered by hundi operators.

Experts say unofficial channels are attractive to migrant workers since they can send money easily and receive better rates. The exchange rate gap between the formal and informal channels is also to blame.

With a view to encouraging remittance through legal channels, the government hiked the rate of incentives by 0.5 percentage points to 2.5 per cent in January last year.

The government also withdrew the mandatory provisions for the submission of earning documents of the remitters in the case of availing cash incentives against remittances exceeding the amount of \$5,000.



Women harvest mustard plants which will be dried before undergoing threshing for the collection of the seeds. The crop is planted from mid-October to mid-November whereas harvests run from late January to mid-February, according to the Bangladesh Bureau of Statistics. Around 396,594 tonnes of rapeseed and mustard seed were produced around the country on around 814,288 acres of land in fiscal year 2020-21. The photo was taken at Hasalkandi village in Gaibandha's Phulchari upazila recently.

PHOTO: MOSTAFA SHABU

Shwapno posts 31% sales growth

AHSAN HABIB

Bangladesh's largest retail chain Shwapno registered 31 per cent year-on-year growth in sales in the July to December period of 2022-23.

Its revenue stood at Tk 840 crore in the period, which was Tk 641 crore in the same period of the previous year.

The data was found in the financial report of ACI Ltd, the owning company of Shwapno.

However, the retail chain's profit before tax remained negative at Tk 66.90 crore, which was Tk 58 crore in the same period last year.

ACI Logistics launched Shwapno in 2008 with a vision to set up retail outlets all across the country.

Now it is the largest grocery chain in Bangladesh with over 300 outlets, according to the information provided on Shwapno's website.

Sabbir Hasan Nasir, executive director of ACI Logistics, said higher inflation and a rise in sales figure helped the company post the sales growth.

The higher inflation means the higher product prices raise the sales value, he said.

In August, inflation surged to a 10-year high of 9.52 per cent. Then it slightly dropped but remained above 8.71 per cent till December, according to data from the Bangladesh Bureau of Statistics.

Nasir, however, said the higher sales growth comes from two ways -- identical sales growth and expanded outlets of the chain shop.

He explained that identical sales growth means the growth from those stores which registered around 11 per cent growth.

As Shwapno's merchandising expertise grew, it started working with its suppliers to cater for the need-based products at lucrative prices analysing consumers' behaviour, which attributed to the sales growth, he continued.

On the other hand, the expansion of the retail chain also contributed to the higher growth as it is launching several new outlets every month, he said.

In the July to December period of the 2022-23 fiscal year, Shwapno launched 60 new outlets, according to Nasir.

"Now, the company is logging operating profits marginally. If the expansion continues then it will be able to make higher profits, so it is on the expansion process."

Summit Alliance Port clocks 91% higher profit in Q2

STAR BUSINESS REPORT

Summit Alliance Port Limited (SAPL) posted nearly 91 per cent spike in profit to Tk 9.95 crore in the second quarter of the current financial year of 2022-23.

The inland container depot and container freight service provider made a profit of Tk 5.21 crore in the October-December quarter of the previous financial year.

Thus, the consolidated earnings per share (EPS) was Tk 0.42 in October-December of FY23 compared to Tk 0.22 in the same quarter of FY22, according to the un-audited financial statements.

The EPS increased as consolidated profit after income tax went up in the quarter compared to a year earlier, said SAPL in a filing on the Dhaka Stock Exchange.

SAPL reported a 109 per cent increase in profit in the first quarter as well. So, its profit rose to Tk 20.84 crore in the first half of FY23, up 95.50 per cent from Tk 10.66 crore during the same half of FY22.

The consolidated net operating cash flow per share (NOCFPS) rose to Tk 1.28 in July-December of FY23 from Tk 0.74 in the first half of FY22.

The consolidated net asset value (NAV) per share was Tk 33.72 on December 31 and Tk 34.34 on June 30.

Established in 2003 in Patenga of Chattogram, SAPL is the largest off-dock in the country's private sector, handling 22.50 per cent of Bangladesh's containerised export volumes and 10.50 per cent of the import volumes, according to the company's website.

Besides, it has established the first-ever inland water terminal facility in the private sector named "Muktarpur Terminal" on the bank of the Dhaleswari in Muktarpur under Munshiganj, providing off-dock services and economical cargo transportation and easing the pressure on the Dhaka-Chattogram highway.

A subsidiary of SAPL has taken over the management of three river terminals in Kolkata and Patna.

Costly dollar hits Renata's profit

STAR BUSINESS REPORT

Pharmaceutical company Renata Ltd witnessed a 35 per cent year-on-year drop in net profit in the October-December period due to increased price of raw material generated by the dollar crisis.

As a result, the company's turnover declined to Tk 757.6 crore in October-December period of 2022 from Tk 762.9 crore the same period a year ago.

However, its cost of sales rose by 21 per cent year-on-year to Tk 483.7 crore in the second quarter of the financial year 2022-23.

Renata posted Tk 87.8 crore in income in the second quarter to the end of December 2022 down from Tk 135.9 crore in its unaudited financial statement.

Renata's consolidated earnings per share (EPS) dipped 35 per cent to Tk 7.66 for October-December 2022, from Tk 11.89 a year ago.

With the second quarter earnings, overall earnings declined 22 per cent year-on-year to Tk 18.52 for the July-December 2022.

The profits fell due to the depreciation of the exchange rate of the local currency and a significant rise in capital and raw material costs, said Jubayer Alam, company secretary of Renata.

READ MORE ON B3

Towards a just int'l tax system

AL MAMOON

Defying all common wisdom, the world had never had an apex body for international tax cooperation. In November, the United Nations General Assembly's finance committee voted to open discussions on international tax standards, effectively overriding a decade-old initiative by the Organisation for Economic Cooperation and Development (OECD).

The stakes are high as the November 23 resolution aims at setting new rules for multinational corporations about whether they should be allowed to shift profits to tax havens and in what jurisdictions they can or can't be taxed.

THE FAILURE OF OECD

Paris-based OECD has been struggling to set tax standards acceptable to all economies since 2013. As a last ditch effort, the OECD launched the minimum effective global corporate tax rate of 15 per cent on multinational companies. This also could not come into being as member countries did not legislate it and Hungary objected to the European Union's adoption of the plan.

The Tax Justice Network (TJN), a group of economists, journalists and activists, is a staunch critic of the OECD. In its release styled "UN tax convention proposed at General Assembly", the network summarised OECD's long-standing effort this way: "The OECD reform process has been hamstrung by a combination of entrenched private sector lobbying and opposition from OECD member countries that rank among the world's biggest enablers of abuse on the Corporate Tax Haven Index and Financial Secrecy Index, and the organisation's inability to offer a meaningful voice to lower-income countries."

Indeed, the state of increasing unlikelihood on the OECD's part to deliver global tax solutions is largely homegrown.

COMING TOGETHER OF AFRICAN NATIONS

The tax convention proposed in October was first requested by a delegation of African countries back in 2019. In February 2021, the UN high-level panel for Financial Accountability, Transparency, and Integrity

called for a UN convention with a view to reforming tax policies. Also, the World Economic Forum supported the idea of a UN tax convention. The more OECD's failure came to light, the more UN's takeover gained ground.

None other than the secretary-general appeared as a protagonist for a broader UN role in international tax cooperation. His 17-page report to the General Assembly on combating illicit financial flows categorically called for implementing the Addis Ababa Action Agenda of the third international conference on Financing and Development whereby member states are pledge-bound to gear up international tax cooperation. Such cooperation must be universal in approach. One can understand now that the proposal is not just an apple falling from an African tree. It is rather a culmination of a series of efforts by countries, groups and individuals who are aware of and/or impacted by corporate manipulations.

HOW BIG IS THE LOST REVENUE

The International Consortium of Investigative Journalists (ICIJ) is a major player in unearthing tax fraud.

Spencer Woodman of the ICIJ writes: "In 2017, ICIJ's Paradise Papers project shed light on tax manoeuvres of more than 100 corporations, including Nike and Apple, which shifted profits around the world to accumulate \$252 billion offshore. A study published last year showed that, in one year alone, corporations shifted \$1 trillion offshore, depriving governments of hundreds of billions in revenue."

The TJN has quantified the lost revenue to the tune of \$483 billion a year.

If and when things change, can Bangladesh have a slice of the pie? We will talk about that in the next write-up.

The author is a member of the Pacific Council on International Policy.

IFAD Autos profits nosedive

STAR BUSINESS REPORT

IFAD Autos Ltd yesterday said its net profit dipped 75 per cent year-on-year in the second quarter of financial year 2022-23.

The truck assembler and other vehicle sellers logged Tk 0.13 earnings per share in three months to the end of December 2022 from Tk 0.53 earnings a share the same period a year ago, IFAD said in a disclosure at the Dhaka Stock Exchange (DSE).

Including the second quarter earnings,

IFAD Autos overall income became negative in the first six months of its financial year.

The vehicle seller's losses per share stood at Tk 0.65 per share in the July-December period from a net profit of Tk 0.93 a share the same period a year ago.

IFAD Autos share remained unchanged at Tk 44 since the opening of today's trade.

The net operating cash flow per share of the company became negative too in the first half of the year.

IMF's loan a respite for Bangladesh's current economy

Dhaka chamber says

STAR BUSINESS REPORT

The International Monetary Fund's (IMF) \$4.7 billion credit facility will come as a relief for Bangladesh as the country faces a shortage of foreign exchanges, said the Dhaka Chamber of Commerce and Industry (DCCI) yesterday.

On January 30, the IMF approved the credit facility under the Extended Credit Facility (ECF), Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF) arrangements. The credit facility is to be disbursed under a 42-month programme.

"In the current economic scenario, this is a sigh of relief when there is a shortage of foreign exchange. This is expected to help maintain the macroeconomic stability of Bangladesh," said DCCI President Md Sameer Sattar in a press release.

"The approval of this loan on the part of IMF is a sign of Bangladesh's creditworthiness and economic strength."

Sattar said that it is noticed that the IMF's loan is tied with some institutional and policy reform conditions. This includes reforms in the financial sector, policy framework, energy sector, public finance,

local revenue generation, and investment in climate resilience.

However, he hailed the timely decision of the IMF as the loan will assist Bangladesh in facing the current economic challenges in a structured manner.

The DCCI chief said the loan would give the government an option to consider withdrawing some rigid import conditions, such as the conditions on opening letters of credit (LCs).

"The approval of this loan on the part of IMF is a sign of Bangladesh's creditworthiness and economic strength."

"The loan will surely provide a relief to businesses, considering the upcoming month of Ramadan and the growing need for essential commodities."

Sattar suggested the government take immediate steps to reduce budget deficits and increase the tax-to-GDP ratio to cope with the challenges in the near future.

He urged the government to continue to uphold the spirit of good governance and try to enforce the same across all major sectors.



People buy dry fruits at a market in Karachi. Inflation has risen to a 48-year high in crisis-hit Pakistan, where the International Monetary Fund is visiting for urgent talks, according to data released yesterday by the country's statistics bureau.

PHOTO: REUTERS