



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.

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.

Loans from export

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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

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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.

Mahiul 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

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money among each other on a short-term basis to fulfill their immediate requirements.

If the NBFIs mobilise funds by issuing bonds, which usually have a minimum maturity period of three years and above, they can easily give out long-term loans.

A 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.

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

Costly dollar hits

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“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

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.

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.

Adani loses

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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 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.

Let taka depreciate further

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“However, the government is trying to fix all the things from the stock market to the interest rate of the banking sector,” said Mansur.

“In reality, the fixing policy is not working in any sector.”

The former economist of the International Monetary Fund warns that if manufacturers continue to face challenges in opening LCs, it will squeeze production and job creation will be impacted.

Owing to the dollar crunch, LC opening slumped 14 per cent year-on-year in July-December of the current financial year of 2022-23. Settlement declined 9 per cent, central bank data showed.

Mansur advised the government to reduce the costs of local-funded projects and speed up the implementation of foreign-funded projects.

The implementation of foreign-funded projects under the Annual Development Programme has remained slow, with just 26.5 per cent of the allocation being spent in the first six months of 2022-23.

AB Mirza Azizul Islam, a former

adviser to the caretaker government, says since the sourcing of raw materials in the manufacturing sector is almost entirely import-dependent, the government should ensure their smooth imports.

“Otherwise, a dearth of raw materials would create disturbance in the economy.”

The cost of manufacturing has already gone up owing to the hikes in the tariffs of gas and electricity, higher raw material prices globally, and escalated freight costs.

The government has raised the retail price of gas by 14.5 per cent to 178.9 per cent for industries, power plants and commercial establishments, effective this month.

On Tuesday, the government increased the electricity price once again by 5 per cent at the retail level – the second hike in 19 days as it steadily retracts subsidies from the power sector.

Islam also thinks that a market-based exchange rate may give some relief now.

“It may bring about the devaluation of the local currency. But remittance flow will be higher. On the other

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.”

jobs abroad last year, the highest in history, data from the Bureau of Manpower Employment and Training showed.

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

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.