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BUSINESS

Management of banks should be allowed to act independently Says BB governor STAR BUSINESS REPORT

In an ideal scenario, ensuring the independence of a bank's management from the influence of its board helps smooth execution of decisions in tune with the board's policies, said Bangladesh Bank Governor Abdur Rouf Talukder recently.

Both the boards of directors alongside the chief executive officers play a very significant role in the banks' overall performance, he said.

Talukder was addressing a "Twenty-first Nurul Matin Memorial Lecture on Ethics in Banking" at the Bangladesh Institute of Bank Management on Saturday.

The governor brought up the issue at a time when the management officials of banks are struggling to take decisions independently due to the intervention of directors.

Ethics and corporate governance are highly important in the operation of banks, he said, adding that some directors tend to think they own the banks.

Some delinquent directors have been involved in major scams that have been perpetrated in the banking sector in recent times, according to the central bank reports.

In a keynote speech, READ MORE ON B3



Tipu Munshi, commerce minister, and Tapan Kanti Ghosh, senior secretary of the ministry, and chief executives of a number of local and international fast-moving consumer goods (FMCG) companies attend a discussion styled "Leveraging Growing Middle and Affluent Class for a Vibrant Consumer Goods Sector" at the Bangladesh Business Summit at the Banglabandhu International Conference Center in Dhaka yesterday.

FMCG companies bullish about further growth

STAR BUSINESS REPORT

Local and international fast-moving consumer goods (FMCG) companies are bullish about growth opportunities in Bangladesh's consumer goods market on the back of a middle-class set to surge in size.

The number of people belonging to the middle and affluent class is projected to increase from 12 million, or 7 per cent of the population, now to 34 million by

2025, according to a paper of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

"Bangladesh is ready for big brands. And people of this country know luxury brands. It is one of the fastest-growing consumer markets in Asia," said Syed Nasim Manzur, managing director of Apex Footwear Limited. "People are ready to spend and they are

making better choices in how they spend."



He spoke at a discussion styled "Leveraging Growing Middle and Affluent Class for a Vibrant Consumer Goods Sector" at the Bangladesh Business Summit at the Bangabandhu International Conference Centre in Dhaka.

The three-day summit, organised by the FBCCI, aims at showcasing the country's progress and potential to both global and local investors.

The market size of consumer goods in Bangladesh is \$3.6 billion with an annual growth rate of 9 per cent, said the FBCCI paper.

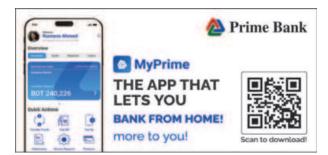
Zaved Akhtar, managing director of Unilever Bangladesh, said Bangladesh would become a trillion-dollar economy at a modest 5 per cent GDP growth by 2040.

"We believe that we would be better than that."

According to Akhtar, there is a lot of He spoke at a discussion styled "Leveraging rowing Middle and Affluent Class for Vibrant Consumer Goods Sector" at than comparable markets.

Bangladeshis only spend \$23 per capita on FMCG while in India it is \$44 and more than \$100 in China and Indonesia.

He said the sector has a massive potential to improve the country's export basket. "Currently, the country's exports in this READ MORE ON B3



BB working to scrap interest rate ceiling

STAR BUSINESS REPORT

The Bangladesh Bank has taken an initiative to scrap the 9 per cent interest rate ceiling and introduce a market-based interest rate on loans.

"We are working on the development of a market-based reference rate. On top of that, we will be giving a corridor for the lending rates," said Bangladesh Bank Governor Abdur Rouf Talukder yesterday.

He came up with the remarks on the second day of the Bangladesh Business Summit at the Bangabandhu International Conference Center in the capital.

The Federation of the Bangladesh Chambers of Commerce and Industry organised the threeday event in cooperation with the foreign and commerce ministries and the Bangladesh Investment Development Authority.

"Non-performing loans (NPLs) are like cancer. If you can't cure it within the shortest possible time, you will die. And there is no other conclusion," said Ali Reza Iftekhar, a former chairman of the Association of Bankers

Contacted, a BB official explained the governor's comment, saying that the central bank might initially set a reference rate on loans based on the demand for credit from borrowers.

"We will then set a range of a particular corridor of interest rates on the reference rate that will be applicable to borrowers," he said.

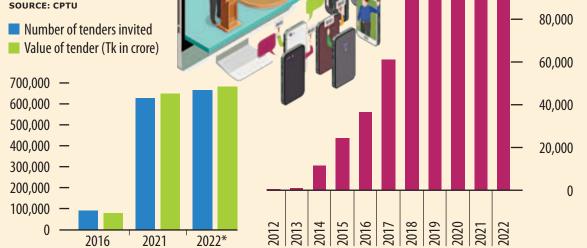
For instance, if the reference rate is set at 9 per cent, the corridor might be in the range of 2 to 3 per cent. This means banks may charge a maximum interest rate of 12 per cent, the BB official said, on condition of anonymity.

"Probably, shortly we will be able to introduce this new initiative," said the BB governor at a session on long-term finance.

The BB has maintained the ceiling since April 2020. In January, it relaxed the lending rate cap for consumer loans, allowing banks to hike it up to 3 percentage points.

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Govt to form authority on public procurement

REJAUL KARIM BYRON and AHSAN HABIB

The government has prepared a draft law for ensuring transparency and accountability in public sector purchases while also improving efficiency in the sector.

As per the draft law, which will soon be placed at a cabinet meeting, the Bangladesh Public Procurement Authority (BPPA) will be formed to regulate public purchases.

A top official of the planning ministry confirmed last week that the draft law has already been sent to the Cabinet Division.

The government decided to form the BPPA in line with the conditions set by various multilateral lenders, including the World Bank.

Earlier, the World Bank called for full implementation of the e-Government Procurement (e-GP) system, which would bring down the average procurement lead time (from invitation to contract signing) to 50 days from 70 days at present.

But for that to happen, the financial Bangladesh Public Procurement would be Authority Act must be enacted, the officials.

global lender said in its conditions for upcoming budgetary support.

Bangladesh spends more than \$25 billion annually on public procurement, around 65 per cent of which is done through the e-GP system, according to the planning ministry. BPPA will be a

The upcoming authority's chairman of the board of directors would be the planning minister while its vice-chairman would be the secretary of the Implementation Monitoring and Evaluation Division (IMED).

The board would comprise representatives of the IMED, planning ministry, finance ministry, the ministry of law, justice and parliamentary affairs, and the chiefs of four procurement offices considering their higher purchase requirements and complex nature of the goods.

Two board members would be the chiefs of procurement offices that got the highest allotment in the development budget for the previous financial year. All the representatives would be at least joint secretary level officials.

From the private sector, two board members would be included considering their three-year experience in public procurement or extensive knowledge in purchase rules and regulations.

The chief executive officer of the BPPA will be a member of the board with additional secretary status.

The tenure of the board of directors will be a maximum of three-years and the government can increase or cut the size of the board when needed.

The board will form policy and a legal framework for purchase activities and regulations to run the BPPA properly.

The BPPA will have to make a yearly report on all purchase activities and submit it to the government with recommendations on how to improve efficiency in this regard, the draft law says.

The authority will also form, update and maintain a list of people who are banned from public procurement activities. The list will be available for reading among the mass people.

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