

Why insurance stocks surging in a dull market

AHSAN HABIB

Shares of most of the insurance companies rose almost every day in the last one month, becoming an outlier in a market that has been dull for several months due largely to persisting economic uncertainty at home and abroad.

Of the 57 insurers listed on the Dhaka Stock Exchange (DSE), 53 have seen a spike, three have remained stuck at the floor price, and one has fallen slightly.

This upward trend of the sector comes after the regulator proposed making insurance mandatory for all types of vehicles, pulling investors to the stocks of general insurance companies since the move is expected to bring about positive impact for them, said a top official of a brokerage firm, preferring anonymity.

On March 1, Prime Minister Sheikh Hasina gave directives to ensure that no uninsured vehicles ply the streets. And the Insurance Development and Regulatory Authority (Idra) has sent a proposal to the finance ministry to take the initiative to amend the Road Transport Act 2018.

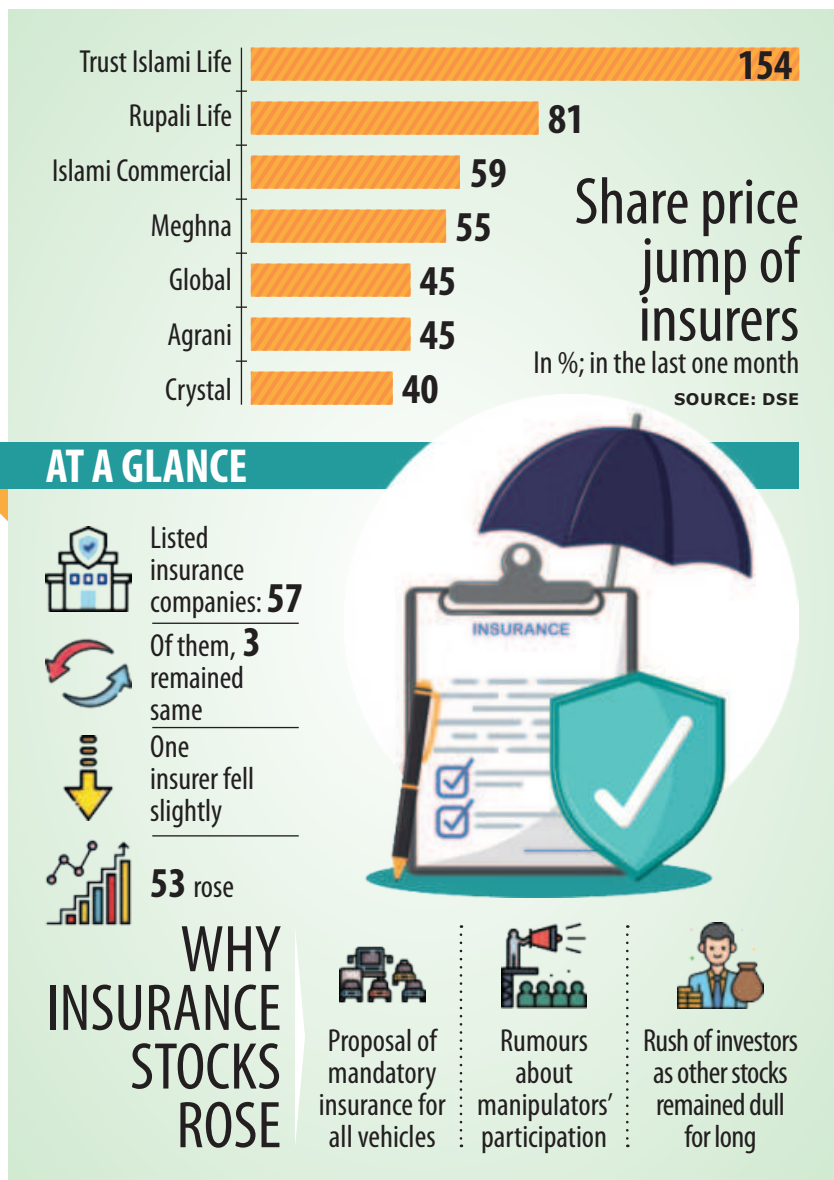
The Financial Institutions Division of the finance ministry has prepared a summary to this effect for the Prime Minister's Office for consideration.

According to the proposal of the insurance regulator, vehicle owners will face a fine of up to Tk 3,000 if not insured.

Insurance was once mandatory for all vehicles, including motorbikes, cars, buses, and trucks. The law was repealed in 2018, although road crashes are common and at least 7,713 people were killed in road accidents in 2022, according to the Road Safety Foundation.

The government's policy aimed at making insurance mandatory will lead to a higher income for general insurance companies.

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Tax return filing crosses 30 lakh for first time

SOHEL PARVEZ

The number of people who filed tax returns in fiscal year 2022-23 has crossed 30 lakh for the first time.

Credit lies in the tax authority's increased efforts to expand the tax net through various policy measures and rising awareness among taxpayers.

Until April this fiscal year, the National Board of Revenue (NBR) received 31.7 lakh tax returns from taxpayers, mainly individuals, which was 22 per cent higher from that filed in fiscal year 2021-22.

The latest growth is the highest in five years, with taxmen linking the surge to the introduction of a new rule requiring people to file their income, expenditure and wealth statements to avail 38 types of services.

Among others, people have to furnish proof of submission of returns (PSRs) or acknowledgement receipts of return filing to avail loans of over Tk 500,000 from a bank or financial institution.

The proof is also necessary for obtaining or maintaining a credit card, opening postal savings accounts exceeding Tk 500,000 or purchasing state sponsored savings instruments, known as "sanchaypatra" in Bangla, of over Tk 500,000.

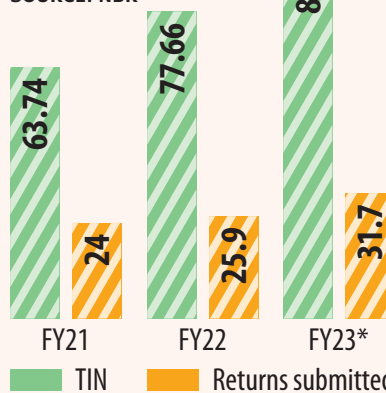
People who open and continue using bank accounts of any sort with a credit balance of over Tk 10 lakh also needed to submit tax returns and submit acknowledgement receipts or tax certificates, among others.

"The requirement of the PSR has driven the growth of tax returns," said a senior

Registered taxpayers and return submission

In lakh; *As of April

SOURCE: NBR



NBR official, expecting that overall return may grow to 35 lakh at the end of this fiscal year, meaning June 30.

Awareness rose among people because of tax fairs held annually, contributing to the steady growth of tax return and compliance, said taxmen.

Policy measures also contributed, such as introduction of rules making it mandatory to avail taxpayer identification number for public and private sector employees, who earn Tk 16,000 or more, they said.

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No bank will survive without investing in digital banking

Selim RF Hussain says

STAR BUSINESS REPORT

Banks that are not investing funds to improve their digital banking platform will not be found in Bangladesh after 5-7 years, according to Selim RF Hussain, chairman of the Association of Banks, Bangladesh (ABB).

Local banks will become obsolete if they fail to invest in the improvement of their technology-based banking, he said yesterday.

Hussain came up with these remarks at a press briefing on the sidelines of a two-day summit, titled "Banking on Digital Transformation", organised by the ABB at Pan Pacific Sonargaon Dhaka.

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67% SMEs, rural homes still rely on microcredit: study

STAR BUSINESS REPORT

Almost two-thirds of rural households and cottage, micro and small firms in a survey were found to be mostly dependent on microcredit to avoid hassles of availing conventional bank loans.

They prefer the microcredit even though the interest rate goes up by almost threefold to reach 24 per cent, said the survey conducted among 1,000 households and 400 enterprises across the country.

Of the respondents, 37.5 per cent had taken loans and of them, around 67 per cent were from microcredit institutions while the rest from conventional banks.

The survey was conducted by the Policy Research Institute of Bangladesh (PRI), which revealed the preliminary analysis at its training programme in Dhaka yesterday.

Nowadays formal financial institutions such as banks, non-bank financial institutions (NBFIs) and some mobile financial service (MFS) providers are providing loans at much lower interest rates, said the analysis.

However, rural people are taking loans at a very high interest rate of around 23 per cent to 24 per cent or above, it said. Those who availed loans were mostly unable to meet criteria of banks, including managing collateral, it said.

potential for growth in the rural economy," he said.

The survey also found that around 91 per cent of the entrepreneur respondents had to start their businesses with personal or family savings, or by borrowing from

executive director of the PRI, at the event.

"In light of this, the agent banking model has emerged as a vital solution, offering cost-efficient financial services to underbanked communities across the country," he said.

Mansur highlighted the success of agent banking, emphasising its presence in rural areas where agents, who are community members, build trust with customers.

Currently, the model has reached an impressive 16.5 million clients, a testament to its effectiveness in providing financial services to previously underserved regions, he said.

"During the pandemic, when traditional banks faced limitations, agent banking outlets played a crucial role in maintaining banking operations," he said.

Mansur also saw challenges for agent banking in the medium to long term. Only those which will be able to compete and adapt with new technologies will be able to survive, he said.

Zaidi Sattar, chairman of the PRI, delivered the welcome remarks.



There is a potential for digital financial services to replace microcredit institutions as a source of financing in the rural economy, said Bazlul Haque Khondker, director of the PRI.

There is a need for financing the rural cottage, micro and small firms for their business expansion and sustainability, he said.

"If MFS and formal financial sources can meet that demand, there is a huge

friends or family, without any financial support from formal financial sources.

Around 82 per cent of the respondents stated that they required additional financial support for future growth, read the survey.

Access to finance remains a significant constraint to sustained development in these regions as the microcredit institutions are charging high interest rates, said Ahsan H Mansur,

Exim Bank to issue Tk 600cr bond

STAR BUSINESS REPORT

Exim Bank Ltd's board has approved a proposal to issue a Tk 600 crore mudaraba subordinated bond.

In a filing on the Dhaka Stock Exchange yesterday, the Shariah-compliant bank said the board has accorded its approval for the issuance of Mudaraba Subordinated Bond (5th Issue) as a process of inclusion in Tier-II capital as "subordinated debt", for a period of seven years through private placement.

Subordinated debt is an unsecured loan or bond that ranks below other, more senior loans or securities with respect to claims on assets or earnings.

Md Monirul Islam, company secretary of Exim Bank, said the company is raising the fund to meet requirements under the Basel-III.

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A worker unloads jute arriving on a boat from villages for storage in a warehouse by the Sandhya river in Shikarpur area of Barishal's Wazirpur upazila. Working from 8:00am to 5:00pm earns them anywhere from Tk 400 to Tk 500. The photo was taken recently.

PHOTO: TITU DAS

National BUDGET FY2023-24

Take steps to roll out universal pension scheme

Economist Bazlul Haque Khondker says

MD ASADUZ ZAMAN



The government should take specific steps through the upcoming national budget for 2022-23 to roll out a universal pension scheme, said an economist.

In January, the parliament passed Universal Pension Management Bill-2022 with a view to bringing the country's growing elderly population under a social security system.

"The plan is still on paper. We have yet to see any execution," Bazlul Haque Khondker, a former professor of the University of Dhaka, told The Daily Star in an interview on Wednesday.

The scheme, later renamed as "National Pension Management Act-2023", is expected to allow the elderly population to better cope with fallouts of unemployment, disease, disability, old-age complications or extreme poverty.

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STOCKS	
DSEX ▲	CASPI ▲
0.31%	0.22%
6,325.73	18,637.95

COMMODITIES	
Gold ▼	Oil ▼
\$1,952.06 (per ounce)	\$73.20 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.16%	▲ 0.39%	▼ 0.2%	▼ 0.11%
61,872.62	30,801.13	3,207.72	3,201.26