



## AirAsia CEO arrives in Dhaka today

STAR BUSINESS REPORT

Bo Lingam, group chief executive officer of AirAsia Aviation Group Limited, will come on a three-day official visit to Dhaka today.

During his visit, Lingam will attend several meetings with the high officials of the ministry of civil aviation and tourism and AirAsia's local partners, said a press release.

He will also meet different stakeholders of the aviation market to understand further prospects of the aviation industry in Bangladesh.



Jackfruits being taken to the Sonadanga wholesale market in Khulna for sale at Tk 60 to Tk 70 per piece on an average. Every part of the fruit is usable – the outer skin as cattle feed, the greenish unripe fruit as a vegetable while the brownish ripened fruit consumed fresh. Even the seeds can be eaten, be it cooked or roasted. The largest tree-borne fruit in the world can reach up to two feet in length and weigh up to 18 kilogrammes. Around 1,000 tonnes were produced around the country in fiscal year 2020-21, according to the Bangladesh Bureau of Statistics. The photo was taken at the Kathaltola Mor in Dumuria upazila on the Khulna-Satkhira highway last week.

PHOTO: HABIBUR RAHMAN

## 8 insurers asked to raise policy renewal rate

SUKANTA HALDER

The Insurance Development and Regulatory Authority (IDRA) has directed eight life insurers to increase their policy renewal rate after the second year of subscription to 70 per cent from 50 per cent at present.

The move comes in a bid to develop the insurance industry, which is not in good shape due to excessive commission payments, administrative expenses and other irregularities, according to the Financial Institutions Division (FID).

The directive was issued in line with an instruction from the FID to investigate the overall activities of 13 life insurance companies that were approved in 2013 and 2014. In July last year, the FID said the companies have already spent much of the premium taken from customers on various expenses, such as purchasing land and stocks.

As a result, it will be difficult for many of

them to pay claims on time, it added.

The IDRA conducted a probe into the 13 life insurance companies and started hearings with the firms at the beginning of May.

Currently, there are 35 life insurance companies active in the country.

The directive also states that insurance companies should reduce costs related to vehicles purchases.

In addition, the management expenses of these firms, excluding commission, should be reduced by 30 per cent while increasing the size of their life funds.

As per the IDRA's instructions, insurers should increase their gross premium income and at the same time, the rate of insurance claim settlement should be increased as well.

In addition, the rate of investment return should be made consistent with the market interest rate.

The companies are: Protective Islami Life Insurance Limited, Jamuna Life

Insurance Company Limited, Zenith Islami Life Insurance limited and Alpha Islami Life Insurance Limited.

The list also includes Diamond Life Insurance Company Limited, Chartered Life Insurance Company Limited, Mercantile Islami Life Insurance Limited and Jamuna Life Insurance Company Limited.

Jahangir Alam, a spokesperson of the IDRA, said the investigations have been completed and hearings are underway.

Nasir Uddin Ahmed, first vice-president of the Bangladesh Insurance Association, a platform for insurance companies, said the management of these companies should be governed by the guidelines given by IDRA.

The instructions given by IDRA to these eight companies are not only for them, but all life insurance companies, he added.

Mohammad Jainul Bari, chairman of IDRA, said quarterly reports are taken from the companies to check whether they

have done business in compliance with industry regulations.

"Our main objective is to increase the life fund of companies by ensuring their compliance so that they do not face any hurdle in paying claims," he added.

Bangladesh's life insurance penetration is well behind the emerging market average of 3.3 per cent. In 2020, India's life insurance penetration was 3.2 per cent while it was 2.4 per cent in China.

In 2021, life insurance penetration, measured as the ratio of gross written premium to gross domestic product, was 0.5 per cent, way lower than 0.94 per cent in 2010, according to IDRA data.

This means that most Bangladeshis are uninsured and the insurance premium is not rising in keeping with the economy, which has clocked more than 6 per cent growth in the last decade on average.

The insurance industry contributes only 0.4 per cent to Bangladesh's growing gross domestic product.

## Stocks snap two-day gaining streak

Turnover, however, remains unchanged

STAR BUSINESS REPORT

Stocks listed with the Dhaka Stock Exchange (DSE) fell yesterday, breaking a two-day gaining streak as the investors went for booking profits.

The DSEX, the benchmark index of the DSE, fell 7 points, or 0.11 per cent, to 6,332.

However, the DS30, the blue-chip index, advanced 0.04 per cent to 2,198 and the DSES, the shariah-compliant index, rose 0.09 per cent to 1,369.

Turnover, an important indicator of the market, remained unchanged at Tk 1,174 crore.

Of the traded securities, 72 advanced, 111 declined and 197 did not show any price movement.

Paramount Insurance increased mostly by

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posting a rise of 10 per cent followed by Meghna Insurance that rose 9.95 per cent, CAPM IBBL Islamic Mutual Fund 9.92 per cent, Midas Financing 9.91 per cent and Trust Islami Life Insurance 9.7 per cent.

Oimex Electrodes topped the list of losers by shedding more than 7.17 per cent. Midland Bank, Renwich Jaineswar, Shyampur Sugar Mills, and Bangladesh General Insurance suffered substantial losses as well.

Intraco Refueling Station was the most-traded stock of the day with its shares worth Tk 36 crore transacted.

Stocks of Bashundhara Paper Mills, Lafarge-Holcim Bangladesh, Sea Pearl Cox's Bazar Beach Resort and Spa, and Unique Hotel also traded significantly.

The stocks on the Chittagong Stock Exchange also rose yesterday. The Caspi, the all-share price index of the bourse in the port city, fell 3 points, or 0.02 per cent to close at 18,681.

Of the issues at the Chattogram bourse, 65 rose, 74 retreated and 103 did not see any price movement.

Turnover, however, edged down to 36 per cent to Tk 14 crore from the previous day's Tk 19.40 crore.



Prof Satya Prasad Majumder, vice-chancellor of the Bangladesh University of Engineering and Technology (Buet), and Zaved Akhtar, CEO and managing director of Unilever Bangladesh Limited, signed a memorandum of understanding on a collaborative journey to promote innovation and research at the Buet's ECE Bhaban in Dhaka yesterday.

PHOTO: UNILEVER BANGLADESH

## Unilever signs research partnership MoU with Buet

STAR BUSINESS DESK

Unilever Bangladesh Limited (UBL) and the Bangladesh University of Engineering and Technology (Buet) have embarked on a collaborative journey to promote innovation and research.

As part of this initiative, the Buet's Research and Innovation Centre for Science and Engineering (RISE) has awarded a research project to address plastic packaging circularity in Bangladesh.

UBL and RISE jointly organised a memorandum of understanding (MoU) signing ceremony which is the first step towards the collaborative approach between RISE, BUET and UBL with the research project titled 'Sustainable Plastic Packaging Circularity – Cost-Effective

Appropriate Technology'.

Zaved Akhtar, CEO and managing director of UBL, and Prof Satya Prasad Majumder, vice-chancellor of Buet, signed the MoU in Dhaka yesterday, said a press release.

"As we continue to explore avenues to create a sustainable plastic management ecosystem, there is no better time than now to start working with researchers and scientists who play a critical role in driving progress in these areas," said Akhtar.

"Industry and academia can complement each other to drive innovations for a more sustainable future, but the government's support is also crucial. In this regard, I commend the 'Smart Bangladesh Vision 2041' by our government that is facilitating research-driven

partnerships," said Majumder.

This research is part of UBL's commitment to take action on the plastic waste challenge in Bangladesh through the "Less plastic, better plastic, no plastic" model, and heading to a waste-free and sustainable Bangladesh.

The RISE, founded in the Buet, is a research and innovation hub to stimulate and foster world-class research and encourage innovations in engineering and science.

Among others, Saber Hossain Chowdhury, chair of the parliamentary standing committee on the ministry of environment, forest and climate change, Prof Abdul Jabbar Khan, pro-vice-chancellor of Buet, and Prof Muhammad Anisuzzaman Talukder, director of RISE, were present.

## Traditional lenders fall behind

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On the other hand, traditional banks have struggled since the interest rate ceiling was put in place three years ago as the spread – the difference between the interest rate charged by banks on loans and the interest rate paid by banks for deposits – has narrowed.

The interest income constitutes the main earnings for banks.

Like all lenders, Islamic banks faced liquidity challenges last year owing to economic uncertainty and a lower level of confidence among clients because of loan scams. So, their increase in profits has surprised Khan.

"It may be some of them did not keep provisions properly," said the former managing director of Mutual Trust Bank and IDLC Finance.

Among the conventional banks, aggregate profits of five state-run lenders – Sonali, Janata, Agrani, Rupali and Bangladesh Development Bank Ltd – dropped 23 per cent to Tk 713 crore in 2022. Profits doubled to Tk 3,156 crore for nine foreign banks.

Twenty-seven local private conventional banks posted a profit growth of 2.88 per cent to Tk 6,411 crore.

Conventional banks' profits have been hit by the ceiling on the lending rate as well as the 6 per cent deposit rate that led to the narrowing of the spread, said a top official of a conventional bank.

The central bank removed the deposit floor rate completely in

January this year.

The senior banker said many banks faced a liquidity shortage because of the low deposit rate and many of them have had to offer a higher rate to woo funds, which drove down their net interest income.

"Due to the higher inflationary rate, the deposit rate has had to be increased. But the interest rate on most loans is still fixed at 9 per cent. So, the net interest income has squeezed."

In January 2023, the BB increased the lending rate cap for consumer credit to 12 per cent and removed caps on credit card loans. However, these categories represent only about 20 per cent of overall private sector credit in Bangladesh, according to a World Bank report.

The net interest income of the traditional banks edged up 1 per cent to Tk 14,131 crore in 2022 while the investment income (net interest income) of Islamic banks was up 5 per cent to Tk 9,386 crore.

The banker said instead of operating on the basis of a fixed interest rate, shariah-based banks run their operations based on deal-based investments. So, their profit growth has not been affected by the uncertainty in the local and global economy.

He said conventional banks' lower income from interests was offset slightly by the higher income from investments and commissions, fees

and exchange incomes.

The income of most banks from investments grew at a double digit as they invested more in bonds and securities rather than giving out loans amid persisting economic slowdown. The revenue from commissions, fees and foreign exchange business more than doubled.

Among the banks, Standard Chartered Bangladesh posted the highest profit of Tk 1,655 crore in 2022. Islami Bank Bangladesh Ltd came second at Tk 619 crore. Third-placed Brac Bank clocked a profit of Tk 601 crore.

"The business principle that prioritises partnership and well-being of the people has impacted the bottom-line of shariah-compliant banks positively," said Zafar Alam, managing director of Social Islami Bank.

"This policy attracts more people and helps Islamic banks get more deposits," he said, adding that the income from remittance collection was higher in 2022.

Ahmed Shaheen, additional managing director of Eastern Bank, said many depositors who keep funds at shariah-based banks don't bother about the returns they get.

"Most of them only care about whether their money is safe or not. On the other hand, the depositors who keep funds with conventional banks pay heed to the interest rate they receive. So, the spread in the conventional banks is comparatively lower."

## Air travel tax may surge

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This has also led to a surge in the NBR's collection from travel tax.

In the nine months to the end of March during fiscal year 2022-23, travel tax collection shot up 94 per cent to Tk 1,069 crore, higher than the tax authority's target for the whole fiscal year.

The latest data regarding air travel is not available.

Figures of the Civil Aviation Authority of Bangladesh (CAAB) showed that roughly 50 lakh people travelled by air in 2022, which was 145 per cent higher from 20 lakh a year ago.

Meanwhile, the number of

domestic travellers soared 70 per cent year-on-year to 50.5 lakh in 2022.

The hike in travel tax will discourage passengers, said Kamrul Islam, general manager for public relations at US-Bangla Airlines Ltd.

Domestic air travellers now pay a total of Tk 725 in various taxes, he said.

"This will disappoint a section of passengers. Airlines will suffer as the spike may discourage travel," said Islam of the local private airline, which operates flights on 11 international destinations including Dubai, Kuala Lumpur, and India.

The 19-fleet carrier also flies to

eight domestic destinations.

The finance ministry official said the amount of travel tax planned to be imposed on domestic air passengers was low.

"This is unlikely to affect domestic travel as the middle and upper-middle income people mainly fly by air," he said.

Apart from air travel, people who will go abroad by road, for instance to India, are expected to pay a travel tax of Tk 1,000, double the existing rate.

In case of travel by waterways, the rate of travel tax may rise 25 per cent to Tk 1,000 per person from next fiscal year, according to the officials.

## PHP now making

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glass worth Tk 100 crore within the next three years as the price will come down and be available in the market," said Managing Director Mohammed Amir Hossain Shohel.

"We will be able to provide decorative glass at Tk 130 to Tk 270 per square feet depending on colour and thickness while the imported one is a minimum of Tk 200 per square

feet," he added.

Now PHP is offering it in seven colours, he said.

The company invested around Tk 50 crore to add equipment from Italy to its existing float glass manufacturing facilities to get the new range of products.

Using sand from the Feni river as the major raw material, the facility can churn out around 25 tonnes of

decorative glass per day, he noted.

Demand for decorative glass has been increasing in recent years due to the growth of the construction and interior design sectors, said Shohel.

Bangladesh has been experiencing rapid urbanisation and infrastructural development, which has resulted in rising demand for modern and aesthetically appealing building materials, he noted.