NBFIs asked to have a clear HR policy

STAR BUSINESS REPORT

The Bangladesh Bank yesterday instructed non-bank financial institutions (NBFIs) to put in place a clear human resources policy to ensure hiring of honest and efficient persons in transparent manner and establish good governance in the sector.

There must be a clear policy on overall human resource management approved by the board of directors, said the central bank in a directive issued to chief executives all the NBFIs.

The central bank said in view of the importance, NBFIs also must have a board approved policy on the eligibility and qualifications regarding the hiring of the chief of the internal control and compliance, the head of credit risk management, the chief of financial officer and company secretary.

There shall also be a board-approved evaluation process for assessing the applications for these posts, it said.

"No person can hold more than one of the above positions simultaneously," the BB said, making it mandatory for the NBFIs to furnish detail biodata of the top officials with the central bank within 15 working days of such appointment.

India may tighten norms for banks' unsecured lending

REUTERS, *Mumbai*

The Reserve Bank of India (RBI) is looking to tighten scrutiny on the unsecured lending portfolios of banks amid the growing risk of potential defaults, four banking sources told Reuters.

Unsecured loans - mostly personal loans and credit cards - do not carry any collateral and therefore pose a higher risk of default. These loans, however, are a big contributor to margins as they entail higher interest rates.

"Some action from the RBI on unsecured lending, credit cards, etc. could be seen," a senior source aware of the central bank's thinking said. "Excessive growth is the first sign of potential delinquencies."

None of the sources wanted to be named because they are not authorised to speak to the media.

"We can expect the RBI to increase risk weights on unsecured personal loans and credit cards and, or, float a discussion paper on how to monitor the space more efficiently," said the head of credit card vertical at a private sector bank.

Most of the workers employed in the garment sector in Bangladesh are women. PHOTO: STAR/FILE

Digital divide points to disparity in rural-urban internet access

MAHMUDUL HASAN *and* MD ASADUZ ZAMAN

The digital divide continues to exist in Bangladesh underscoring disparities in internet access between rural and urban areas, while gender digital divide also worsened.

The number of internet users increased by 1.8 parentage points to 41 per cent for the people aged above five, according to Bangladesh Sample Vital Statistics, a project run by the Bangladesh Bureau of Statistics.

Of the users, only 37.1 per cent are from villages, highlighting the persistence of digital divide among rural villages compared to urban cities.

While urban areas enjoy better infrastructure and connectivity, rural villages face infrastructural constraints, including inadequate broadband coverage, and a lack of technological resources, according to the experts.

"Although the government introduced the 'one country one rate', the transmission cost hasn't gone down, leading to lower broadband internet penetration in the rural area," said Syed Almas Kabir, chief executive officer of MetroNet Bangladesh.

Despite the government's introduction of the 'one country, one rate' policy, the hike in transmission costs has led to a significant setback in the penetration of broadband internet services in rural areas, according to the MetroNet Bangladesh CEO.

This digital divide exacerbates the gap between urban and rural communities, inhibiting the equitable participation of rural populations in the digital economy.

AKM Fahim Mashroor, chief executive officer of Bdjobs.com, said a good number of people use the internet through broadband connection and the cost of which is very low.

"Conversely, in rural areas, the availability of broadband internet remains limited, forcing many users to depend on expensive mobile data plans, which pose a considerable financial burden given their income levels," he said.

"On the other hand, there are very limited broadband internet connections in rural areas and many of the users are fully dependent on mobile data, the cost of which is very high compared to their income level," he added.

Meanwhile, the survey also pointed out that gender inequality is contributing to the digital divide in Bangladesh.

Of the users, 47 per cent are men and 34 are women.

Industry people and experts said women face additional challenges in accessing the internet compared to their male counterparts, resulting in a gender gap in internet usage and digital skills.

Due to some cultural and traditional beliefs or norms, the gender gap in internet access persists.

"In rural areas, many females are restricted from accessing the internet due to social reasons imposed by their parents or guardians," said Mashroor.

Kabir said the low participation of women in the IT sector, which is only 12 to 13 per cent, reflects the gender digital divide.

However, women in Bangladesh have significantly dominated the F-commerce market, he said, adding that this means, good quality of internet—speed without interruption—may narrow the gap.

Female internet users rose by 1.2 percentage points year-on-year in 2022. However, the gender gap increased as the rise in the male internet users increased by 2.5 percentage points.

However, the digital divide in the rural area with the city decreased very slightly—by two basis points.

Training for women in RMG to raise factory productivity

An IFC-ILO assessment finds

STAR BUSINESS REPORT

Training support for women in supervisory roles leads to higher productivity in the garment factories, a new assessment of the International Finance Corporation (IFC) and the International Labour Organisation showed.

The impact assessment which was conducted by the University of Oxford and the BRAC James P Grant School of Public Health on Better Work's Gender Equality and Returns (GEAR) programme funded by the European Union were presented in Dhaka yesterday.

The assessment was conducted across 27 garment factories in Dhaka and Chattogram and showcased the strong impact of the GEAR programme, particularly in improving line efficiency and increased gender equality.

GEAR partnered with global apparel brands such as H&M, M&S, Levi's, Ralph Lauren, and VF Corporation to implement this programme in their supplier factories and helped ensure the high completion and promotion rates.

Over 600 female operators in 78 factories since 2016 with technical skills and skills required for supervisory roles, with nine out of 10 participants completing the training programme and two-thirds being promoted as supervisors.

At supervisory level, trainees are earning 40 per cent more than similar workers not selected as trainees, with potential for further promotions up the management ladder.

"GEAR trainees proved to be more effective as supervisors, with the lines managed by them being 4 per cent more efficient, a gap that grows with supervisory experience," said Christopher Woodruff, professor of the development economics of the University of Oxford and the lead researcher of the study.

Sewing operators on GEAR-trainee managed lines were also reported to have higher levels of well-being and more satisfactory working environments because supervisors were showing a more cooperative and supportive management style, according to the study.

"We are happy to celebrate the success of the programme, which is a first critical step to create upward career opportunities for women in garment factories," said Wagner Albuquerque de Almeida, a global director for manufacturing' agribusiness and services at the IFC.

Having an adequately skilled labour force is critical to the continued growth of the industry, which needs to tap into the broadest possible talent pool, he added.

German investor morale improves

REUTERS, *Berlin*

German investor morale improved unexpectedly in June, the ZEW economic research institute said on Tuesday, but warned of persistent headwinds as export-focused sectors struggled with a weak global economy.

The institute's economic sentiment index remained in negative territory at -8.5 points, up from -10.7 points in May. A Reuters poll had pointed to a June reading of -13.1.

"Experts do not anticipate an improvement in the economic situation during the second half of the year," ZEW president Achim Wambach said.

The improvement came after three consecutive months of decline, and as Germany struggles with more persistent economic challenges after initially fending off a much-feared energy crunch in winter 2022/23.

Fossil fuel companies' net zero plans largely meaningless: report

REUTERS, *London*

The number of fossil fuel companies setting net-zero emissions targets has risen sharply over the past year, but most fail to address key concerns, making them "largely meaningless", a report showed on Monday.

Some 75 of the world's largest 112 fossil fuel companies have now committed to reaching net-zero - the point at which greenhouse gas emissions are negated by deep cuts in output elsewhere and methods to absorb atmospheric carbon dioxide.

That's up from just 51 a year ago, according to the assessment of publicly available data by Net Zero Tracker, run in part by the Britain-based Energy and Climate Intelligence Unit and the University of Oxford.

But most targets do not fully cover or lack transparency on Scope 3 emissions — which include the use of a company's products, the biggest source of emissions for fossil fuel companies — or don't include short-term reduction plans, the report added.

That made them "largely meaningless", it said. The report also found that none of the fossil fuel companies were making the needed commitments to move away from fossil fuel extraction or production.

As it stands, some 4,000 countries, states, regions, cities and companies globally have now committed to net-zero. Last November, the UN issued guidance on what a 'good' net-zero strategy should look like to avoid greenwashing.

"We haven't yet seen a huge move from fossil fuel companies or other companies on meeting those (guidelines), so there's still a lot of work to do to come up to that level," said Thomas Hale of the University of Oxford, who co-authored the report.

Daisy Streatfield, sustainability director at global asset manager Ninety-One, said "credible plans and meaningful execution are not going to happen overnight", with many companies doing a better job than national governments.

Dollar sags before inflation data

REUTERS, *London/Singapore*

The dollar fell slightly on Tuesday as investors awaited US inflation data, while China's yuan slipped to a six-month low after the central bank lowered a short-term lending rate to boost the economy.

The euro was up 0.42 per cent to $1.08 on Tuesday, after touching its highest since May 23 earlier in the session at $1.081.

That helped push the dollar index, which measures the currency against six peers, down 0.3 per cent to 103.27.

US consumer price inflation (CPI) data is due out at 1230 GMT and could influence the Federal Reserve as it starts its two-day policy meeting, with an interest rate decision due on Wednesday.

New law offers scope

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Bangladesh has around 88 lakh registered taxpayers or TIN-holders. Only 31.7 lakh filed their income tax returns as of April of the current financial year, according to the NBR data.

"There is no reason to keep TINs alive if someone dies. The same is true for others if they leave the country permanently or for companies if they liquidate. So, we have sought to incorporate the provision in the new law," said a senior official of the NBR.

As per the proposed rule, a person can request the NBR to make their TIN inactive if his or her taxable income is zero in the previous three years and is expected to remain zero in the future.

Anyone leaving the country for good will also be able to seek to make the TIN dormant or inactive. Persons who don't need to file tax returns will be allowed to seek de-registration, according to the proposed law.

The new provision also keeps the option for the NBR to make a TIN inactive or dormant if it finds that the taxpayer does not have any income, or registration was obtained to carry out financial crimes or launder money.

TIN-holders can also be struck off if they are found to be obtaining the number by providing fake information.

The NBR official said there are instances that people have secured TINs in the name of persons who pull rickshaws in order to evade taxes. In such cases, the NBR can make the TIN dormant.

"This will help the NBR establish a database of true and genuine taxpayers. It can then proceed to ensure compliance of registered taxpayers. This will be beneficial for many people."

Snehasish Barua, director of SMAC Advisory Services Ltd, said the scope for de-registration of e-TINs will be beneficial for both taxpayers and the NBR.

Cut domestic borrowing

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However, it will be challenging since banks are already suffering from a liquidity shortage and slow deposit growth, said Razzaque.

Government borrowing from scheduled banks will lead to crowding out of the private sector and push up the lending interest rates sharply, he warned.

Under such a situation, the government will need to borrow from the central bank which is likely to create further inflationary pressures, he added.

The PRI said borrowing from the central bank would accelerate further in the final two months of fiscal year 2022-23, taking total government borrowing from the central bank to more than Tk 100,000 crore.

The pace of government borrowing from the central bank is likely to accelerate further in fiscal year 2023-24 to around Tk 130,000 crore to Tk 140,000 crore, which is likely to accelerate further, it said.

However, the government can easily reduce administrative expenditure and ADP allocation for the time being so that it does not need to go for excessive borrowing from the banking system and print taka, said Mansur.

If it wants, it can allocate the money to social safety net schemes, he said.

Some 52 of social safety net allocations go behind paying pension and saving certificate interests and the remaining 48 per cent is very low for those who actually are financially insolvent, he said.

However, if the government prints taka to maintain expenses of the budgetary allocations, inflation will jump again in the markets, he said.

The economist said the current high rate of inflation was created mainly for some wrong decisions.

For instance, the government thought that a lot of investment will come about if the interest rate is artificially kept at 9 per cent. In reality, the investment did not come about at the expected level, he said.

Moreover, over the last year or so, the government released a lot of US dollars in the domestic markets against the local currency taka, which was an unwise and imprudent decision, Mansur also said.

The government could have sold $1 billion or $2 billion in the markets but sold $15 billion to $20 billion which was certainly an imprudent and unwise decision, he added.

The government could have relaxed the exchange rate and increased the interest rate to make the taka attractive, he said.

Without taking proper measures the government instead wasted a full year giving false hope that the exchange rate would stabilise, he said.

Had the government acted tactfully in September or October last year, the exchange rate could have been maintained and it would not have needed to increase the bank interest rate, he said.

The tax to GDP ratio is low and it is difficult to increase the ratio within one year, said MA Razzaque, research director of the PRI.

If import bills cannot be paid, it may lead to the crash of the economy whereas if inflation can not be contained, the financially insolvent may face problems. Hence, adjustments may be a bit painful, he said.

Over the last one year, no policy was taken to contain the inflation. The current foreign currency reserve with the central bank is still good enough to tackle the crisis, he said.

The ADP can be reduced a bit, suggested Razzaque.

If the interest rate is not increased, inflation containment might not be possible and even a 5 per cent GDP growth is good in times of crisis, he said.

Other countries can reduce inflation hiking interest rates although there is a challenge of increasing non-performing loans. But it is possible to give relief to low-income people by increasing allocations to social safety net programmes, he said.

Deposit growth rises

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deficit financing. The large volume of government borrowing from the central bank has already brought a negative effect for the economy as it has fueled inflation.

Inflation escalated to an 11-year high of 9.94 per cent in May. May's figure takes the average inflation to 8.95 per cent, way above the revised budgetary target of 7.5 per cent for the financial year ending on June 30.

Mansur urged the government to avoid higher borrowing from the central bank to keep the macroeconomy stable.

Between July 1 and May 24, the government took loans to the tune of Tk 85,024 crore from the banking sector. Of the sum, Tk 69,208 crore came from the BB.

If deposits in banks increase, the government can take a portion of its required funds from commercial banks along with the central bank, a central banker said.