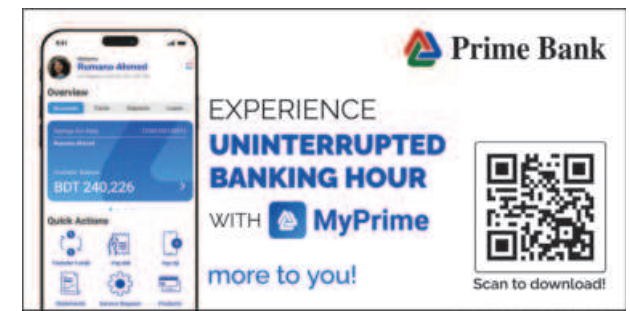


Star BUSINESS



'Robust growth in RMG not reflected in job creation'

STAR BUSINESS REPORT

The robust growth in garment export has not been reflected in employment creation in the sector, according to an expert.

Between 2008 and 2022, Bangladesh's garment exports grew from \$10 billion to \$42 billion. However, employment in the sector is almost stagnant around 3.5 million to 4 million.

"Automation and infusion of labour-saving technology is the reason for the stagnant employment in the sector," said Mohammad Abdur

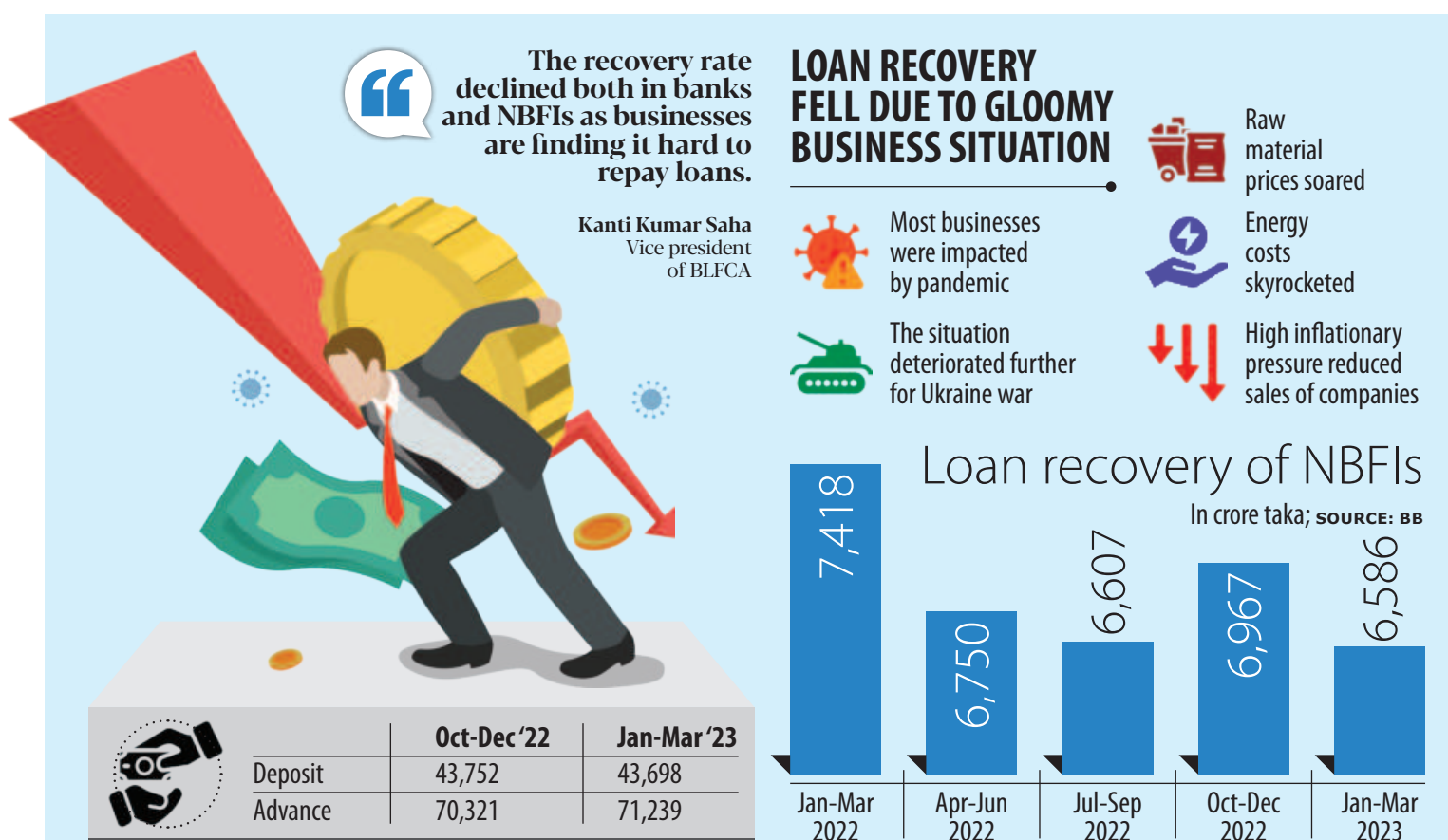
"Automation and infusion of labour-saving technology is the reason for stagnant employment," said Mohammad Abdur Razzaque, chairman of RAPID

Razzaque, chairman of the Research and Policy Integration for Development (RAPID).

He was presenting a keynote at a technical dialogue on "National Employment Policy and Labour Market Employment Challenges in Bangladesh" jointly organised by the labour and employment ministry and International Labour Organization (ILO) at InterContinental Dhaka yesterday.

"One of the principal reasons for weak employment generation

READ MORE ON B3



Non-banks' loan recovery suffers

Officials blame gloomy business situation

AHSAN HABIB

Loan recovery by non-bank financial institutions (NBFIs) dropped in the January-March period as businesses are facing the detrimental effect of a challenging business scenario amid the devaluation of the local currency and electricity shortages.

In the first three months of the current calendar year, loan recovery by NBFIs dropped 5.46 per cent to Tk 6,586 crore from the preceding quarter in 2022.

The recovery rate declined both in banks and NBFIs as businesses are finding it hard to repay loans, said Kanti Kumar Saha, vice president of the Bangladesh Leasing

and Finance Companies Association (BLFCA).

Raw material prices have risen by a huge margin, which is tough to handle for most companies as they cannot fully shift the burden onto consumers.

This is especially true for firms that depend on imported raw materials.



"As a result, the businesses were impacted," said Saha, also managing director of Alliance Finance PLC.

And even when entrepreneurs were able to shift the burden, their business suffered as sales dropped, he added.

Loan recovery from the

highest, 22.5 per cent, followed by the agriculture sector (20 per cent), transport (11.8 per cent), trade and commerce (8.8 per cent) and industrial sector (8.7 per cent), according to Bangladesh Bank data.

Although almost all businesses were impacted, it was massive for the small-scale ones, and since they are the main borrower of the NBFIs, the impact on the NBFIs is higher, Saha said.

Deposits of many NBFIs fell, so their advance and lending were also lower last year, which ultimately led to lower recoveries, said Md Golam Sarwar Bhuiyan, president of the BLFCA.

The NBFIs attracted deposits

READ MORE ON B2

Tax system enters a new era

Income tax law comes into effect

SOHEL PARVEZ

The new income tax law of Bangladesh came into effect yesterday, ending a nearly 40-year era of the old ordinance issued in 1984.

The bill was placed at parliament on June 8 and was approved by lawmakers on June 18.

Termed Income Tax Act 2023, the law continues the provision of imposing a penalty on people who are found having undisclosed offshore wealth.

However, it allows the investment of undeclared wealth for purchasing real estate, such as apartments, without questioning the investor's source of income.

Under the new law, the government has cut the discretionary powers of tax officials as much as possible and aims to reduce cost of doing business.

On the other hand, it expanded areas requiring compulsory return submissions in order to widen the tax net and increase direct tax collection.

From now on, taxpayers will have to show proof of return submission to avail 43 services, up from 38 in the previous law, according to a notification from the National Board of Revenue (NBR) issued yesterday.

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STOCKS	
DSEX ▲	CASPI ▲
0.13%	0.15%
6,319.25	18,657.34

COMMODITIES	
Gold ▼	Oil ▼
\$1,923.63	\$70.39
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.45%	▼ 0.92%	▼ 0.04%	▼ 1.31%
63,238.89	33,264.88	3,222.43	3,197.90

Freezer demand soars ahead of Eid

JAGARAN CHAKMA

Refrigerator and chest freezer sales are seeing steady growth in the lead up to this year's Eid-ul-Azha as demand has soared thanks to the stable prices and various discounts on offer, according to market players.

Sales usually spike by up to 60 per cent ahead of the religious festival as people often look to upgrade their storage solutions in order to better preserve the meat of their sacrificial animals.

Rangs eMart, which retails international home appliance brands, saw its refrigerator and freezer sales balloon by more than 100 per cent over the past week with the growth expected to continue until Eid.

Muhammad Nafees Intiaz, brand manager of Rangs eMart, said their sales remain unaffected by the ongoing inflationary pressure as their target customer segment is of the affluent class.

Besides, refrigerator and freezer prices have not changed this year despite the current economic situation while the numerous offers available are boosting sales as well, he added.

Ritesh Ranjan, head of business at Transcom Digital, echoed the same.

"Business has improved ahead of Eid," he said, adding that they have kept sufficient stock in anticipation of the growing demand.

Ranjan also said they retail products of the Samsung, Whirlpool, Hitachi, Haier, Panasonic, and Transtec brands, and are capable of delivering 1,000 refrigerators and freezers every day.

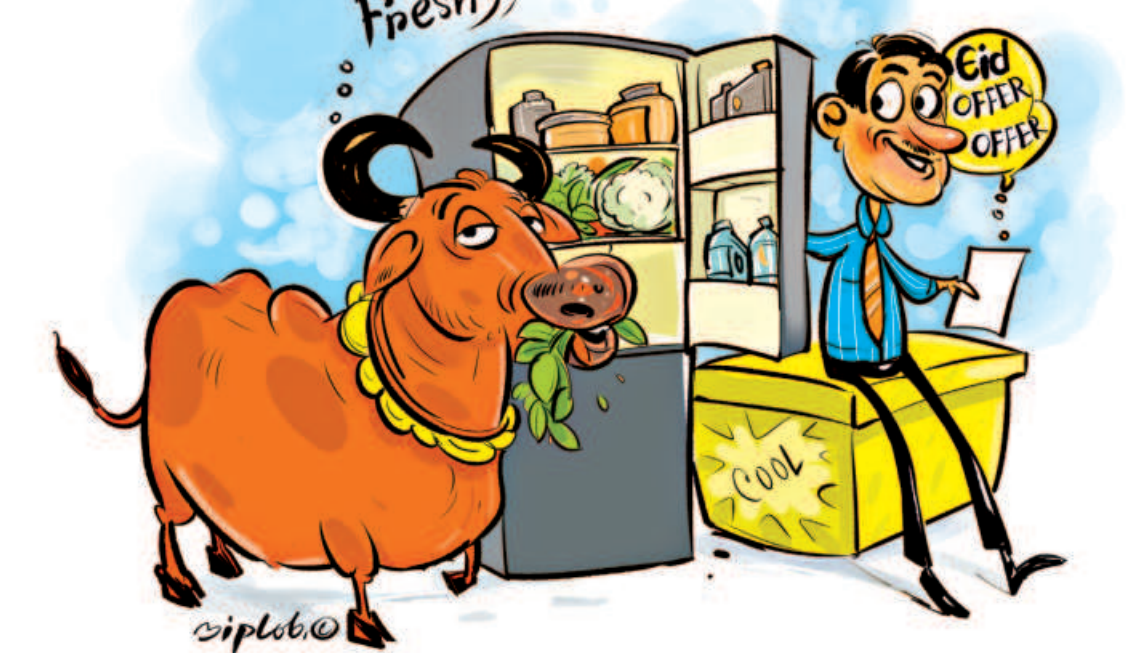
Md Manzurul Karim, senior general manager of Esquire Electronics, the sole distributor of Japanese electronic brands General and Sharp, said the

demand for refrigerators and freezers is higher this year.

"We are retailing around 300 refrigerators each day, which is really good news considering the

However, the increased sales do not indicate that the overall economy has returned to normalcy, Karim added.

According to him, the demand



country's economic crisis," said Karim, citing how they sold an average of 180 units per day last year.

Esquire Electronics has 80 outlets and more than 400 distributors across the country.

The company had adopted a very conservative approach at the beginning of 2023 as their market assessment showed that demand would remain dull throughout the year.

As a result, Esquire Electronics imported fewer products this time around.

"But now we assume our stock will finish before Eid in face of higher demand," he said.

for products designed by Sharp is comparatively higher among customers as they consider it a reliable brand with reasonable prices.

Tofail Ahmed, chief business officer of Walton's refrigerator division, said the company is delivering the highest number of models that are highly energy efficient and feature advanced technologies.

More than 250 models of Walton's frost and non-frost fridges with capacities ranging from 50 to 646 litres are currently available, he said, adding that more than 50 of these are fresh designs released ahead of Eid-ul-Azha.

Ahmed also said Walton keeps the price range of its fridges between Tk 17,000 and Tk 155,000 in a bid to cater to all categories of customers.

Sugar being sold at higher than govt rate

STAR BUSINESS REPORT

Although grocers started selling sugar at a rate higher than that fixed by the government in tune with demands made earlier by refiners and millers, the commerce minister yesterday said the price would be set after Eid-ul-Azha.

Earlier in May this year, the retail price of unpackaged sugar was fixed at Tk 120 and packaged one at Tk 125 per kilogramme (kg).

But consumers were having to buy the sweetener between Tk 120 and Tk 140 at

retail per kilogram owing to inadequate supply in the market.

On June 19, refiners and millers proposed that the government increase the price by 20 per cent and wanted to bring that into effect from June 22 to prevent losses resulting from high import cost and price hikes of sugar in international markets.

And with the new price yet to be set, consumers were having to buy sugar at Tk 148 to Tk 150 per kg yesterday.

The Bangladesh Trade and Tariff

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Although agriculture plays a vital role in accelerating the country's economic growth, the sector is the biggest sufferer of climate change vulnerability. PHOTO: STAR/FILE

Bangladesh lost \$3.72b to climate change in 20 years

Microinsurance could be the solution, an analyst says

STAR BUSINESS REPORT

Over the past 20 years, Bangladesh has suffered about \$3.72 billion in economic losses due to climate change, according to an analyst.

In terms of climate change vulnerability, Bangladesh is the seventh most susceptible country in the world with about 5.3 crore people subject to "very high" exposure, said Dr Syeda Zinia Rashid, senior programme officer of the Embassy of Switzerland in Bangladesh.

And although agriculture plays a vital role in accelerating the country's economic growth, the sector is the biggest sufferer of climate change vulnerability.

In such a situation, microinsurance could be an effective instrument to foster the economic resilience of smallholder farmers and micro, small and medium enterprises, she added.

Rashid made these remarks during the closing session of the first phase of

the Bangladesh Microinsurance Market Development Programme (BMMDP), held at Sheraton Dhaka yesterday.

The event was organised by the Embassy of Switzerland in Bangladesh in association with Swisscontact, a non-profit organisation that carries out initiatives aiming to reduce poverty.

The BMMDP is a programme funded by the Swiss embassy and anchored by the Financial Institutions Division under the finance ministry, and NGO Affairs Bureau of Bangladesh.

It focuses on developing microinsurance products, conducting research, and enhancing capacity in the country's microinsurance sector.

More than 1.5 million farmers of 51 districts were reached through BMMDP activities and 56,000 acres of land were covered under crop insurance, according to the organisers.

The programme has been branded as Surokha, which implies protection for

Microinsurance could be an effective instrument to foster the economic resilience of smallholder farmers and micro, small and medium enterprises, says an analyst.

farmers from any inconvenience resulting from all kinds of calamities.

At the event, Planning Minister MA Mannan said agriculture is the main pillar of Bangladesh's economy as it ensures basic food security.

But the sector has been facing challenges from many natural calamities, such as riverbank erosion, cyclones, flooding and drought, over the years, he added.

In its Bangladesh Agriculture

Insurance Situation Analysis, the World Bank Group in 2018 said the country's annual loss for disasters stands at \$300 million.

Mannan said Swisscontact, Palli Karma-Sahayak Foundation and many other companies have introduced crop insurance for marginal farmers, which is really helpful.

Moinul Islam, member of the Insurance Development and Regulatory Authority, said microinsurance is growing in Bangladesh but not as expected by failing to keep pace with the expansion of the economy.

"This is a concern for us," he added.

Among others, Corinne Henchoz Pignani, deputy head of cooperation of the Embassy of Switzerland in Bangladesh, Md Anwar Hossain, director of the NGO Affairs Bureau, and Alamgir Kabir, head of business administration of Swisscontact Bangladesh, also spoke at the event.

Govt to appoint firm at Tk 17.5cr for TCB smart cards

STAR BUSINESS REPORT

The government is going to appoint a company at a cost of Tk 17.5 crore to give smart cards to one crore poor families so that they can buy various essential commodities at subsidised rates from the Trading Corporation of Bangladesh (TCB).

State-run Infrastructure Investment Facilitation Company (IIFC) will enable the TCB to sell commodities such as edible oil and sugar to the cardholders through apps.

This was decided at a meeting of the Cabinet Committee on Government Purchase (CCGP) at the National Economic Council in the city's Sher-e-Bangla Nagar yesterday.

The meeting, chaired by Finance Minister AHM Mustafa Kamal, also decided to buy 50 lakh litres of rice bran oil from two concerns of the Majumder Group of Industries at Tk 80 crore under direct procurement method.

The purchase committee also gave the go-ahead to an energy and mineral resources proposal to buy liquefied natural gas from the spot market.

As per the decision, the government will buy a 67.2 metric million British thermal units (MMBTU) from Gunvor Singapore Pte Ltd at Tk 1,152 crore from the spot market in two lots.

The prices of the LNG in one lot of 33.5 MMBTU is \$12.98 per MMBTU and the another lot is \$13.85, according to the meeting documents.

The CCGP also approved three proposals for the import of fertiliser by Bangladesh Agriculture Development Corporation (BADC).

The state agency will buy 25,000 tonnes of triple superphosphate fertiliser at Tk 91 crore from Tunisia. The BADC will purchase 30,000 tonnes of the same fertiliser and 40,000 tonnes of diammonium phosphate (DAP) from Morocco at over Tk 316 crore under a state-to-state contract.

Among others, the CCGP approved a proposal from Rajdhani Unnayan Kartripakkha for construction of high-rise flats at Purbachal new town for low-income people on the basis of a public-private partnership.

AP to invest \$7.18m in Bangabandhu Shilpa Nagar

STAR BUSINESS REPORT

The Ayurvedia Pharmacy (Dacca) Ltd (AP) will invest \$7.18 million on a three-acre land inside Bangabandhu Sheikh Mujib Shilpa Nagar (BSMSN) in Chattogram.

The company will manufacture foodstuffs, Ayurvedic healthcare and personal care products and create job opportunities for 300 people, according to a statement.

Md Mozibor Rahman, executive member for investment development at Bangladesh Economic Zones Authority (Beza), and Raquib Mohammad Fakhru, chairman of AP, signed a land lease agreement in this regard at Beza's office yesterday.

After signing the agreement, Sheikh Yusuf Harun, Beza's executive chairman, said the investment of AP, a trusted name in the herbal world, was creating investment opportunities in new sectors at BSMSN. The meeting was attended by the senior officers of the investment institutions and the non-executive officers.



Sheikh Mohammad Tauhidul Islam, chief executive officer of Chattogram City Corporation, Zaved Akhtar, managing director and CEO of Unilever Bangladesh, and Palash Chowdhury, finance director of Young Power in Social Action, pose for photographs after signing a memorandum of understanding on plastic circularity in CCC at Radisson Blu Chattogram Bay View in the port city yesterday. PHOTO: UNILEVER BANGLADESH

Deal signed for plastic circularity in Ctg

STAR BUSINESS DESK

Unilever Bangladesh Limited (UBL) yesterday signed a memorandum of understanding (MoU) with Chattogram City Corporation (CCC) and Young Power in Social Action (YPSA) for improved plastic circularity under CCC.

Sheikh Mohammad Tauhidul Islam, chief executive officer of CCC, Zaved Akhtar, managing director and CEO of UBL, and Palash Chowdhury, finance director of YPSA, inked the MoU at Radisson Blu Chattogram Bay View in the port city yesterday, said a press release.

"The collaboration between CCC, UBL and YPSA is helping to enhance the local value chain, support our waste collection workers and drive plastic circularity in Chattogram,"

said CCC Mayor Md Rezaul Karim Chowdhury.

"Through our initiative, we have embarked on a journey that holds the promise of creating a better and more sustainable world for generations to come," said the UBL CEO.

"It is a collective responsibility for each and every one of us to protect our environment and ensure the proper management of waste in Chattogram city," said the YPSA CEO.

Mubarak Ali, councilor and chairman of a standing committee on waste management, Mohammad Abul Hasem, acting chief conservancy officer (deputy secretary), and Shamima Akhter, director of corporate affairs, partnership and communication at UBL, were present.

Robust growth in RMG not reflected

FROM PAGE B1

the manufacturing sector is being increasingly attributed to the use of more capital-intensive technologies and automation," said Razzaque.

This is coming about as the services and industry sectors' employment shares are not expanding proportionately with the GDP, he said.

Since 2010, the share of the industrial sector in the GDP increased by more than 10 percentage points to 36.9 per cent, but the share of employment fell by 1 percentage points to 17 per cent, her said in a presentation.

According to Labour Force Survey (LFS) 2017, workers employed in the industrial sector have fallen by 3.5 lakh (0.35 million) from 12.4 million to 12.05 million in 2022, read the presentation.

Meanwhile, the average real GDP output of the industrial sector grew by more than 9 per cent per annum. On an average, 65 per cent of industrial GDP output comes from manufacturing, it added.

Between LFS 2013 and 2017, manufacturing employment declined by 0.7 million. But the manufacturing GDP grew by Tk 648 billion (average growth of 9 per cent) during the same time, it read.

Provisional report of LFS 2022 did not report the share of employment of manufacturing sectors, it said.

His presentation was on "Labour Market Dynamics in Bangladesh



Though Bangladesh's garment exports grew from \$10 billion to \$42 billion between 2008 and 2022, employment in the sector is almost stagnant at around 3.5 million to 4 million. PHOTO: STAR/FILE

and the National Employment Policy (NEP) 2022".

The NEP includes provisions for skills development of both domestic and migrant workers, establishment of labour market information system (LMIS), creation of national employment database, etc.

The policy identified 11 challenges to creating skilled manpower in Bangladesh, including inadequate sector-based training centres with modern technology, lack of education and language proficiency of workers, shortage of modern benefits, instruments and skilled trainers and weakness in operating and monitoring training institutes.

A lack of government and private initiatives to create a productive labour force and lack of sector-based modern training manuals and trainers are also key challenges.

Razzaque said the NEP 2022 was a welcome initiative as its objectives and "issues for consideration" were well-specified.

"However, its effective implementation will be most important," he said.

"It requires a concrete time-bound national action plan with clear and pragmatic goals. The NEP should be subject to regular periodical review/monitoring and evaluation mechanisms to assess progress and

undertake any corrective measures," he added.

Begum Monnujan Sufian, state minister of labour and employment, said the Ministry of Labour and Employment, together with other ministries and stakeholders, would pursue evidence-based policy development and targeted interventions to create an enabling environment for decent employment opportunities.

"This initiative will be aligned with the employment policy developed last year. As part of its implementation, the Ministry of Labour and Employment is also exploring the establishment of an employment directorate to coordinate the employment agenda," she said.

Tuomo Poutiainen, country director for ILO Bangladesh, ensured ILO's support for the Bangladesh government to achieve the United Nations country status graduation and Vision 2041 by implementing a 4th decent work country programme.

"It is evident that jobs creation, social security, quality of employment and international trade are crucial to achieve the goals, but the national employment policy could be the pivotal tool to pushing employment agenda further in connection to achieve the country's vision," he said.

"Promoting the creation of full and productive employment has been an integral part of ILO's work in Bangladesh," he said.

Tax system enters a new era

FROM PAGE B1

Drafted in Bangla, the NBR framed Income Tax Act 2023 in order to update and modernise the direct tax system in line with international best practices.

The new law allows individual taxpayers to furnish tax returns through universal self-assessment throughout the year but a fine will be charged for submissions after the official deadline.

"We arranged the law in a way that taxpayers get an idea about the topic of each section. We kept tax holidays,

exemption and rebates in the schedule part for the convenience of taxpayers," said a senior official of the NBR.

The final version of the law has also discarded the provision of compulsory wealth statement submission by persons who travel abroad for anything other than religious or medical purposes.

The Income Tax Act 2023 includes accounting methods, depreciation and amortisation rules, provisions related to capital gains, income from intangible assets, transfer pricing

and alternative dispute resolution provisions.

It has cut the number of returns that companies would need to file over tax deduction at source to 12 from 29.

Businesses, however, expressed concern over the inclusion of some provisions in the new law. This includes increasing the minimum tax on carbonated beverage makers, hike in land transfer tax, imposition of tax on provident funds as well as on interest on foreign loans.

In addition, the new tax law features

the scope for the deregistration of taxpayer identification numbers.

It also seeks to conduct greater scrutiny of transactions of firms, that enjoy tax exemption, with their associated enterprises in a bid to curb profit shifting and tax evasion.

Moreover, regular tax rates will be imposed on firms, which enjoy tax exemptions, if any of their transactions with associated entities are found to have not taken place as per open market prices and the income of the firms falls below the actual income.



Mounds of mung beans, known as mugh daal in Bangladesh, are seen on display at a wholesale market in Patuakhali sadar upazila. Some 85,432 hectares of land in the region were brought under cultivation to produce about 102 lakh tonnes of the legume this year.

PHOTO: SOHRAB HOSSAIN

CSE turnover goes past Tk 300cr

STAR BUSINESS REPORT

The turnover at the Chittagong Stock Exchange (CSE) crossed the Tk 300 crore mark yesterday just a day after posting the highest ever turnover in the history of the port city bourse.

The CSE saw a turnover of Tk 320 crore yesterday, which was Tk 530 crore the previous day, a record.

The Chattogram bourse is working to increase its turnover and now it is getting the result, said a mid-level official of the CSE.

Mainly, some of the brokerage houses are preferring the CSE to execute their turnover so it rose, he said, adding that the CSE ensured adequate and convenient service for the customers.

The official also hoped the turnover at the CSE will remain higher in the days to come.

On the day, Caspi, the all-share price index of the Chittagong Stock Exchange, added 29 points, or 0.15 per cent, to close at 18,657 points.

Of the issues traded, 70 rose, 46 retreated and 108 did not see any price swing.

Yesterday, the DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), also rose 8 points, or 0.13 per cent, to 6,319.

The DS30, which represents blue-chip stocks, increased 0.7 per cent to 2,187 points while the DSES, an index comprised of shariah-compliant companies, edged up 0.16 per cent to 1,372 points.

The turnover, a key indicator of the market, hit Tk 785 crore, over 24 per cent up from the previous day's Tk 630 crore.

Of the securities traded, 103 advanced, 74 declined and 190 did not show any price movement.

READ MORE ON B2

Mung bean exports take a hit

Severe heat to blame for reduced quality, experts say

SOHRAB HOSSAIN, Patuakhali

Mung bean exports from Bangladesh have decreased as foreign buyers are less interested in purchasing the legume this year given their reduced quality and size resulting from severe droughts during the growing period.

About 700 tonnes of mung beans, locally known as mugh daal, were exported to Japan in 2022 but only 200 tonnes are to be shipped this year.

Grameen euglena, a joint venture between Japan's euglena Co Ltd and Grameen Krishi Foundation, has been exporting mung beans produced in Patuakhali since 2018.

This year, the company purchased 336 tonnes of the legume at Tk 67 per kilogramme from about 8,000 contract farmers in the region.

And despite having aimed to export 1,000 tonnes of mung beans to Japan, just 200 tonnes of the pulses will be shipped to the island nation this time around.

Najmus Sadat Nahid, country coordinator of Grameen euglena, said the mung beans are packaged at their own factory in Ishwardi upazila before being sent to Japan from July onwards.

But due to the severe heat this year, the pulses are of smaller size. As a result, the desired quantity of quality mung beans could not be collected, leading to a fall in exports, he added.

Nahid also said they purchased the Bari-6 variety of mung bean grown on about 2,000 hectares of land for Tk 67 per kilogramme, which is Tk 5 more



Mung bean is being processed at a factory in Ishwardi upazila.

PHOTO: COLLECTED

than the going market rate.

Abdur Rahman, a mung bean farmer of Badarpur village in Patuakhali sadar upazila, said he cultivates the crop under the supervision of Grameen euglena but lower production was unavoidable this year due to unfavourable weather.

"Still, we are happy to be getting a good price from the company," he added.

Regarding exports to Japan, Sultan Ahmed, chairman of the department of agriculture at the Patuakhali University of Science and Technology, said there is huge demand for the legume in Japan.

There, mung bean sprouts as well as pulses are used as a tasty vegetable

or ingredient that prevents disease, he added.

Nazrul Islam, deputy director of the Department of Agricultural Extension in Patuakhali, said some 85,432 hectares of land in the district were brought under mung bean cultivation this season with about 102 lakh tonnes of the pulses having been produced.

This year, 20,000 farmers in Patuakhali were given mung bean seeds and fertiliser as assistance under the Agriculture Rehabilitation Project of the agriculture ministry.

"Farmers are benefiting more with less cost and it is possible to earn foreign currency by exporting mung beans," he added.

DIGITAL BANK

The future of banking or a flash in the pan?

MAHTAB UDDIN AHMED

While struggling to find the English for "Hujuge Bangali" I decided that its essence gets somewhat lost in any other language, so I gave up. In the 80s, there was a mushrooming growth of small-size textiles, followed by a boom in the garments industry.

While many made a fortune for themselves and the country, small-sized textile models seem to have vanished into thin air. Then came the rush for banks and NBFIs, giving Bangladesh probably the highest number of banks (61) and NBFIs (33).

And a similar case can be found in the insurance industry. What is taking the country by storm now is "Digital Bank", and everyone wants to have a "byte" into it. Hope we don't make a mess out of it! Let us understand the reasons behind the global craze of "Digital Bank". Customer adoption is fast for basic infrastructures like smartphones, data penetration, digital literacy, etc.

Examples are many, including, Webank (China), NuBank (Brazil), Uno Bank (Philippines), Chime (US) and Monzo, a digital bank in the UK that gained 1 million customers in just 2 years! The failure numbers are way more significant.

Digital banks can cut 20-25 per cent of their cost base by automating processes. They can realise improvements in profitability over conventional banks in about five years if implemented well.

The preference for digital banking is widespread. As per a recent survey, 89 per cent of US banking customers use mobile banking, and 89 per cent of digital banking users use mobile devices.

In Bangladesh, the biggest challenge lies in low smartphone penetration. Only 28 per cent people have smartphones, which is way lower than the average in other developing countries.

Another challenge is low credit bureau coverage. Only 5 per cent people have a credit report, which is much lower than the average in other developing

countries.

This makes it difficult for digital banks to assess the creditworthiness of customers, which can lead to higher lending rates and lower approval rates.

The new "Digital Bank" (DB) guideline by Bangladesh Bank is unique in many ways - 1. Typically, DB is founded by following the startup concept of the innovative founders supported by the investors. In this case, only wealthy organisations and individuals with "clean" money on their balance sheet can own it, which means there is little room for creators/innovators to join forces.

2. The guidelines mirror conventional banking regarding various ratios like CRR, SLR, CRAR, LCR, NSFR. It implies that no MFS can be upgraded to DB with their existing financial condition. MFS operators like bKash, Nagad, and Upay target bringing the unbanked into the bank. It may not allow DB to have the same level of success as MFS.

3. Under the new guideline, a new DB is unlikely to compete with successful MFS players in the market, who can quickly partner with other conventional banks for additional services like deposit and lending, although some are already doing it.

4. Unlike DB around the globe, the local model must play a steady growth game over valuation games, unlike the MFS or startups model.

The new guideline may be driven by conventional banks failing to make sufficient effort to be digitalised. It reminds me of a lavish party of banking big shots that I had attended where the host, an IT vendor from a non-banking background, said to a few CEO friends of the bank, "I don't know what I am selling; these CEOs don't know what they are buying, making me so successful in my business."

While the overall success rate of digital banks worldwide is relatively low, a few have succeeded to some extent, impacting the economy significantly. Our economy can achieve much more if our banks focus on customer experience, innovation, the right technology, talent and partnerships with supporting regulations.

The author is founder and managing director of BuildCon Consultancies Ltd



Brexit an 'economic disaster' for UK, German trade Say German economists

REUTERS, Berlin

Brexit has been an "economic disaster" for trade and investment ties between the United Kingdom and Germany, leading to a fall in German direct investment and seeing the UK decline in importance as a trading partner, German economists said.

Britain voted on June 23, 2016, to exit the European Union and it left the EU's single market at the start of 2021.

"Brexit is an economic disaster for both sides of the channel," Volker Treier, head of foreign trade at the German Chamber of Industry and Commerce (DIHK), told Reuters on Thursday.

Last year, Germany exported goods worth 73.8 billion euros (\$80.57 billion) to the UK, 14.1 per cent less than in 2016. The year of the referendum, the UK was Germany's third most important export market, but by 2022 the country had slipped to eighth place, Treier said.

As a trading partner - measuring combined exports and imports - the UK has lost even more importance since then, dropping from fifth to eleventh place, he added.

The volume of German direct investment in the UK has also declined. In 2021, it was around 140 billion euros, a decline of 16.1 per cent compared with 2016.

According to the DIHK, some 2,163 German companies are now active in the UK, 5.2 per cent fewer than in 2016.

READ MORE ON B2

India's wheat output 10% lower than govt estimates

REUTERS, Mumbai

India's wheat harvest in 2023 is at least 10 per cent lower than the government's estimate, a leading trade body told Reuters on Wednesday, amid a sharp rise in local prices during the past two months.

Lower wheat production for a second straight year could complicate New Delhi's efforts to keep a lid on prices of the staple and overall food inflation, a major concern amid forecasts of an El Nino weather pattern.

"Availability of wheat is very poor in the market. It suggests production was around 101 million to 103 million tons," said Pramod Kumar S, president of the Roller Flour Millers' Federation.

The industry estimate of this year's wheat output has not been previously reported.

According to the government, wheat output rose to a record 112.74 million metric tons in 2023, up from 107.7 million metric tons a year earlier. India consumes around 108 million metric tons of wheat annually.

Farmers start harvesting wheat from March, selling most of their crop to state agencies and private traders

by June.

Supplies from farmers have already dropped, suggesting the agriculture ministry's production estimate is more optimistic than the reality,

Kumar said.

Wheat prices in New Delhi have jumped 10 per cent in the past two months to 24,900 rupees (\$303) a metric ton, prompting the

government to impose a limit on the amount of wheat stocks traders can hold for the first time in 15 years.

A New-Delhi based trader with a global trade house also said the farm ministry had overestimated this year's wheat output, while a Mumbai-based trader said the government had failed to take into account heatwaves in February and March and untimely heavy rainfall in April.

"The government was forced to U-turn on exports last year because of the wrong estimate. This year, it could be forced to allow duty-free imports in the December quarter," the Mumbai trader said.

The Ministry of Agriculture & Farmers Welfare did not immediately respond to a request for comment.

India, the world's second biggest wheat consumer, banned exports in May 2022 after a sudden rise in temperature clipped output at a time when shipments were picking up to meet the global shortfall triggered by Russia's invasion of Ukraine.

The government has bought 26.2 million metric tons of new-season wheat from farmers against initial projections of 34.15 million tons, indicating lower output.



Labourers use shovels to separate wheat grains from husk at a wholesale market in Amritsar on May 5.

PHOTO: AFP