Amfitriti, a bulk carrier part of the Black Sea grain deal, and other commercial vessels wait to pass the Bosphorus strait off the shores of Yenikapi in Istanbul on May 10. The grain deal has facilitated the export of more than 32 million tonnes of foodstuffs through three Ukrainian ports to 45 countries. PHOTO: REUTERS/FILE

Chambers urge govt to seek extension of Black Sea grain deal

STAR BUSINESS REPORT

Six major business chambers in Bangladesh yesterday urged the government to pursue a further extension of an international deal to help keep the grain supply smooth at home and abroad.

The Black Sea Grain Initiative, negotiated by the United Nations and Turkey, is an agreement that allows Ukraine to export millions of tonnes of grain through the Black Sea despite the ongoing war with Russia.

The latest two-month extension expires on July 17.

In a joint statement, the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), the International Chamber of Commerce – Bangladesh (ICC-B), the Metropolitan Chamber of Commerce and Industry (MCCI), the Dhaka Chamber of Commerce and Industry (DCCI), the Chattogram Chamber of Commerce and Industry (CCCI), and the Foreign Investors Chamber of Commerce and Industry (FICCI) said Bangladesh and other countries would face risks if the initiative is not renewed.

Md Jashim Uddin, president of the FBCCI, Mahbubur Rahman, president of the ICC-B, Md Saiful Islam, president of the MCCI, Sameer Sattar, president of the DCCI, Mahbubul Alam, president of the CCCI and Naser Ezaz Bijoy, president of the FICCI, signed the statement.

The deal has facilitated the export of more than 32 million tonnes of foodstuffs through three Ukrainian ports to 45 countries, with wheat exported to the least-developed economies remaining largely unchanged from pre-war levels, they said.

As a direct result of the trade through the Black Sea -- as well as exports of food and fertilisers from Russia -- global food prices have dropped 22 per cent since March 2022, according to the Food and Agriculture Organisation.

The World Food Programme is procuring wheat from Ukraine at the same volumes as in 2021 to support humanitarian operations in Afghanistan, Ethiopia, Kenya, Somalia, Sudan, and Yemen.

So, continued facilitation of Ukrainian and Russian exports of food and fertilisers thus remains crucial to global food security, the statement said.

It said any lapse in the deal risks severely jeopardising the availability and affordability of food for millions around the world, a situation that will have truly damaging social, economic and, above all, human consequences.

The trade bodies, therefore, called upon the government to strongly pursue the extension of the agreement.

A quarter of BO accounts closed in two years

AHSAN HABIB

Around 6.56 lakh beneficiary owner (BO) accounts, which are needed to trade stocks, were closed over the last two years mainly due to a lacklustre condition of the primary and secondary markets of securities in the country.

On July 6, 2023, there were 18.55 lakh BO accounts whereas 25.12 lakh on the same day in 2021, according to data of Central Depository Bangladesh Limited (CDBL).

A few years back, a section of investors was operating a huge number of BO accounts, mainly to participate in lotteries of initial public offerings (IPO) to avail shares at low prices, said an official of a leading brokerage house.

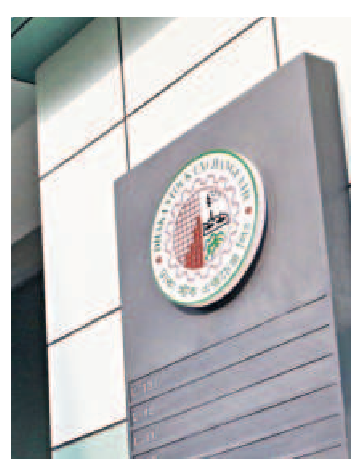
In 2020, the Bangladesh Securities and Exchange Commission (BSEC) changed the system such that all shares were equally divided among everyone who subscribed to an IPO.

Since there are a huge number of investors subscribing to each IPO, the equal distribution system resulted in each getting only a few shares.

On top of that, the stock market regulator set a precondition stipulating that anyone intending to subscribe to an IPO must have at least Tk 50,000 invested in the secondary market.

These two developments meant that operating BO accounts are no longer profitable and so the IPO hunters are leaving the market, said the official requesting anonymity.

"I think this is a good step of the BSEC launching the pro-rata share allocation system instead of lottery system as it will benefit stock investors who hold shares for long periods," he added.



"The number of new BO accounts being opened has dropped massively over the past couple of months," said a top official of a merchant bank.

This is because the secondary market is no longer lucrative, especially for the presence of the floor price, which has turned the market illiquid, so investors are not interested in opening new BO accounts, he said.

The floor price is the lowest price at which a stock can be traded.

At the end of July last year, the BSEC set the floor price of every stock to halt the free fall of the market indices amid global economic uncertainties.

The floor price was the average of the closing prices on July 28 of the year and the preceding four days.

The DSEX, the benchmark index of Dhaka Stock Exchange (DSE), rose 138 points, or 2.21 per cent, in the last two years, shows the DSE data.

Existing stock investors are struggling to make money in the secondary market due to the absence of buyers amidst the presence of the floor price. "So how will new investors come to the market?" asked the merchant banker.

Moreover, the stock market investors did not see any IPO of renowned and reputed companies over the last two years which could have attracted investors, he said.

Some banks and insurance companies went public in the last two years but their participation in the market was mainly to fulfil conditions of the regulator, he said.

So few BO accounts are being opened while many are being closed down, he added.

Channel more financing to SMEs

Says economist Momtaz Uddin Ahmed

MD FAZLUR RAHMAN

At least half of all credits disbursed by banks and other financial institutions in Bangladesh should go to small and medium enterprises (SMEs) since a significant of them still don't have access to the formal credit system despite recent improvements, said a noted economist.

Momtaz Uddin Ahmed, a former professor of the economics department at the University of Dhaka, said about 45 per cent of SMEs are now getting bank credit but the rest don't have any access to banks.

"This may vary from sector to sector, but the average will be 45 per cent. It should be 50 per cent at least," he told The Daily Star during an interview on Thursday.

There are nearly 78 lakh SME units in Bangladesh, contributing about 25 per cent to the country's GDP and employing around 30 per cent of the workforce.

Access to financing for them has increased in the past one decade, thanks to initiatives from the government and the Bangladesh Bank.

The central bank has set up a separate SME department while banks have opened dedicated SME desks and branches.

Currently, lending to micro, small and medium enterprises (MSMEs) must account for 25 per cent of financial institutions' loan portfolios.

"The setting of the quota on lending has been a big help for the MSME sector," said Prof Ahmed.

He spent his entire academic life studying, researching, and teaching SMEs and is the first PhD-holder among the Bangladeshis in the area.

When the government set up the SME Foundation in 2007, he was one of the directors of the board of the agency working to promote the enterprises in the sector.

Despite recent developments, MSMEs have always faced challenges in Bangladesh, owing to inadequate access to finance, absence of collaterals needed to secure a loan, and lack of marketing, among other factors.

The coronavirus pandemic dealt a massive blow to them as lockdowns and other restrictions forced them to close completely at the peak of the health crisis.

Prof Ahmed said the SMEs that continued their operations saw their market shrink and sales revenue, cash flow and profitability drop.

"They were on the verge of going out of business. Fortunately, MSMEs did not see any serious damage from the pandemic-related crisis. I think they have survived and prospered after successfully navigating through the temporary difficulties."

He also said the current wave of higher inflation, driven by external and internal factors, came as a fresh blow for MSMEs as their sales have declined as people tightened their belts amid a considerable erosion of the purchasing power of consumers.

Prof Ahmed, a former research director of the Centre for Integrated Rural Development in Asia and the Pacific, said the government unveiled a stimulus package for the MSME sector.

"It has been a positive step in the right direction."

The BB has formed a refinance scheme of Tk 25,000 crore for the CMSME sector.

The former member of the planning commission thinks SME financing is a perennial problem and will never go.

SMEs will continue to be financially constrained all over the world, not just in Bangladesh for

READ MORE ON B2

Scanty rains diminish India's sugar output, export prospects

REUTERS, *Satara/Sangli/Solapur, India*

Sugarcane growers in India's top producing states are worried scanty rainfall during the crop's crucial growth period could trim yields and reduce sugar output in the upcoming season, farmers and industry sources told Reuters.

Lower sugar production in Maharashtra and Karnataka, which together account for more than half of India's total output, would reduce exports from the world's second-biggest producer of the sweetener and support global prices, trading near multi-year highs.

"Sugarcane thrives on the abundant rainfall experienced from June to September, but this year's growth has nearly stalled due to poor rainfall," said Bharat Sankpal, a farmer from the Satara district of the western state of Maharashtra, India's No.1 sugar-producing state.

Key cane-growing districts of Maharashtra received up to 71 per cent less-than-normal rainfall so far this monsoon season that started on June 1, according to the weather department data.

In neighbouring Karnataka, the third-biggest sugar producer, rainfall deficit is as high as 55 per cent in cane-growing districts.

Sugarcane yields fell last year due to lower rainfall in June-July, and the same weather pattern is prevailing this year as well, said Shrikant Ingale, a farmer from Solapur district in Maharashtra.

READ MORE ON B2

World job market on brink of 'AI revolution': OECD

AFP, *Paris*

The world's wealthiest nations must urgently prepare for the impact of an imminent "AI revolution" that will change jobs, create new ones and make others disappear, the OECD said Tuesday.

The rapid development of artificial intelligence -- with tools that can generate essays, create images and even pass medical exams -- have raised concerns that it could replace whole sectors of the workforce through automation.

In its 2023 Employment Outlook, the OECD said there was little evidence of significant negative effects on employment from AI "so far".

"While the adoption of AI still remains relatively low, rapid progress, falling costs and the increasing availability of workers with AI skills indicate that OECD economies might be on the brink of an AI revolution," the report said.

"While there are many potential benefits from AI, there are also significant risks that need to be urgently addressed," according to the Organisation for Economic Co-operation and Development.

The international and influential organisation has 38 member countries ranging from Australia to Britain, Canada, Germany, Japan, Mexico and the United States.

The OECD said it was "vital" to gather better data on AI uptake and use in the workplace, "including which jobs will change, be created or disappear, and how skills needs are shifting".

AI use is generally concentrated in large firms that are still experimenting with the new technology, and many appear reluctant to replace staff, said Stefano Scarpetta, OECD director for employment, labour and social affairs.

"However, it is also clear that the potential for substitution remains significant, raising fears of decreasing wages and job losses," he wrote in an editorial.

People work at Saitex's factory, which experiments with new robots to cut the cost of making blue jeans, in Los Angeles, California in the US. PHOTO: REUTERS/FILE

AI has the potential to improve workplace safety by reducing "tedious or dangerous tasks" and lead to higher wages for workers whose skills complement the technology, the OECD report said.

But it could also "leave workers with a higher-paced work environment" and reduce wages for those "who find themselves squeezed into a diminished share of tasks due to automation".

When taking AI into consideration, jobs at the highest risk of automation account for 27 per cent of employment, according to the OECD.

"The use of AI also comes with serious ethical challenges around data protection and privacy, transparency and explainability, bias and discrimination, automatic decision making and accountability," Scarpetta said.

"Urgent action is required to make sure AI is used responsibly and in a trustworthy way in the workplace," he said.

"On the one hand, there is a need to enable workers and employers in reaping the benefits of AI while adapting to it, notably through training and social dialogue."