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Sonali Bank freezes accounts of 2 Myanmar banks

STAR BUSINESS REPORT

Sonali Bank has frozen accounts of two banks of Myanmar following sanctions imposed by the US, and further steps will be taken based on Bangladesh Bank's opinions.

The US Embassy in Dhaka recently gave reminder to Bangladesh that Myanmar Foreign Trade Bank and the Myanmar Investment and Commercial Bank were under US sanctions.

The US embassy also reminded that those banks have accounts with state-run Sonali Bank.

"Those banks of Myanmar have \$1,200,000 in our bank but they cannot withdraw the fund because we froze the accounts after US sanctions," said Md Afzal Karim, managing director and CEO of Sonali Bank.

However, a senior official of the state-run bank, seeking anonymity, said

The banks of Myanmar have \$1,200,000 with Sonali Bank, which has \$200,000 deposited with the two banks.

the bank already sought opinion from the central bank about the accounts of the two banks of Myanmar.

Sonali Bank has \$200,000 deposited with the two banks of Myanmar, as per the official of the bank. He said further steps would be taken once the central bank's opinion was available.

Prior to the move, Financial Institutions Division of the finance ministry received a letter from the foreign ministry on August 3 informing about the accounts of the two banks of Myanmar with Bangladesh's Sonali Bank.

The letter, quoting the US embassy in Dhaka, said the ministry was reminded that the two banks of Myanmar were currently under US government sanctions. The letter requested to take necessary measures in this regard.

In June, the US imposed sanctions on Myanmar Foreign Trade Bank, the Myanmar Investment and Commercial Bank and the country's defence ministry.

BANGLADESH'S BRIGHT SPOTS



Faster GDP growth rate



Healthy remittances and exports



Investment of global tech giants in the country



Rising job opportunities

PROJECTIONS

On track to go ahead of Vietnam and Philippines as a major consumer market by

2030

Earnings of the private sector set to grow by around

20% in the next three years

RECOMMENDATIONS

Needs to invest in education
More IPOs needed to diversify stock market

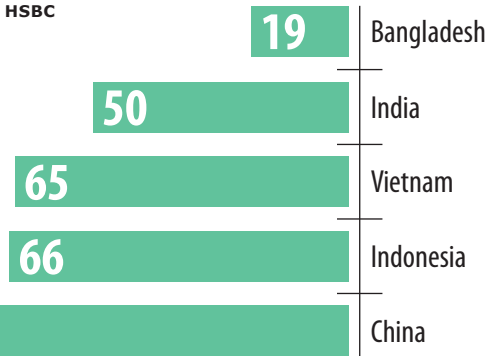
STOCK MARKET CAP TO GDP RATIO

In %; SOURCE: HSBC



CHALLENGES

- Rising inflation
- Floor price restriction in stocks
- Volatile currency
- Political instability
- Climate change



BB asks banks to regain people's trust

STAR BUSINESS REPORT

People are increasingly opting for keeping cash, which is a major concern in this era of digital banking as it indicates a lack of trust in banks, said Bangladesh Bank Governor Abdur Rouf Talukder yesterday.

Banks have to find the reasons behind people opting to keep cash with themselves, the governor said at a meeting with chief executives of lenders at the BB headquarters in the capital.

The amount of cash going around has increased 2 percent to 3 percent in recent times, which the BB governor found to be very concerning, Selim RF Hussain, chairman of the Association of Bankers, Bangladesh (ABB), told journalists after the meeting.

"We discussed about the issue as the money that was going out of the banks will have to return to the banking sector because this represents a lack of depositors' confidence," he said.

"We all have to work together to bring back the confidence of customers," said Hussain, also the managing director and CEO of Brac Bank.

Officials of the BB also acknowledged that people were opting to retain more cash as their trust on banks and financial

institutions was deteriorating for a lot of irregularities committed by some banks.

On the other hand, deposits of small and medium amounts have been withdrawn in recent months as savers continue to struggle to meet their living expenses due to

working with stakeholders, he said.

Financial account is a component of the country's balance of payments that covers claims or liabilities to non-residents concerning financial assets. Its components include foreign direct investment, medium

improved overnight.

The NPLs amounted to Tk 131,620 crore in March, marking a 16.02 percent increase year-on-year, showed the BB data. It was 8.80 percent of the total credit disbursed by the banking sector.

The BB governor directed banks to increase monitoring to prevent over-invoicing and under invoicing in imports and exports, said Bangladesh Bank Executive Director and Spokesperson Md Mezbaul Haque.

The governor also directed banks not to use a rate higher than that fixed by Bangladesh Foreign Exchange Dealers Association (BAFEDA) for trading taka with US dollars, he said.

"If needed, we will take legal action against banks which are using a higher exchange rate," he said.

Some banks are not providing correct information to the central bank, said a private commercial bank's chief executive officer, requesting anonymity.

Moreover, some, including a few Shariah-based ones, are unable to maintain the minimum cash reserve as stipulated by the central bank due to a liquidity crisis, he added.

The BB governor asked the lenders to improve their financial health.



inflationary pressure.

Average inflation stood at 9.69 percent in July, slightly lower than the 11-year high of 9.94 percent in May.

The amount of cash outside the country's banks soared to Tk 263,373 crore in April, which was at Tk 254,668 crore in March 2023, as per the BB data.

The ABB head also said the negative financial account was the biggest challenge for now.

But the governor assured that the central bank will try to resolve the issue within this December by

and long-term loans, trade credit, net aid flows, portfolio investment and reserve assets.

The financial account deficit stood at \$2.1 billion at the end of fiscal year 2022-23, whereas it was a surplus of \$15.5 billion a year earlier, as per data of the BB.

The financial account had been in the positive over the last couple of years.

Non-performing loan (NPL) management is another big challenge, said Hussain, adding that this legacy of the past 20 years to 30 years cannot be

Bad loans, forex volatility main challenges

HSBC Global Research says

STAR BUSINESS REPORT

Bangladesh should get more attention from investors considering its economic potential but the country faces challenges in bad loans, an illiquid stock market, exchange rate volatility and an unstable political landscape, according to HSBC Global Research.

The global research wing of London-based universal bank and financial services group HSBC Holdings PLC yesterday released a report on Bangladesh, styled "The Flying Dutchman".

The report starts by saying that it is true that the stock market in Bangladesh is small and illiquid.

"But as was the case in India two decades ago or Vietnam one decade ago, it [the stock market in Bangladesh] offers prospects for significant long-term capital appreciation driven by earnings growth."

The country's GDP growth averaged 6.4 percent in the past decade -- faster than most of Asia -- and its GDP per capita ratio recently surpassed that of India, the report said.

An advantage for the country is that the earnings of its private sector are set to grow by around 20 percent in the next three years

One of the most startling projections for Bangladesh is that it is on track to become a major consumer market by 2030 ahead of Vietnam and the Philippines, as per HSBC estimates.

Besides, that comes on top of the country's rising foreign investments, not just from garment makers, but also from Indian conglomerates, global tech giants such as Samsung Electronics, and Chinese firms.

Plus, domestic employment is rising and there are healthy remittances and good exports, it added.

Another upside for the country is that the earnings of its private sector are set to grow by around 20 percent in the next three years.

However, risks include rising inflation and the existing floor price mechanism on stocks, which is denting investor confidence, while exchange rate volatility and an unstable political situation are also concerns.

Additionally, climate change is a key risk for the country's development, the report said.

HSBC suggests that as more than 50 percent of the population is under 25 years old, Bangladesh should invest in education that better equips its people for skill-intensive jobs so that they do not fall behind by focusing on low-tech garment work.

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STOCKS		
	DSEX ▼	CASPI ▼
	0.58% 6,220.80	0.36% 18,435.98

COMMODITIES		
	Gold ▲	Oil ▼
	\$1,905.81 (per ounce)	\$80.97 (per barrel)

ASIAN MARKETS				
	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
	▲ 0.21% 65,539.42	▼ 1.46% 31,766.82	▼ 0.59% 3,213.58	▼ 0.82% 3,150.13



Garment exporters have received a lower number of work orders from international clothing retailers and brands this year and do not expect any jump in shipment for the Christmas season.

PHOTO: STAR/FILE

Christmas apparel shipment to be dull

Say exporters

REEFAYET ULLAH MIRDHA

Local garment exporters do not expect any substantial increase in shipments to the Western world centring upcoming Christmas sales because of high inflation and for old stocks remaining unsold in retail stores in the American and European markets, exporters said.

Of all the garments shipped from Bangladesh throughout the year, nearly 60 percent is meant for the Christmas season.

The Christmas shipments start from September and continues up to the first week of December. The associated work orders are placed between April and August and the production also runs during this period.

However, the factories this year said to have received a lower number of work orders from international clothing retailers and brands.

"I do not see any jump in shipment of apparel from Bangladesh to the Western world during this Christmas time," said Anwar Ul Alam Chowdhury, chairman of Evince Group, a leading garment exporter.

Consumers in the Western world are facing inflation in their countries, he said.

Moreover, the retailers and brands have old unsold stocks of garment items in their stores for Christmas sales, he said, adding that this has reduced demand for new apparel items.

Shipments for Christmas may not increase a lot, as is expected by many, said Kutubuddin Ahmed, chairman of Envoy Legacy.

Of all the garments shipped from Bangladesh throughout the year, nearly 60 percent is meant for the Christmas season.

However, more work orders are coming in for the subsequent spring season, he said.

Buyers are not placing work orders for bulk quantities now, rather are inquiring a lot, he said.

So, a full recovery from the pandemic and Russia-Ukraine war-induced slowdown in garment shipments may take even after the next spring season, he added.

READ MORE ON B2

Bank Asia, Swisscontact sign MoU

STAR BUSINESS DESK

Bank Asia Ltd and Swisscontact Bangladesh have signed a memorandum of understanding (MoU) to promote accessible and small-ticket-sized women-friendly savings products for the RMG workers and their community members so that their financial resilience improves.

Ziaul Hasan, deputy managing director of the bank, and Bipasha S Hossain, team leader for Sarathi-Improving Financial Health at Swisscontact, inked the MoU at a function at the bank's corporate office in Karwan Bazar on August 10, said a press release.

Under the agreement of the project to be implemented in Dhaka, Gazipur, Narayanganj and Chattogram districts, both the organisations will work together to improve financial health of readymade garment workers by developing



Ziaul Hasan, deputy managing director of Bank Asia, and Bipasha S Hossain, team leader of Sarathi-Improving Financial Health at Swisscontact, exchange signed documents of a memorandum of understanding on savings products for the RMG workers and their community members to improve their financial resilience, at the bank's corporate office in Karwan Bazar, Dhaka recently. PHOTO: BANK ASIA

awareness, promoting "DPS-100" and "Anchoi" products through cutting-edge campaigns and other engaging activities.

These initiatives will pave the way to bring banking facilities

to RMG workers' capitalisation on the bank's robust nationwide agent banking network, mobile application and internet banking channels.

Shafiuzzaman, president

and managing director (current charge) of the bank, Md Sazzad Hossain, deputy managing director and chief operating officer, Md Serajul Islam, executive vice-president,

Quazi Mortuza Ali, senior vice-president, and Salma Akhter, manager for partnerships and advocacy of Sarathi project at Swisscontact, among others, were present.



Asadur Rahman Sikdar, director of Montrims, greets Mashid Rahman, managing director of Rancon Infrastructures and Engineering, with a bouquet after striking a deal at the former's office in Dhaka recently for setting up a rooftop solar power plant.

PHOTO: RANGS PROPERTIES

Dutch economy enters recession

REUTERS, Amsterdam

The Dutch economy has entered a recession as it shrank 0.3 percent on a quarterly basis in the second quarter, a first estimate published by Statistics Netherlands on Wednesday showed.

The euro zone's fifth largest economy shrank for the second consecutive quarter, after a 0.4 percent contraction in the first three months of the year.

Economic growth in the Netherlands had been almost 5 percent per year in 2021 and 2022 in a quick recovery from a Covid-19 slump.

The first recession since the pandemic was driven by a drop in consumer spending and exports, as surging inflation drove up food prices and energy bills in the Netherlands and its trading partners.



Syed Waseque Md Ali, managing director of First Security Islami Bank, cuts a ribbon to inaugurate Dashmina sub-branch of the bank in Patuakhali from the lender's head office in Dhaka yesterday. Among others, Abdul Aziz, additional managing director of the bank, and Md Masudur Rahman Shah, deputy managing director, along with other officials were present.

PHOTO: FIRST SECURITY ISLAMI BANK

UK annual inflation drops to 15-month low

AFP, London

Britain's annual inflation rate dropped sharply in July to a 15-month low, official data revealed Wednesday, off the back of lower energy prices and in line with economists' expectations.

The Consumer Prices Index (CPI) rose by an annual rate of 6.8 percent, down from 7.9 percent in June, the Office for National Statistics (ONS) said, easing the country's cost-of-living crisis.

July's price growth met the predictions of analysts, including the Bank of England, which had forecast the 6.8 percent rate.

It follows a bigger-than-expected drop in June, when the CPI fell 0.8 percent.

However, UK inflation has for months been the highest among G7 nations, despite the Bank of England hiking its key interest rate more than a dozen times in succession to try to tame it.

Although there was a fall in gas and electricity prices in July, food prices continued to rise, but less quickly than in the same month a year earlier.

"Inflation slowed markedly for the second consecutive month, driven by falls in the price of gas and electricity," ONS deputy director of

prices Matthew Corder said.

"Although remaining high, food price inflation has also eased again, particularly for milk, bread and cereal. "Core inflation was unchanged in July, with the falling cost of goods offset by higher service prices," he added.

Prime Minister Rishi Sunak has set a target of halving inflation through this year to around five percent by 2024.

Despite the Bank of England projecting inflation could actually rise again next month, due to the impact of public sector pay rises, Sunak insisted Wednesday's figures showed "the plan is working".

Bad loans, forex volatility

FROM PAGE B1

THE EQUITY STORY

Previously, HSBC Global Research termed Bangladesh's stock market as a "hidden gem" considering its potential for growth.

But in its latest report, HSBC said the floor prices on stocks are a major overhang for the market and are one of the reasons for its recent unimpressive performance.

"The process of price discovery and the amount of liquidity are the major risks for Bangladesh's stocks," it said.

The Bangladesh Securities and Exchange Commission launched the floor price mechanism for the first time in March 2020 and a second time in July of 2021 with the aim of halting the freefall of market indices.

With floor price restrictions, prices cannot fall below a certain level and this impedes price discovery and dents investor confidence. So, it is no wonder trading volumes have fallen significantly from their highs in 2021.

"But with a market cap-to-GDP ratio of only 19 percent, down from around 41 percent in 2010, we think

Bangladesh deserves more attention than it gets," HSBC said.

"Yes, the market is small, illiquid, and not that easy to access, but so was Vietnam's five years ago. The two markets were similar in size until 2015, but Vietnam's is now four times larger than what it was back then," it added.

An attractive point is that Bangladesh is less correlated with global macro and equity themes compared to Vietnam and also receives far less attention from analysts, creating opportunities for fund managers looking for diversification and "hidden gems".

HSBC Global Research pointed out that another issue holding back the market is that few companies have listed in Bangladesh since 2020, raising a combined \$96 million.

BANKING SECTOR DYNAMICS

The banking sector is currently facing a double challenge of slowing deposit and credit growth coupled with rising non-performing loans.

"But looking beyond this, we expect banks to benefit from rising credit growth fuelled by high

infrastructure spending, investment in the power sector and higher capital expenditure by companies setting up manufacturing units," HSBC said.

DYNAMIC DEMOGRAPHICS

Bangladesh is expected to be the ninth-largest consumer market by 2030 ahead of Germany and the UK, and most of this is powered by its demographic dividend.

With this backdrop, the report said investments in areas like health, education and skills could make the best use of this "demographic window of opportunity".

MACRO BACKDROP

A decade high inflation rate and volatile food and energy prices are the key drags on the economy of Bangladesh while rising exports and foreign direct investment, along with moving up the value chain in terms of goods exported, are key growth catalysts.

Also, the country remains the preferred location for many labour-intensive manufacturers given its cheap labour and strategic location in Asia, HSBC added.

Christmas apparel shipment

FROM PAGE B1

Ahmed said he received a large number of work orders from his buyers and he thought that they would continue seeking bulk quantities but they had not done so.

Instead, the buyers are offering very low prices, he said.

A much-expected rebound of garment export may not take place this Christmas as the retailers and brands have old stocks in their stores, said Md Shahidullah Azim, vice-president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Also, the prices being offered by the international retailers and brands are so low that the local suppliers are starting to say that "no business is better than monkey business", Azim said.

This is implying that the local suppliers are ready to refuse work orders from buyers who are offering low prices, he said.

There are a lot of inquiries from international retailers and brands but they are not placing work orders, he said.

So, it may take more time for a greater number of work orders to start coming in, Azim said.

Exporters said the low number of work orders was not a challenge only affecting Bangladesh.

Almost all garment exporting countries are facing a similar situation for high inflation stemming from the severe fallouts of the pandemic and the Russia-Ukraine war, they said.

The exporters pointed out that Bangladesh has been staging a relatively strong performance even at this time of a global economic slowdown.

For instance, clothing imports of the US from Bangladesh surged 36.38 percent to \$9.74 billion in 2022, up from \$7.16 billion in 2021.

With this, Bangladesh retained its place as the third-largest apparel supplier for the US with a 9.75 percent share, an improvement from 8.76 percent in 2021.

China, the top apparel import source for the US with a 21.75 percent

market share, posted a 10.83 percent growth to \$21.73 billion in 2022, according to data from the Office of Textiles and Apparel (Oteta) of the US Department of Commerce.

It was \$19.60 billion in 2021 and \$27.37 billion in 2018, Oteta data showed.

US consumers are still buying more than last year but spending growth is slowing as the economy settles down amid higher interest rates intended to reduce inflation, an August 15 article on www.fibre2fashion.com quoted National Retail Federation Chief Economist Jack Kleinhenz as saying.

"The economy was clearly more resilient in the first half of this year than many expected, and the consumer environment has been positive as inflation has slowed," Kleinhenz said.

"Nonetheless, there are ongoing economic challenges and questions, and the pace of consumer spending growth is becoming incrementally slower," he said.

Sri Lanka scraps

FROM PAGE B4

China's Sinopec and Vitol had been short-listed to set up what would become the island's second oil refinery, near the Chinese-managed southern port of Hambantota, he said.

A new partner would be announced within weeks.

"The cabinet cancelled the agreement with (Silver Park's) Hambantota Refinery Company because they did not proceed with the construction," Wijesekera said.

Some 1,200 acres (485 hectares) of land allocated for the refinery were taken back, he said. President Ranil Wickremesinghe was Sri Lanka's prime minister when he attended the November 2019 ground-breaking ceremony.

Wickremesinghe had hoped the refinery in Hambantota, a deep-sea port near busy shipping lanes between Asia and Europe, would attract more investment to the area.

AIBL approves 15% dividends

STAR BUSINESS DESK

Al-Arafah Islami Bank Ltd (AIBL) has approved 15 percent dividends, including 12 percent cash dividend, for the year that ended on December 31, 2022.

The approval was given at the bank's 28th annual general meeting (AGM) held virtually yesterday, said a press release.

Salim Rahman, chairman of the bank, presided over the meeting, where Abu Naser Mohammad Yeahea, vice-chairman, Abdus Samad Labu, executive committee chairman, Md Abdus Salam, executive committee vice-chairman, Liakat Ali Chowdhury, risk management committee chairman, and Mahbubul Alam, board audit committee chairman, were present.

The bank achieved growth of 16.40 percent in deposit and 20.51 percent in investment during the year 2022 compared to 2021.

The earnings per share (EPS) of the bank stood at Tk 1.90 in 2022.

Among others, Farman R Chowdhury, managing director and CEO, and Mohammed Nizam Uddin Bhuiyan, company secretary, along with a large number of shareholders were present.

NRB Bank re-elects Amin as risk management committee chair

STAR BUSINESS DESK



Khandakar Ruhul Amin has been re-elected as the chairman of the risk management committee of NRB Bank Ltd at a meeting of the bank's board of directors recently.

Amin is a proficient businessman involved with local and overseas companies in Bangladesh and the USA over the past 26 years, said

a press release.

He is the proprietor of Father Reality Corporation, Surma Reality Corporation, Amin Reality Corporation, Hirapur Reality Corporation, Chile's Chocolate (Mexican restaurant), Gallitos Express (Mexican restaurant) and Indian Place which are located in the USA.

He has also some business concerns in Bangladesh such as Hotel New York, Cafe New York, Amin CNG Filling Station, Dhaka New York Agro Fisheries and Khandakar Tower.

Currently, Amin is the chairman of Sonaimuri Upazila Parishad in Noakhali.

Health, Happiness & Dignity for All

DBBL to open merchant bank, invest in digital bank

STAR BUSINESS REPORT

Dutch-Bangla Bank Ltd (DBBL) is going to invest in a digital bank and form two subsidiaries in order to expand business in capital market, the bank said yesterday.

The DBBL said its board of directors has given the go-ahead to the plan to invest Tk 12.5 crore in the proposed Digi10 Bank PLC by joining a consortium of 10 banks. The bank will have 10 percent share in the proposed virtual bank.

The private bank also said its board decided to form a full-fledged merchant bank – Dutch-Bangla Bank Investment Limited – with a proposed paid-up capital of Tk 25 crore.

It will be a fully owned subsidiary subject to all regulatory approvals.

In addition, the DBBL will establish a brokerage house named Dutch-Bangla Bank Securities Limited to act as a stock dealer and broker.

The fully owned subsidiary will have a paid-up capital of Tk 10 crore, said the private bank in a disclosure on the Dhaka Stock Exchange news board.

Investors remained indifferent to the disclosure as the stock price of the DBBL remained unchanged at Tk 59.10 at the DSE yesterday.

Prime Bank to set up two subsidiaries, invest in digital bank

STAR BUSINESS REPORT

Prime Bank has decided to set up two subsidiaries to provide financial and asset management services.

The board of the private commercial bank has approved the decision, it said in a disclosure on the Dhaka Stock Exchange website yesterday.

As per the decision, the bank will launch a subsidiary with an initial minimum paid-up capital of Tk 45 crore to provide mobile financial services under a bank-led MFS model.

It will also set up another subsidiary with an initial minimum paid-up capital of Tk 10 crore to provide asset management services and alternative investment fund.

The bank's board also approved a proposal for joining a consortium of 10 commercial banks that together will apply for a digital banking licence with the proposed name of "Digi10 Bank PLC".

It will also to become a sponsor shareholder by way of investing an initial minimum paid-up capital of Tk 12.50 crore only out of total initial paid-up capital of Tk 125 crore.



The price of onion rose by about Tk 300 per maund (37 kilogrammes) over the past month to reach between Tk 2,700 and Tk 3,000 at present.

PHOTO: STAR/FILE

Onion prices rising again

Farmers, traders blame poor supply of local variety

AHMED HUMAYUN KABIR TOPU, Pabna

The wholesale price of onion is again increasing in Bangladesh as farmers are quickly running out of stock due to an inadequate supply of the local variety, according to traders and growers.

Farmers claim most of their onion supply is already finished while the small reserve remaining is not enough to cover the total demand until fresh stocks arrive after the next four months.

"So, the price is rising due to poor supply," said Md Robiul Islam, an onion wholesaler at Ataikula market in Pabna sadar upazila.

The price of onion rose by about Tk 300 per maund (37 kilogrammes) over the past month to reach between Tk 2,700 and Tk 3,000 at present.

"Due to the low supply, only five to six truckloads of onion could be sold today [Wednesday] while it was at least 15 to 20 truckloads previously," he added.

Farmers claim most of their onion supply is already finished while the small reserve remaining is not enough to cover the total demand

Md Kamruzzaman, a leading onion grower of Durgapur village in Sujanagar upazila of Pabna, told The Daily Star that he stocked around 1,000 maunds of onion this year.

"But I already sold 700 maunds over the past few months and have little left at home," he said.

The situation is similar for most farmers throughout Sujanagar upazila, which is the biggest onion producing district in Bangladesh.

Kamruzzaman said their onion stock would replenish only after harvesting the Kondo variety, which is planted in mid-September and to get yields in early January.

With this backdrop, he demanded the government facilitate a steady supply of imported onion so that prices in the domestic market can remain stable in the months ahead.

However, onion trader Rabiul Islam said the wholesale price of imported onion would also increase in absence of an adequate supply of the local variety.

"This is because onion prices may increase more if imports do not cover the dearth in supply," he added.

According to the Department of Agricultural Extension (DAE) in Pabna, a total of 7.37 lakh tonnes of onion were produced on 52,400 hectares of land this year.

The DAE had encouraged farmers to cultivate the summer variety of onion to fulfil demand but most of them are not interested considering the low returns.

As such, only 1.3 hectares of land in the district were used to cultivate the summer variety.

"Cultivating the summer variety of onion is costly and does not offer sufficient yields or profit. So, we are not interested in the summer variety," Kamruzzaman said.

Md Jamal Uddin, deputy director of the Pabna DAE, said farmers are not interested in cultivating the summer variety as they lack awareness about its benefits.

"The demand for onion grows every year so we are bound to import the crop to fulfil demand," he said.

"The summer variety onion was introduced to meet this rising demand of onion but farmers are not properly aware of it. If the farmers go for summer variety onion cultivation, we can easily meet the demand," he added.



Russia tests digital rouble to bypass sanctions

AFP, Moscow

Russia began testing its new digital rouble with consumers on Tuesday, in the hope blockchain technology will help it evade sanctions and tighten control over its citizens.

The testing phase comes as the rouble lingers at its lowest level against the dollar since March 2022, weeks after Moscow launched its full-scale offensive in Ukraine.

While Moscow has been mulling the idea of creating a digital currency for years, development of the digital rouble took off after Western sanctions blocked Russia from parts of the global banking system.

Russia joins 20 other countries worldwide that have entered the pilot stage of launching a digital currency, according to a tally from the Atlantic Council think tank.

Moscow's aim is clear: to make its financial system more flexible and limit the impact of international restrictions.

"It will enhance Russia's ability to evade sanctions," said Mikkel Mørch, founder of crypto-focused investment fund ARK36.

He said the move will allow Russia to avoid banks where it faces restrictions, and that the blockchain is "much less easy to sanction and attack".

READ MORE ON B2

On the verge of digital banking revolution

SALEKEEN IBRAHIM

Digital banks operate exclusively online without traditional physical branch networks. Traditional brick-and-mortar banks have high operational costs, including maintenance of physical branches and staff. Digital banks have much lower overhead costs as they rely on technology for their operations. This allows them to offer services at a more reasonable price to customers. The evolution of digital banking means converting current manual or paper-based documentation into digital formats and changing business rules or procedures to accommodate those.

In line with the government's goal to establish a "Smart Bangladesh", the central bank has recently unveiled guidelines on digital banks with a detailed regulatory framework. According to the guideline, a consortium of 10 banks jointly announced their immense interest alongside mobile financial services like Nagad and bKash and many other financial, non-financial, fintech and telecommunication companies to join the voyage of the digital banking era in Bangladesh.

Despite significant improvements, internet penetration in Bangladesh is still relatively low, with around 46 percent of the population having access to the internet. This poses a challenge for the digital banking ecosystem as it heavily relies on internet connectivity. Digital banks need to work closely with telecom providers and the government to improve connectivity and reach.

A significant portion of the population in Bangladesh has limited knowledge and limited financial literacy and understanding of digital banking services. Educating customers about the benefits and security features of digital banking is crucial to gain their trust and for them to avail the services.

The regulatory framework for digital banking in Bangladesh is still evolving and needs to navigate through complex regulations and comply with strict guidelines set by the central bank. Cybersecurity is a major concern here. The risk of fraudulent activities and data breaches is high and banks need to invest hugely in robust cybersecurity measures to protect customer data. We have to bear in mind that inadequate technology infrastructure, low technological literacy, frequent power outages and limited access to banking services in remote areas will also pose challenges for these digital banks to provide seamless and reliable services across the country.

Nevertheless, to start with, digital banks need to invest a lot in a robust technological infrastructure to ensure uninterrupted banking services. This includes reliable internet connectivity, secure servers, and advanced encryption technologies. Digital banks should have open APIs (application programming interfaces) that allow seamless integration with third-party providers. This empowers partnerships with fintech companies, payment processors, and other service providers.

Digital banks must comply with the regulations and guidelines set by the central bank to ensure transparency, security, and accountability in their operations. This includes necessary licenses and adhering to anti-money laundering compliance and know-your-customer regulations.

Digital banks need to educate their customers about the benefits and convenience of digital banking. This includes organising awareness campaigns, providing user-friendly interfaces, and offering customer support for any queries or concerns. Collaborating with traditional banks is a good thought for the digital banks to expand their reach and leverage the existing banking infrastructure.

Overall, the prospect of digital banking in Bangladesh is promising in line with the "Smart Bangladesh" catchphrase. In the age of AI with the right strategies and investments, digital banks have the potential to transform the financial landscape of the country, increase financial inclusion, and drive economic growth with huge intensity.

The writer is a senior banker



India makes oil payment to UAE in rupee

REUTERS

India and the United Arab Emirates have started settling bilateral trade in their local currencies with India's top refiner making payment in rupees for purchase of a million barrels of oil from the Middle Eastern nation, the Indian government said on Monday.

Indian Oil Corp made payment to Abu Dhabi National Oil Company (ADNOC), according to a statement issued by Indian embassy in UAE.

The transaction comes after one involving the sale of 25 kg gold from a UAE gold exporter to a buyer in India at about 128.4 million rupees (\$1.54 million).

India in July signed an agreement with the UAE allowing it to settle trade in rupees instead of dollars, boosting India's efforts to cut transaction costs by eliminating dollar conversions.

During a visit by Indian Prime Minister Narendra Modi to the UAE, the two countries also agreed to set up a real-time payment link to facilitate easier cross-border money transfers.

Bilateral trade between India and UAE was \$84.5 billion in 2022/23.

India is keen to push similar local currency arrangements with other countries, as it looks to boost exports amid slowing global trade.



A general view of a China-funded project in Colombo. Sri Lanka defaulted on its \$46 billion external debt in April 2022 after running out of foreign exchange to finance essential food, fuel and medicines.

PHOTO: AFP

Sri Lanka scraps \$3.85b foreign-funded oil refinery

AFP, Colombo

Cash-strapped Sri Lanka announced on Tuesday it was scrapping a \$3.85 billion deal to build an oil refinery that was set to become the island's largest foreign investment.

Energyminister Kanchana Wijesekera said the cabinet terminated the agreement on Monday because Singapore-registered Silver Park International had failed to begin construction since a ground-breaking ceremony in 2019.

The project was originally meant to be jointly funded by Silver Park, owned by an Indian family company, and Oman and was due to be completed this year.

Wijesekera said the government would seek a different foreign partner to set up a refinery primarily for the export of petroleum products.

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