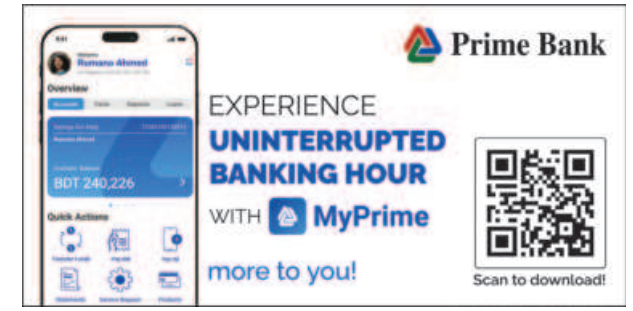


Star BUSINESS



WB to give \$300m for youth employment

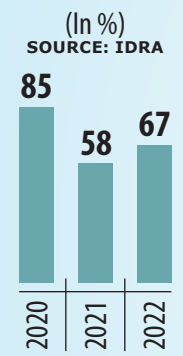
STAR BUSINESS REPORT

Bangladesh and the World Bank yesterday signed a \$300 million financing agreement to equip about 900,000 economically disengaged rural youths with skills and alternative education needed for employment and entrepreneurship.

About 60 percent of them will be female. The Economic Acceleration and Resilience for NEET (EARN) Project will help overcome barriers that prevent disadvantaged and vulnerable youths from gaining education and employment. It will provide skills training, alternative education, employment, and entrepreneurial support to rural youth who are not in education, employment, or training (NEET), according to a press release of World Bank yesterday.

The project will establish vocational training centres

Claim settlement ratio of life insurance sector

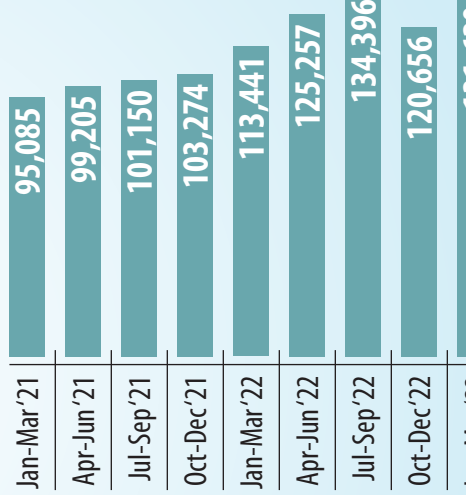


STOCK MARKET IN THE LAST ONE YEAR

	2021-22	2022-23
Average turnover	Tk 1,328cr	Tk 792cr
Average turnover of the SME board	Tk 4cr	Tk 9cr
	Jul 1 '22	Jun 30 '23
DSEX (Benchmark index)	6,376	6,344
DSEX (Shariah Index)	1,386	1,377
DS-30 (Blue-chip index)	2,295	2,192

DEFAULT LOANS IN BANKING SECTOR

In crore taka; SOURCE: BB



REASONS BEHIND CONFIDENCE CRISIS

- Lack of good governance
- Irregularities in banks, NBFIs, insurers and stock market
- No exemplary punishment for wrongdoers
- Negligence in reforms for a long time

POST-LDC ERA Apparel's duty benefit in Canada to remain intact

REFAYET ULLAH MIRDHA

Bangladesh's garment exports to Canada may continue to enjoy duty-free trade benefits after the graduation of the country to a developing nation, said a top businessman.

This will make Canada the third country after the United Kingdom and Australia where Bangladesh is set to retain the preferential trade treatment after it graduates from the group of the least-developed countries (LDCs) in 2026.

It comes as the Canadian government is going to extend duty-free market access to developing countries under the General Preferential Tariff (GPT) Plus scheme, also known as GPT Plus.

The current scheme is going to expire at the end of 2024 and Canada is expected to come up with a GPT Plus scheme from January 1, 2025.

Bangladesh has been enjoying duty-free and quota-free access in Canada since 2003 under the Least-Developed Country Tariff (LDCT) scheme.

This will make Canada the third country after the UK and Australia where Bangladesh is set to retain the preferential trade treatment after LDC graduation

But following the LDC graduation, the trade benefit is set to be eliminated.

However, with the adoption of the new trade scheme by Canada, Bangladesh will continue to enjoy the duty benefit until the end of the new scheme in 2034, said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Canada is one of the major markets for Bangladesh's apparel manufacturers.

In the fiscal year of 2022-23, garment exports to the country reached \$1.55 billion, registering a 16.55 percent year-on-year growth compared to 2021-22, data from the Export Promotion Bureau showed.

Apparel items account for more than 95 percent of Bangladesh's exports to the North American nation.

The share of Canada's imports from Bangladesh remains at 13.95 percent, meaning that the South Asian country has a potential to expand the market penetration further, according to the BGMEA.

READ MORE ON B3

STOCKS

DSEX ▲	CASPI ▲
0.28%	0.25%
6,298.22	18,617.76

COMMODITIES AS OF FRIDAY

Gold ▼	Oil ▲
\$1,914.89 (per ounce)	\$80.02 (per barrel)

ASIAN MARKETS FRIDAY CLOSINGS

MUMBAI ▼ 0.56%	TOKYO ▼ 2.05%	SINGAPORE ▲ 0.29%	SHANGHAI ▼ 0.59%
64,886.51	31,624.28	3,189.88	3,064.07

Confidence crisis in financial sector deepens

AHSAN HABIB

Bangladesh's financial sector is struggling to win back people's trust mainly due to the deterioration of some key indicators amid a lack of good governance, irregularities and lighter punishment for wrongdoers, according to analysts.

Banks and non-banking financial institutions are facing mounting non-performing loans (NPLs), while the claim settlement ratio in the insurance sector is far below the global average.

Similarly, market capitalisation of the stock market remains at a low level as the number of listed companies is small and investors' participation is falling amid persisting uncertainty.

The financial sector has been in bad shape at a time when Bangladesh plans to become a developed nation by 2041. The situation has prompted analysts to recommend the government focus on putting the financial sector on the right track so that it can contribute properly to the country's development journey.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, thinks the confidence crisis is stemming mainly from a lack of corporate

governance and regulatory governance.

He said the lack of corporate governance is causing a drop in asset quality. For instance, related party loans among the directors of banks are rising day by day but those funds are not extended following due diligence.

get involved in bad practices. If the financial sector keeps suffering from the confidence crisis, it might be a cause for a middle-income trap for Bangladesh."

With the healthy growth of the economy, people's income will rise, which will give them more scope to save.

financial sector is suffering from a confidence crisis mainly due to the lack of good governance.

He thinks in the banking sector, the struggle sometimes comes from mismanagement, indiscipline, irregularities, rescheduling, and default loans.

"Some people have just eaten up the funds of banks so their NPLs rose."

The banking sector is burdened with a higher NPL, which stood at Tk 131,621 crore in March, up 16 per cent from a year earlier, data from the Bangladesh Bank showed.

The NPL accounted for 8.8 per cent of the banking sector's total outstanding loans of Tk 14,96,346 crore.

The insurance sector is not faring well as its settlement ratio against claims has been far below the expected level while the return on investment has been dismal.

"This is evidenced from the low stock price of the listed firms," said Siddiqi.

The claim settlement in the life insurance sector stood at 67 percent in 2022, meaning 33 percent of claims remained unsettled, according to the data of the Insurance Development & Regulatory Authority.

READ MORE ON B3

The project will help overcome barriers that prevent disadvantaged and vulnerable youths from gaining education and employment.

to offer a range of skills development opportunities and provide online and offline training courses in market-driven and futuristic trades. They will be in locations convenient to rural youth, especially female.

It will also offer competitive financing and mentorship support for entrepreneurial activities. It will help secondary school dropouts, particularly female students to complete vocational secondary education.

"The youth are the future of any country. Creating a well-equipped competitive workforce, where no young person is excluded, is a critical development priority for Bangladesh," said Abdoulaye Seck, World Bank country director for Bangladesh and Bhutan.

"The project will help develop a competitive workforce through skill development, continuity

READ MORE ON B2



Boats are seen docked along a canal in the Atghar area of Pirojpur. These vessels are used to ferry people to and from the nearby floating guava markets, which turn into a tourist attraction during the ongoing harvesting period each year. Travellers are charged about Tk 300 per hour for hiring the boats.

PHOTO: TITU DAS

BB instructs non-banks to reduce bad loans

STAR BUSINESS REPORT

Bangladesh Bank has instructed non-bank financial institutions (NBFIs) to reduce the amount of non-performing loans (NPLs) they have to resolve the sector's image crisis.

The country's 35 NBFIs had NPLs amounting to Tk 17,855 crore at the end of March, which is 25 percent of the loans they had disbursed, as per the central bank's latest data.

The instruction came at a meeting between the central bank and the Bangladesh Leasing and Finance Companies Association (BLFCA), a forum of chief executives of the NBFIs, at the BB headquarters yesterday.

Presiding over the meeting, Bangladesh Bank Governor Abdur Rouf Talukder specifically asked the NBFIs to regain customer confidence through improvements of their financial health, said a senior BB official who was present at the meeting.

The BB will closely monitor the situation, with the governor meeting the chief executives every three months from now on, said the BB official.

"The central bank chief asked the NBFIs to file cases against defaulters and closely monitor bad loans to boost chances of recovery," Md Mezbaul Haque, Bangladesh Bank executive director and spokesperson, told The Daily Star.

The NBFIs have been instructed to pay back depositors' money to restore the sector's image, he said, adding that a few companies have been struggling to do so.

READ MORE ON B3

BGMEA plans big to cut carbon emission

STAR BUSINESS REPORT

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) targets reducing carbon emission by 30 percent, using sustainable raw materials in 50 percent of the cases and bringing down the use of groundwater by 50 percent within 2030.

The Bangladeshi garment makers also target using 100 percent zero discharge of hazardous chemicals under its sustainability vision by 2030, BGMEA President Faruque Hassan said yesterday.

Under the sustainability vision, the BGMEA also has the target to reduce energy consumption by 30 percent, use of 20 percent renewable energy and reduce deforestation by 30 percent by the stipulated timeframe of 2030, Hassan said.

READ MORE ON B3

Dhaka Bank offers credit card for women

STAR BUSINESS DESK

Dhaka Bank Ltd in collaboration with Mastercard has recently launched an "Aroni Mastercard Titanium Credit Card" under "Aroni", its dedicated banking services for women.

The bank also launched a "Titanium Debit Card" and "Tayyebah Islamic Debit Card" under its Islamic banking services, "Tayyebah".

Emranul Huq, managing director and CEO of the bank, and Vikas Varma, chief operating officer for South Asia at Mastercard, attended the launching programme at the lender's head office in Dhaka, said a press release.

Md Mostaque Ahmed, AKM Shahinawaj, AMM Moya Uddin and Darashiko Khasru, deputy managing directors of the bank, and Syed Mohammad Kamal, country manager of Mastercard, were present.



Emranul Huq, managing director of Dhaka Bank, and Vikas Varma, chief operating officer for South Asia at Mastercard, attend the launching programme of a new card service, styled "Aroni Mastercard Titanium Credit Card", at the lender's head office in Dhaka recently.

PHOTO: DHAKA BANK

India mulls import tax cut if EV makers build locally

REUTERS, New Delhi

India is working on a new electric vehicle policy that would slash import taxes for automakers that commit to some local manufacturing, following a proposal by Tesla which is considering entering the domestic market, people with direct knowledge said.

The policy being considered could allow automakers to import fully-built EVs into India at a reduced tax as low as 15 percent, compared to the current 100 percent that applies to cars which cost above \$40,000 and 70 percent for the rest, said two of the sources, including a senior Indian government official.

The policy being considered could allow automakers to import fully-built EVs into India at a reduced tax as low as 15 percent

Tesla's best-selling Model Y, for example, starts at \$47,740 in the US before tax credits.

"There is an understanding with Tesla's proposal and government is showing interest," said the official, who is familiar with the issue.

India's commerce ministry, which is working on the plan, and Tesla, did not respond to requests for comment.

Asked about the move, Finance Minister Nirmala Sitharaman told reporters "there is no proposal in front of me" to reduce import duties on electric vehicles.

If such a policy is adopted, it could amount to a drastic reduction in the cost of imported EVs that local carmakers have been keen to avoid. It could also open the door for global automakers, beyond Tesla, to tap the world's third-largest car market where sales of EVs are less than 2 percent of total car sales, but growing rapidly.

The lower import taxes could help Tesla sell its full range of models in India, and not just the new car it wants to make locally, said a third source.



Abdul Wahed, chairman of DBL Group, poses for photographs with award-winning dealers of a "Business Conference-2023", organised by DBL Ceramics at the Palace Luxury Resort in Habiganj recently.

PHOTO: DBL GROUP

DBL Ceramics holds business confce

STAR BUSINESS DESK

DBL Ceramics recently organised Business Conference 2023 with a theme of "Together at the Peak of Excellence" at the Palace Luxury Resort in Habiganj.

Abdul Wahed, chairman of DBL Group, inaugurated the two day-long conference, said a press release.

The company's dealers from across the country participated in the event. Bangladesh ODI Captain Shakib Al Hasan also graced the occasion.

MA Jabbar, managing director of the group, MA Rahim, vice chairman, MA Quader Anu, deputy managing director, Mohammad Bayazed Bashar, head of operations of the company, M Abu Hasib Ron, head of sales, Kazi Siddiqui Azam, finance controller, and other high officials of the company were present.

Shahjalal Islami Bank holds workshop on sustainable finance

STAR BUSINESS DESK

Shahjalal Islami Bank organised an awareness raising workshop on sustainable finance at the bank's training academy in Dhaka on Saturday.

A total of 40 officers, including the head of division and investment-in-charge from branches, participated in the workshop.

Mian Quamrul Hasan Chowdhury, additional managing director of the bank, inaugurated the daylong workshop, said a press release.

Shakhawat Hossain and Md Abu Rayhan, joint directors of sustainable finance department at Bangladesh Bank, presented keynotes at the programme, where Chowdhury Liakat Ali, director of sustainable finance department of the central bank, was present as a special guest.

Among others, Md Saidur Rahaman, senior executive vice-president and principal of the bank's training academy, and Mohammed Ashfaqul Hoque, senior executive vice-president and head of sustainable finance unit of the bank, were present.



Mian Quamrul Hasan Chowdhury, additional managing director of Shahjalal Islami Bank, poses for photographs with the participants of an awareness raising workshop on sustainable finance at the bank's training academy in Dhaka on Saturday.

PHOTO: SHAHJALAL ISLAMI BANK

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (AUG 27, 2023)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 72	-2.22 ↓	-10.81 ↓
Coarse rice (kg)	Tk 48-Tk 50	-2 ↓	-12.5 ↓
Loose flour (kg)	Tk 48-Tk 50	-3.92 ↓	-6.27 ↓
Lentil (kg)	Tk 90-Tk 95	-2.63 ↓	-13.95 ↓
Soybean (litre)	Tk 155-Tk 160	-3.08 ↓	-8.16 ↓
Potato (kg)	Tk 40-Tk 45	11.84 ↑	57.41 ↑
Onion (kg)	Tk 75-Tk 85	28 ↑	68.42 ↑
Egg (4 pcs)	Tk 48-Tk 52	2.04 ↑	21.95 ↑

SOURCE: TCB



M Shamsul Arefin, additional managing director of NCC Bank, and AM Ishtiaque Sarwar, managing director of Soft Tech Innovation, exchange signed documents of an agreement on SmartPay EMI facility at the former's head office in Dhaka recently.

PHOTO: NCC BANK

NCC Bank inks deal with AmarPay

STAR BUSINESS DESK

NCC Bank Ltd recently signed a corporate agreement with AmarPay, a sister concern of web outsourcing company Soft Tech Innovation Ltd.

M Shamsul Arefin, additional managing director of the bank, and AM Ishtiaque Sarwar, founder and managing director of web outsourcing company, signed the deal at the bank's head office in Dhaka, said a press release.

Under the deal, the bank's credit cardholders will get SmartPay EMI facility for up to 36 months at zero interest at AmarPay online shopping.

Other senior officials from both the companies were present at the deal signing ceremony.

WB to give \$300m

FROM PAGE B1

development, continuity of education, and employment opportunities while addressing underlying cultural and social norms that drive exclusion, particularly for women, people with disabilities, and ethnic minorities," he said.

In Bangladesh, about 27 percent of youth that is about 12.6 million people are classified as NEET. About 90 percent of them are female, mostly living in rural areas. To enhance their employability, the project will offer skills development training for a wide range of market-relevant trades with an emphasis on modern and non-traditional trades, especially for women.

For secondary school dropped-out youth and adolescents, the project will provide access to Bangladesh Open University education programmes through an accelerated curriculum. They will be able to access diploma-

level technical education in fields such as nursing, medical technology, agricultural food processing and other courses. To support entrepreneurship, the project will provide seed financing, mentorship, and other relevant supports to the new entrepreneurs.

The agreement was signed by Sharifa Khan and Abdoulaye Seck on behalf of Bangladesh and the World Bank.

The credit is from the World Bank's International Development Association and has a 30-year term, including a five-year grace period.

Bangladesh currently has the largest ongoing IDA programme totaling \$15.86 billion. The World Bank was among the first development partners to support Bangladesh and has committed about \$40 billion in grants, interest-free and concessional credits to the country since its independence.



Shaheen Iqbal, president of CFA Society Bangladesh, poses for photographs with the award recipients of "CFA Society Bangladesh Awards" at Lakeshore Hotel in Dhaka recently. The institute awarded Bangladesh Bank, Brac Bank, Edge AMC, HSBC Bangladesh, IDLC Finance, International Finance Corporation, Shanta Capital Market, Standard Chartered Bangladesh, World Bank and UCB Bank.

PHOTO: CFA SOCIETY BANGLADESH

Clarification

FROM PAGE B4

in a letter sent to the company by the Idrá on August 14 seeking clarification, an Idrá official told The Daily Star.

The company has been asked to explain why it did not assist the firm in providing adequate information, Mohammad Zainul Bari, chairman of the Idrá, told The Daily Star yesterday.

Faridul Alam, the insurer's head of marketing, and CEO Biswajit Kumar Mondal did not respond to calls and SMS from this newspaper yesterday.

Over 37,000 clients of the insurer are in uncertainty over settlement of claims owing to a lack of liquidity caused by alleged irregularities in the company, according to a report published by The Daily Star on July 16 this year. The company has unsettled claims amounting to Tk 79 crore, according to the Idrá.

US growth, a puzzle

FROM PAGE B4

Fed policymakers will deliver a crucial update to their economic outlook at a September 19-20 meeting, when they are expected to leave their policy rate unchanged at 5.25 percent to 5.5 percent.

If inflation and labor market data continue showing an easing of price and wage pressures, the current forecast for just one more quarter-point increase may hold.

Yet Fed officials remain puzzled, and somewhat concerned, over conflicting signals in the incoming data.

Some point to weakening in manufacturing, slowing consumer spending, and tightening credit, all consistent with the impact of strict monetary policy and cooling price pressures.

But gross domestic product is still expanding at a pace well above what Fed officials regard as the non-inflationary growth rate of around 1.8

percent. US GDP expanded at a 2.4 percent annualised rate in the second quarter, and some estimates put the current quarter's pace at more than twice that.

The contrast with other key global economies is sharp. The euro area grew at an annualised 0.3 percent in the second quarter, essentially stall speed. Difficulties in China, meanwhile, may drag down global growth the longer they fester.

Quizzed about the divergence after a speech here, European Central Bank President Christine Lagarde noted after the Russian invasion of Ukraine last year, the outlook was for a euro-area recession, and a potentially deep one in parts of it.

Growth, albeit slow, has continued, and inflation has fallen, an overall dynamic not dissimilar to that of the US. "We expected all that to be a lot worse. It has turned out to be much more robust, much more resilient," Lagarde said.

Mercantile Bank takes PLC suffix

STAR BUSINESS REPORT

Mercantile Bank Ltd has changed its name to Mercantile Bank PLC (public limited company), the central bank said in a circular yesterday.

The change of the private commercial bank came into effect yesterday, according to the circular.

In Bangladesh, the companies are switching to the PLC suffix in order to comply with the amended Company Act 1994. The amendment was made in 2020.

A PLC is a public company and is the equivalent of a US publicly traded company that carries the Inc. or corporation designation.

The use of the PLC abbreviation after the name of a company communicates to the investors and to anyone dealing with the company that it is a publicly traded corporation.

E3 Solutions, I-Station to merge

STAR BUSINESS DESK

Extreme Exhibition & Event Solution Ltd, also known as E3 Solutions, and I-Station Ltd, an emerging company in events, exhibition and conference services, signed an agreement for merger recently.

Md Rezaul Karim Bhuiyan, managing director of E3 Solutions, and Madhu Sudan Saha, managing director of I-Station, inked the deal to this end at the former's office in Mohakhali, Dhaka, said a press release.

"Our partnership over the last few years made this an easy decision and our companies really had some incredible synergies," said Bhuiyan. "We've built an incredible relationship over the years," said Saha.

Both the organisations will run simultaneously from the same platform in order to enhance mutual business performance.



The number of mobile subscribers reached 18.75 crore in July, up from 18.61 crore a month earlier, according to the latest data of the BTRC.

PHOTO: STAR/FILE

Mobile subscriber base gets another boost in July

Registers biggest monthly jump in over a year

MAHMUDUL HASAN

The mobile subscriber base in Bangladesh continues to grow as network operators in the country acquired a total of about 14 lakh customers in July, registering the biggest monthly jump in over a year.

The overall number of SIM subscribers reached 18.75 crore in July, up from 18.61 crore a month earlier, according to recent data of the Bangladesh Telecommunication Regulatory Commission (BTRC).

The growth was shared by Grameenphone, Robi Axiata and Banglalink while state-run Teletalk ended up losing some customers.

The subscriber base of Robi, the country's second largest network operator, added about 5 lakh customers in July to hit 5.68 crore.

"We adopted a strategy under which we are giving each customer a similar experience of data usage quality," said Shahed Alam, chief corporate and regulatory officer of Robi.

For example, Robi is consistently providing data speed of 5 Mbps to each of its customers. "Also, we are making investments to provide customers better video experience and optimise our networks," he added.

On a year-on-year basis, Robi's subscriber base grew by 3.74 percent.

Customers of Banglalink, the third largest operator, rose by about 5 lakh in July to take its total to 4.23 crore.

An official of the company said they invested heavily on spectrum rollout and network expansion in the last one-and-a-half years, enabling customers to get better quality services, especially when it comes to mobile internet.

State-owned Teletalk lost about 20,000 customers in July, bringing its total down to 64.7 lakh.

Banglalink won the Ookla Speedtest Award as the fastest mobile network in Bangladesh for the 7th consecutive time in 4 years recently.

Erik Aas, CEO of Banglalink, said the company has consistently prioritised network quality, which is evident by the 7th consecutive Ookla Speedtest Award.

"Our network superiority is accelerating our growth as a digital operator, enabling customers to smoothly access our diverse

digital services," he said.

"We aim to utilise our fastest 4G network to continue providing best-in-class mobile telecommunication services and one-stop digital solutions through MyBL Super App and Toffee," Aas added.

On a year-on-year basis, Banglalink witnessed almost 10 percent growth in subscriber numbers in July, which was the highest among all local operators.

The top operator Grameenphone saw its subscriber base rise by more than 4 lakh in July, taking its total number of customers to around 8.19 crore.

But on a year-on-year basis, its subscribers decreased by 4.5 percent that month.

This is because the company experienced a slump in customers from July to December last year due to a ban on its SIM sales.

On June 29 last year, the telecom regulator banned Grameenphone's SIM sales until it "improves its quality of service, including bringing down the call drop rate". The ban was eventually lifted on January 2 this year.

During the six-month ban, Grameenphone lost almost 5 million customers.

Meanwhile, state-owned Teletalk lost about 20,000 customers in July, bringing its total down to 64.7 lakh.

BB fixes quotas for sukuk bond allocation

STAR BUSINESS REPORT

Bangladesh Bank yesterday fixed quotas for allocating sukuk bonds among Shariah-based banks, financial institutions, insurance companies and individual investors.

A sukuk is a Shariah-compliant bond-like instrument used in Islamic finance. Bangladesh issued its first sovereign investment sukuk in December 2020.

A central bank notice said 85 percent of the allocation would be for Shariah-based banks, financial institutions and insurance companies.

About 10 percent will be allocated for Islamic branches and windows of conventional banks.

The remaining 5 percent will be for individual investors, provident fund and deposit insurance.

All conventional banks, financial institutions and insurance companies will be able to attend sukuk auctions.

In cases where the bids exceed the quotas or when there is a lack of bids, the sukuk bonds will be allocated proportionately, meaning on a pro rata basis, among all the bidders.

Till June last year, the government issued sukuk bonds worth Tk 18,000 crore, as per the BB data.

To avail the sukuk bonds, Shariah-based Islamic banks invested Tk 12,895 crore, Islamic branches and windows of conventional banks Tk 1,998 crore, conventional banks Tk 2,899 crore, life insurance companies Tk 4.36 crore and individuals Tk 206 crore.

Make customs, bond services simpler: BGMEA

STAR BUSINESS REPORT

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) yesterday called for making the customs, bond and VAT related services simpler and faster to remain competitive in the global apparel market.

BGMEA President Faruque Hassan said the garment industry can save time and money, and become more efficient if these services are streamlined.

He also laid emphasis on improving the understanding of customs and VAT regulations among garment industry professionals by providing training in this regard.

He came up with these remarks while addressing the opening ceremony of the "Three-month certificate course on customs, bond, VAT, tax, and SD" as chief guest, according to a statement from the BGMEA.

The programme was organised by the Bangladesh Garments Accessories & Packaging Manufacturers & Exporters Association (BGAPMEA) in association with the Bangladesh Tax Training Institute in Dhaka.

Azizur Rahman, commissioner of the Customs Bond Commissionerate of Dhaka North, and Md Moazzem Hossain Moti, president of the BGAPMEA, also spoke.



Md Mehmoed Husain, managing director of National Bank, poses for photographs with participants of a "Business Coordination Meeting" for managers of sub-branches of the bank at the bank's training institute in New Eskaton, Dhaka on Saturday. Syed Rois Uddin, deputy managing director of the bank, Sheikh Akhter Uddin Ahmed, head of human resources department, along with officials of various divisions of the bank's head office and managers of sub-branches were present.

PHOTO: NATIONAL BANK

Confidence crisis

FROM PAGE B1

In the non-life insurance sector, the claim settlement ratio was even lower, at 33.44 percent last year.

"As a result, people's trust in the insurance sector has been low," said Md Main Uddin, a professor of the Department of Banking and Insurance at the University of Dhaka.

A floor price has led to the creation of a barren equity market since there are fewer buyers. Both intermediaries and investors are worried about the direction of the market as economic uncertainty shows no sign of disappearing.

Owing to the floor price, which does not exist anywhere in the world, investors are unable to sell their shares, while intermediaries such as brokers and merchant banks are struggling to generate a decent income.

Average turnover at the Dhaka Stock Exchange came down to less than Tk 600 crore in the past one year, way lower than Tk 1,475 crore in the previous year, according to the

DSE data.

Of the 397 listed companies, more than 200 have had their stocks stuck at the floor price with no trade taking place over the past year.

The number of beneficiary owners accounts dropped 5 percent to 17.44 lakh over the past year, according to the Central Depository Bangladesh Ltd.

The DSE's market capitalisation-to-GDP ratio is 17 percent, while it is more than 60 percent at the Bombay Stock Exchange, according to the premier exchange of Bangladesh.

Despite the trading debuts of government securities, the bond market is still at a nascent stage, Prof Main said.

Siddiqi said corruption is spreading in all aspects of the financial sector because wrong doers don't receive exemplary punishment. Many embezzlers flee from the country when they see that the government is taking action against them or cases are being filed.

The business sector has been in a difficult situation owing to the

dragging impacts of the coronavirus pandemic and the Russia-Ukraine war. However, the former chairman of the BSEC thinks corruption has aggravated the problems in all sectors.

"Today's situation has been the result of negligence in ensuring good governance for a long time."

He warned that if the ills in the financial sector are not addressed on a priority basis, they will hit the economic progress of the country hard in the upcoming years.

Prof Main said although all aspects of the financial sector are facing a confidence crisis, the banking sector is comparatively in a better shape.

He said banks' main problem lies in higher NPLs, but people still have confidence in them and the sector is providing around 85 percent of funds to entrepreneurs.

He calls the confidence crunch in the stock market an old issue because manipulation is rife.

"People don't believe that their funds in the markets are safe."

Apparel's duty benefit

FROM PAGE B1

"With the GPT Plus, we should aim for a bigger pie and focus our efforts and resources on maximising this potential," said Hassan in a WhatsApp message.

According to the website of the Canadian finance department, the new scheme would look to expand product coverage under the GPT programme whereby developing countries that meet and progressively improve their adherence to international labour rights and environmental standards would be eligible for additional tariff benefits beyond what is provided through the GPT programme.

This would take the form of offering tariff benefits to additional products that are currently not subject to the GPT, such as apparel,

footwear and ships, which otherwise face most-favoured nation (MFN) tariffs of up to 25 percent.

"The good news is that the Canadian parliament has approved the finance bill where the GPT scheme has been extended till the end of 2034," Hassan said.

The GPT programme currently grants tariff preferences to 106 developing countries, including 49 LDCs. Based on 2019-2021 average figures, Canada imported \$332 million annually under GPT preferences, in the absence of which these imports would have been subject to an average MFN tariff of 5 percent, said the finance department's website.

In recent years, Bangladesh has improved workplace safety and is a

global champion in green garment factories.

The country has already set up 200 apparel factories certified by the United States Green Building Council. Another 500 more factories are in pipeline to secure the same recognition.

Hassan said the labour standard in Bangladesh has improved.

"So, fulfilling the conditions regarding the environment and labour rights for getting the trade benefit under Canada's new trade scheme will not be a problem for local garment exporters."

"Other countries and trade blocs such as the European Union should also extend the same facility to the graduating LDCs like Bangladesh."

BGMEA plans big to cut carbon

FROM PAGE B1

"Climate change is not a future threat, it's happening now. The best way one can make an impact in this regard is "doing-our-bits" to curb carbon emissions and reduce environmental pollution."

Hassan made the comment at the launch of a report titled "The case for just transitions in energy, agricultural and RMG sector in Bangladesh" at the Six Seasons Hotel in Dhaka.

"When the brands are setting ambitious targets, it is their responsibility to make sure that no one is left behind in the supply chain," the BGMEA president also said.

Bangladesh's RMG industry has seen an impressive growth in the number of green garment factories. The total number of LEED certified green garment factories in Bangladesh is now 200, of which 73 are platinum, the

highest category.

These green factories are equipped with all the eco-friendly features and emit 40 percent less carbon than a conventional factory, he said in a BGMEA statement.

Hassan said the garment industry of Bangladesh is increasingly focusing on the transition from linear business model to circular economy for greater environmental sustainability coupled with economic growth.

Saber Hossain Chowdhury, special envoy to the prime minister for climate change and chair of the parliamentary standing committee on the environment and forest ministry; Imran Rahman, vice chancellor of the University of Liberal Arts Bangladesh; Zafar Sobhan, editor of the Dhaka Tribune, and Sultana Afroz, former CEO of Public Private Partnership Authority, also spoke.

BB instructs non-banks

FROM PAGE B1

Bangladesh Bank's financial stability report-2022 said 14 NBFIs were in the red zone last year as per a stress test report.

Contacted, Md Golam Sarwar Bhuiyan, chairman of the BLFCA, said the governor laid emphasis on loan recovery and corporate governance.

The banking regulator assured providing policy support for corporate governance, he said.

"BB governor also ensured providing support if we faced any undue pressure to establish corporate governance," said Bhuiyan, also managing director of the Industrial and Infrastructure Development Finance Company Ltd.

For 16 of the NBFIs, the NPL to outstanding loan ratio is over 30 percent, as per the BB data. Even more alarming is the fact that six out of the 16 had around 90 percent of their loans classified at the end of March 2023.

WITHHOLDING INFO Clarification sought from Homeland Life Ins

STAR BUSINESS REPORT

The Insurance Development and Regulatory Authority (Idra) has asked Homeland Life Insurance Company Ltd why its chief executive officer (CEO) should not be removed for not providing information sought by a chartered accountancy firm for financial audits.

The firm was appointed by the Idra in September last year to audit the insurer's financials for the 2018-2020 period, including outstanding insurance claims, management expenses and commission payments.

In a letter to the Idra in January this year, the firm said the insurer was not providing necessary information despite repeated requests.

The Idra issued a show cause notice to the company's CEO in May. A tripartite hearing was held at the Idra on August 10.

The matter over the CEO removal was raised in a

READ MORE ON B2

MJL plans Tk 95cr business expansion

STAR BUSINESS REPORT

Lubricating oil provider MJL Bangladesh PLC, a listed company, has announced plans to invest Tk 95 crore for business expansion.

In a Dhaka Stock Exchange (DSE) website disclosure yesterday, the company said its board of directors had approved a memorandum of understanding with a seller to purchase 50 bighas of industrial land in Narayanganj.

The company will spend Tk 95 crore to buy the land for future expansion, subject to all documents related to the property being found transparent and legitimate, it added.

MJL Bangladesh PLC is a joint venture of EC Securities Limited, a subsidiary of East Coast Group, and state-owned Jamuna Oil Company.

Net sales of the company gained 20 percent to Tk 826 crore, according to the latest financial reports of three quarters of 2022-23. Profits soared 29 percent year-on-year to Tk 191 crore.

Its stocks dropped 0.44 percent to Tk 91.50 at the DSE yesterday.



A worker arranges corrugated iron (CI) sheets for display at a shop on Borobazar Station Road of Khulna city. The availability of more durable CI sheets in different colours is driving up demand for the product, which is mostly used as roofing or cladding for houses and industrial structures.

PHOTO: HABIBUR RAHMAN

Demand for CI sheet rising in Dhaka and other cities

Thanks to availability of different colours, more durable products

JAGARAN CHAKMA

The market for corrugated iron (CI) sheets is expanding in Bangladesh thanks to the availability of more durable and coloured versions of the product, according to industry insiders.

For example, the availability of coloured CI sheets that are galvanised with a protective coating is driving up demand for its use as roofing and cladding the sides of households, factories and other structures.

As such, the country's annual demand for CI sheets now exceeds 1.2 million tonnes, creating a market worth around Tk 15,000 crore.

However, just five companies currently manufacture CI sheets, and all of them are based in Chattogram.

The manufacturers are: PHP Family, KDS Group, S Alam Group, Abul Khair Group and TK Group.

Industry people say that Abul Khair and PHP together hold a majority 75 percent share of the market while KDS has a roughly 15 percent stake, and TK Group and S Alam have 5 percent each.

"The once only produced simple corrugated iron but now, people are getting multi-dimensional products," said Mohammad Amir Hossain, director of PHP Family.

"We now manufacture CI



sheets with galvalume, a coating consisting of zinc, aluminium and silicon, which protects the metal from oxidation at a reasonable cost," he added.

Hossain also said they make coloured CI sheets for use as housing and factory roofing profiles.

At present, PHP produces some 4.5 lakh tonnes of CI sheets each year, catering to about 45 percent of the total market.

Asked why there are so few CI sheet manufacturers in the country, Hossain said it is a very costly venture that requires at least Tk 12,000 crore to set up.

Tariq Ahmed, director of operations and marketing at TK Group, said the use of CI sheets

is increasing in line with the peoples' growing purchasing power.

"CI sheets were once only used as roofing in rural areas but now, the demand is reaching cities too for various reasons," he added, citing how huge demand is being created for industrial construction.

As a result, investment in the sector as well as the diversified products available are increasing.

However, Ahmed said the market is enduring a dull point amid the ongoing economic situation.

Anwar Hossain, promoter of M/s Lal Mohammad & Sons on Bangshal road in Dhaka, said imported CI sheets are available

in the market as some people want higher-quality products.

Imported CI sheets mainly come from Japan, Vietnam, Taiwan, China and South Korea but shipments are gradually reducing as local producers are developing their product basket with cheaper alternatives.

HOW CHATTOGRAM BECAME A HUB FOR CI SHEET INDUSTRY

The steel industry in Bangladesh began when the state-owned Chittagong Steel Mills opened in 1967.

The factory, which made steel billets, iron sheets and corrugated iron, was unable to cater to the country's overall demand by itself and so, much of the market was occupied by imports at the time.

Imports finally started to decrease in the mid-80s, when the private sector joined in on producing CI sheets from intermediate raw materials.

In the 1990s, entrepreneurs took the initiative to set up large factories as the demand for steel grew.

And from 1998, the work of setting up factories for manufacturing raw materials such as cold rolled coils of CI sheet started in Chattogram.

Then, five Chattogram-based industrial groups, namely Abul Khair, PHP, TK, KDS and S Alam, set up large factories in this sector between 1998 and 2004.

Basel accords, capital requirements and bank risks

MD MAIN UDDIN

The balance sheet of a bank has two sides: assets and liabilities. The assets are financed by two sources of funds: debt capital (liabilities) and equity capital (owners' equity).

There was a long-standing debate regarding the amount of equity capital a bank should hold. In every country, a specific amount of capital is required to establish a bank. For example, in Bangladesh, it is Tk 500 crore. But with the passage of time, banks become involved in various risky businesses which call for increasing equity capital.

The Basel Committee on Banking Supervision developed the Basel Accords to focus on bank supervision and regulation. It mainly addressed the issue of capital regulation for the safety and soundness of banks.

In 1988, Basel I was developed to set minimum capital requirements for banks. Basel II was expanded with some new rules in 2004. Finally, Basel III was extended in response to the financial crisis of 2007-2008.

According to Basel I, the minimum capital requirement (MCR) was 8 percent of risk-weighted assets (RWA) with 4 percent of core capital. In 2002, the MCR was raised to 9 percent with an increase of core capital to 4.5 percent.

In 2011, the MCR was further raised to 10 percent with an increase of core capital to 5 percent which continued until 2015. The MCR was fixed to 12.5 percent in 2019.

Banks in Bangladesh used to maintain 6 percent of their demand and time liabilities as equity capital before adopting Basel I in 1996.

Bangladesh Bank data showed that there was a significant improvement in capital maintenance over the 1992-2022 period.

The Capital Adequacy Ratio (CAR) was only 5.81 percent in 1992 and it rose to 7.5 percent in

2002.

It increased to 10.5 percent in 2012, 11.63 percent in 2020 and 11.83 percent in 2022. However, India, Pakistan and Sri Lanka maintained a ratio of 16 percent, 16.6 percent and 15.3 percent, respectively, in 2022. Among these countries, Bangladesh had the lowest capital.

Bank category-wise data indicated an outstanding improvement in the CAR of foreign commercial banks. For example, their CAR was 10.12 percent in 1992 and it reached 26.4 percent in 2022.

Private commercial banks also showed almost the same pattern. Their CAR was just 5 percent in 1992 and it jumped to 13 percent in 2022.

Although state-owned commercial banks failed almost every year to maintain the CAR, they were still improving marginally. Their CAR was 4.29 percent in 1992, 8.1 percent in 2012 and 6.4 percent in 2022.

The CAR of specialised banks stood at 6 percent in 1997 and rose to 9.10 percent in 2004. Since then, the CAR has been in negative territory except for 2009. It was negative 35.8 percent in 2022.

The Basel Committee's capital requirements are directly related to the riskiness of assets: the higher the risky assets, the higher the equity capital. However, banks should have other defences like quality management, portfolio diversification, and deposit insurance against risks at par.

Furthermore, they must disclose the riskiness of assets properly so that capital requirements become proportionate to risks. Misreporting of distressed assets may create serious equity capital risk.

The recent report shows that 11 Bangladeshi banks are suffering from capital shortfall. The number of such banks will undoubtedly increase if the volume of distressed assets reported lately by the central bank is considered.

The author is a professor and former chairman of the Department of Banking and Insurance at the University of Dhaka. He can be reached at mainuddin@du.ac.bd



China's investment in AI may reach \$38.1b in 2027

ANN/CHINA DAILY

China's investment in artificial intelligence is forecast to reach \$38.1 billion (273.9 billion yuan) in 2027, accounting for 9 percent of the world's total, according to a recent report by market consultancy IDC.

The report writes, in recent years, China has continued to lift its capability in artificial industries. In the short term, there is still room for growth for the development of the domestic artificial intelligence market in terms of integrating with different needs of various industries.

In the future, under government support and accelerated industrial upgrade, AI technology will certainly integrate with demands from various industries, and be part of products, services and business modes.

AI hardware will remain the most important destination for market investment over the five-year forecast period, accounting for over 60 percent of investments in the country's AI market.

But the investment proportion will shrink regularly, and the annual investment growth will slow down over the five-year forecast period.

The AI software market is deemed to have greater potential. Investment growth will be number one among the AI technological markets.

The investment in AI software is expected to reach nearly \$10 billion, accounting for about 25 percent of China's total AI market investment, up nearly 6 percentage points of that in 2022.

US growth, a puzzle to policymakers, could pose global risks

REUTERS, Jackson Hole, Wyoming

US economic growth, still racing at a potentially inflationary pace as other key parts of the world slow, could pose global risks if it forces Federal Reserve officials to raise interest rates higher than currently expected.

The Fed's aggressive rate increases last year had the potential to stress the global financial system as the US dollar soared, but the impact was muted by largely synchronised central bank rate hikes and other actions taken by monetary authorities to prevent widespread dollar funding problems for companies and offset the impact of weakening currencies.

Now Brazil, Chile and China have begun cutting interest rates, with others expected to follow, actions that international officials and central bankers at last week's Jackson Hole conference said are largely tuned to an expectation the Fed won't raise its rate more than an additional quarter percentage point.

While US inflation has fallen and policymakers largely agree they are

nearing the end of rate hikes, economic growth has remained unexpectedly strong, something Fed Chair Jerome Powell noted in remarks on Friday could potentially lead progress on inflation to

stall and trigger a central bank response. That sort of policy shock, at a moment of US economic divergence with the rest of the world, could have significant ripple effects.



PHOTO: REUTERS

Fed Chair Jerome Powell, ECB President Christine Lagarde, and Bank of Japan Governor Kazuo Ueda take a break outside at the Kansas City Federal Reserve Bank's annual Economic Policy Symposium in Jackson Hole, US on August 25.

"If we get to a point where there is a need for ... doing more than what's already priced in, at some point markets might start getting nervous ... Then you see a big increase in the risk premia in different asset classes including emerging markets, including the rest of the world," said International Monetary Fund chief economist Pierre-Olivier Gourinchas. "The risk of a financial tightening, a very sharp financial tightening, I think we cannot rule that out."

After the pandemic shock and the inflationary rebound that had most countries raising rates together, it's normal now for policies to diverge, Cleveland Fed President Loretta Mester told Reuters on the sidelines of the Jackson Hole conference on Saturday.

But a lot of rides on the Fed getting it right.

"The economy is a global economy, right? It's an interconnected economy," Mester said. "What we do with our policy - if we can get back to 2 percent in a timely way, in a sustainable way, if we have a strong labor market - that's good for the global economy."

READ MORE ON B2