

## Rules eased for ‘Social Impact Sukuk’

STAR BUSINESS REPORT

Bangladesh Bank yesterday lifted the bar on trading of a Sukuk bond in the secondary market at market prices.

Until now, banks and financial institutions were allowed to trade the bond termed ‘IRIDP-3 Social Impact Sukuk’ at a face value of Tk 5,000 crore.

The central bank said it relaxed the rule regarding trade of the Shariah-based bond at the prices determined by negotiated prices as 30 percent work of the Important Rural Infrastructure Development Project (IRIDP)-3 have been completed.

“We have cleared the way for trading the Sukuk bond at market prices since one of the criteria mentioned in the prospectus has been fulfilled,” said a senior official of the banking regulator.

Bangladesh issued its first sovereign investment sukuk – a Shariah-compliant bond-like instrument used in Islamic finance – in December 2020 in order to attract investment from Shariah-based Islami bank, financial institutions and individuals.

Until now, the government has raised Tk 18,000 crore through issuance of Shariah based Sukuk, similar to a treasury bond but structured to generate returns in compliance with Islamic finance principles.

By the end of last month, the banking watchdog fixed allotment quotas regarding investment in the bond.

It said Shariah-based banks, financial institutions and insurance companies will get 85 percent of the allocation.

Islamic branches and windows of conventional banks will get 10 percent and 5 percent will be allocated for individual investors, provident fund and deposit insurance schemes.

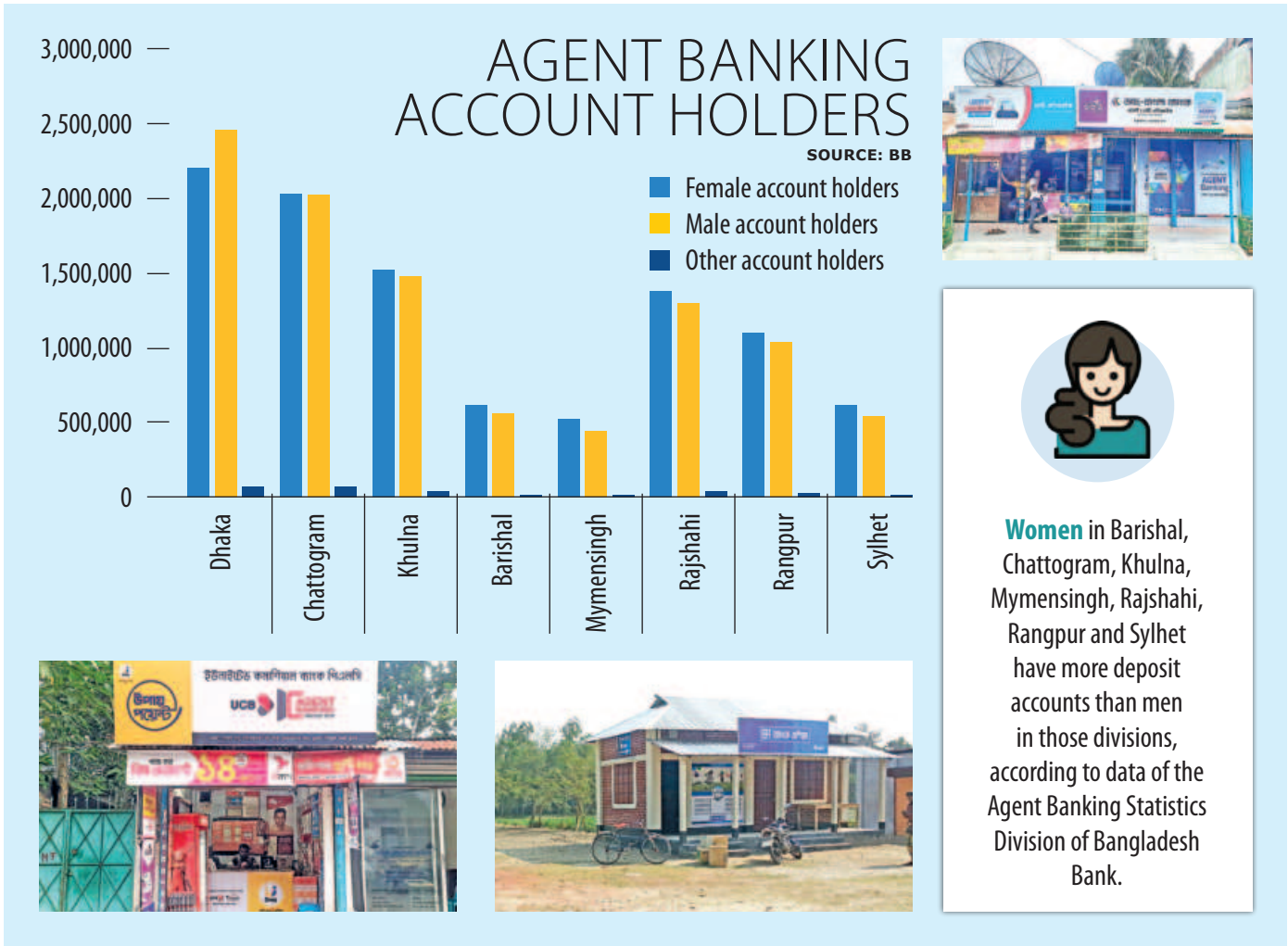
## Russia raises key rate

AFP, Moscow

Russia’s central bank raised its key interest rate for the third time in two months on Friday as it grapples with higher inflation and a weaker rouble.

Inflation in Russia accelerated over the summer and has remained stubbornly high, with the central bank failing to meet its target of four percent.

The central bank said its board of directors decided to increase the key rate from 12 percent to 13 percent.



# Women’s participation in agent banking rising

Bangladesh Bank data finds

AKANDA MUHAMMAD JAHID

Female participation in financial activities through agent banking is growing as women now have 1.52 percent higher number of deposit accounts compared to men in Bangladesh.

In Dhaka, men hold 52 percent of the deposit accounts while women 46.55 percent, but the scenario is opposite for places outside Dhaka.

Women in Barishal, Chattogram, Khulna, Mymensingh, Rajshahi, Rangpur and Sylhet have more deposit accounts than men in those divisions, according to data of the Agent Banking Statistics Division of Bangladesh Bank.

As of July this year, the number of female deposit accountholders stood at 9,995,969, which is 1.52 percent higher than that of the number of accounts held by men, data from the Bangladesh Bank showed.

Total male and other deposit accounts were 9,846,128 and 302,436, respectively.

In Dhaka, the proportion of male deposit accountholders is 52 percent in Dhaka division, 5.45 percent higher than that of female accountholders.

The capital city has 2,461,993 male

deposit accountholders and 2,204,568 female accountholders.

The central bank data focuses that agent banking is providing financial services to rural and underprivileged people to compensate for the shortage of traditional banking facilities.

Until July, the total number of agents and outlets were 15,574 and 21,399 respectively.

Of the total agents, the number of rural agents was 13,156, which is 5.4 times higher than the 2,418 urban agents.

The number rural outlets were 18,401, which is 6.1 times higher than the number of urban agents, which represents rural areas are quite covered by banking facilities through agent banking, the Bangladesh Bank said.

The Bangladesh Bank data showed that Dhaka division has the maximum number of outlets, which is 5,307 or 25 percent of the total, and Mymensingh has the minimum number of outlets, which is 1,228 or 6 percent of the total.

In bank-wise percentage of agents and outlets, private commercial banks have the maximum number of agents, which is 10,936 or 70 percent of the total agents.

Islamic banks have 3,852 agents, which is 25 percent of the total.

In contrast, the state-owned banks have 786 agents, which is 5 percent of the total.

Similarly, private commercial banks have the largest number of outlets, which is 16,528 or 77 percent of the total number of outlets.

On the other hand, the state-owned banks have 786 outlets or 4 percent of total agents, the BB data showed.

Ziaul Hasan Molla, deputy managing director and head of agent banking at Bank Asia, said his bank introduced agent banking as a pilot project in 2013 with an objective to serve the unbanked population.

This is why, agent banking has spread in the places where there were no formal bank or branch of a bank, he said.

He said majority of the 5,400 agent banking outlets are located in rural areas and 65 percent of its 60 lakh agent bank accountholders are women.

“A main reason behind this scenario is that we distribute the allowances given by the government under the social safety net directly through agent banking accounts,” he added.

## Arbitration in favour of refunding LafargeHolcim

Jalalabad Gas charged Tk 227.5cr in excess

STAR BUSINESS REPORT

An arbitration verdict was passed in favour of LafargeHolcim Bangladesh Limited, enabling it to get refunds for excess charges imposed by state-run Jalalabad Gas Transmission and Distribution System Limited on natural gas consumption.

The multinational cement producer paid Tk 227.5 crore in excess up to June 30, 2023, according to its financial report for the second quarter of the current financial year of 2023-24.

The LafargeHolcim received the information through its counsel on September 15, according to a statement posted on the Dhaka Stock Exchange website yesterday.

In February 2021, LafargeHolcim Bangladesh decided to resort to arbitration to settle a dispute over the Jalalabad charging higher than the price previously agreed upon.

The sales deal came into effect in 2003 for the cement company’s plant located at Chhatak in Sunamganj.

During the arbitration proceedings, the LafargeHolcim argued that their gas sales agreement has a ceiling price, the maximum rate that the state-run gas company could charge.

The Jalalabad argued that the price fixed by the government or Bangladesh Energy Regulatory Commission (BERC) shall be applicable irrespective of provisions of the ceiling.

The arbitration tribunal declared that the ceiling was a valid and enforceable provision.

Under the contract, the natural gas was priced at about Tk 7.80 per cubic metre. But the BERC set gas prices for industrial consumers at Tk 10.70 per cubic metre with effect from 2019.

The tribunal, as per an Appellate Division order of the Supreme Court, ordered the state-run company to refund excess sum paid by the LafargeHolcim.

Shares of the LafargeHolcim rose 1.46 percent to Tk 69.70 at the DSE yesterday.

## PIA struggling to pay bills

AFP, Lahore

Pakistan’s national flag carrier admitted Friday it was struggling to pay bills and wages after local media reports said the fleet may be grounded within days.

Abdullah Hafeez, spokesman for government-owned Pakistan International Airlines (PIA), said the company was seeking urgent financial help from the treasury, but had secured funds “for the time being”.

“But we do struggle due to balance sheet challenges,” he said.

“That is why PIA is seeking balance sheet restructuring support from the owners.”

Decades of mismanagement and instability have hobbled Pakistan’s economy, and this year Islamabad was forced into a deal with the International Monetary Fund (IMF) to avert default.

## Ahead in numbers, not in service, reach

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embezzlements, and manipulation driven by political influence and a lack of good governance, according to analysts.

Since the number of banks, non-bank financial institutions (NBFIs), insurers, brokerage firms and merchant banks is high compared to the needs of the economy, the business volume is not large for many of them, said AB Mirza Azizul Islam, a former finance adviser to the caretaker government.

“As a result, the firms can’t achieve the economies of scale, which force them to charge higher fees.”

The economist argues when the number of firms in a segment rises, companies can’t hire an adequate number of efficient officials.

“Thus, monitoring remains lax and corporate governance is not followed properly.”

The former chairman of the Bangladesh Securities and Exchange Commission thinks such a large number of financial firms is not necessary for an economy like Bangladesh. Still, licences were granted owing to an unholy nexus between businessmen and politicians.

Md Main Uddin, a professor of the Department of Banking and Insurance department at Dhaka University, echoed Islam.

“The service quality is still low whether it is a bank, non-bank or insurance company.”

Owing to worsening corporate governance, Bangladesh’s banking sector had the second-highest ratio of non-performing loan (NPL) among the countries in South Asia in 2022 at 9.4 percent.

India had an NPL ratio of 5 percent, Nepal 2 percent, Pakistan 8 percent and Sri Lanka 11, said the World Bank in a report in May.

Besides, Nigeria’s NPL stood at 4 percent, Vietnam’s 1.6 percent and Thailand’s 2.8 percent, according to the website of the development lender.

Despite having a large number of banks, their presence in the rural areas and among the marginalised groups is not satisfactory, while the

contribution of brokerage firms and merchant banks to the stock market is lower compared to the comparators.

“The penetration of the insurance sector is significantly low,” Prof Main said.

In Bangladesh, the insurance penetration was 0.46 percent in 2022, against 4.2 percent in India, 3.57 percent in Nepal, 3.38 percent in Vietnam, 0.91 percent in Pakistan,

2021-22 from 18.39 percent a year ago. It went up to 19.14 percent in 2022-23, buoyed by the listing of government securities.

The ratio is 103 percent in India, 63 percent in Nepal, 90 percent in Vietnam, 10 percent in Pakistan, 16 percent in Sri Lanka, 108 percent in Thailand, and 14 percent in Nigeria, media reports showed.

Prof Main said the stock market and the insurance sector are suffering

a bad impression about the industry.”

Four insurance companies had a claim settlement ratio of less than 40 percent in 2022. Of them, Baira Life Insurance’s settlement ratio stood at 1.83 percent, the lowest among the insurers, data from the Insurance Development and Regulatory Authority showed.

Another issue is, according to Prof Main, when the number of firms in a sector rises to the higher-than-expected level, unhealthy competition surfaces.

“Now, firms are engaged in poaching customers from competitors instead of creating new ones. Such a practice can’t make the business sustainable.”

“Had licences been available for all instead of providing permissions under political consideration, the situation would not have been much dire.”

“Most insurance companies are not having good business owing to fierce competition. So, they are unable to provide good service to customers,” said SM Ibrahim Hossain, director of the Bangladesh Insurance Academy.

Mirza Aziz and Prof Main both recommended merger and acquisition in all areas of the financial sector to ensure sustainable businesses and proper services.

## Eskayef’s

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African Health Products Regulatory Authority.

Eskayef’s commitment to quality has driven to venture through a relentless journey of conquering all the major stringent approvals of the world, the company said in a press release.

Eskayef is one of the companies of Transcom Group founded by late Latifur Rahman, a towering symbol of ethical business in Bangladesh.

It has been producing medicines for 34 years and currently exports products to many countries.

## Negotiate with EU

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percent of total EU imports and exceeded the product graduation threshold, which is 37 percent for textiles.

Bangladesh’s textile threshold has already crossed 55 percent under the GSP scheme.

Given that context, Razzaque said that Bangladesh should negotiate with the EU to ease this article so the country could continue to enjoy duty benefits from the EU even after Least Developed Country (LDC) graduation.

Bangladesh can earn an additional \$23 billion through exports to the EU if products could be diversified, Razzaque added.

Last year, Bangladesh exported goods worth more than \$25 billion to the EU, of which more than 92 percent were garment items.

Vietnam exported 5,140 kinds of products to the EU and Malaysia exported 4,740 varieties of goods compared to Bangladesh’s exports of 2,600 varieties of goods.

Of the total imports of cotton-made garment items in the EU in a year, 35 percent is supplied by Bangladesh.

“Bangladesh is the king in supplying cotton-made garment items to the EU. But excessive dependence on cotton-made garment products to the EU could be a cause for concern. It’s time to move into non-cotton items,”

## Data pack limits

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the BTRC, said while the majority of customers opt for 3-day validity packages, fraudulence has been observed centring this package.

This involves enticing customers with offers of more data at a lower cost over a short period of time, which often results in customers being unable to fully utilise the higher data allowance within the three-day period, he said.

This situation leads to intense customer dissatisfaction, as they end up losing unused data purchased with their own money, he added.

The BTRC is working in accordance with the responsibilities delineated

Razzaque added.

On July 4 2023, the European Commission announced through an explanatory memorandum that it was proposing to extend the validity of the current GSP Regulations for an additional four years or until December 31, 2027.

If Bangladesh can enjoy duty-free facilities to the EU for an additional seven years, the country can also grab more market share of non-cotton businesses, he said.

Razzaque also blamed protectionism in the domestic market for the slow diversification of exports, saying manufacturers preferred the local market to the international market.

At the event, State Minister for Planning Shamsul Alam said that people were under pressure due to high inflation.

“High import tariffs are also responsible for high prices of commodities. Inflation also increased in August this year. If the supply of commodities is restored, inflation may decline,” he said.

Shadhan Kumar Das, programme adviser to the FES Bangladesh, M Abu Eusuf, executive director of RAPID, and ERF President Mohammad Refayet Ullah Mirdha also spoke. Assistant General Secretary to the ERF Mizanur Rahman moderated the event.

under the telecommunication act and it takes into account interests of both operators and customers, said Shyam Sunder Sikder, chairman of the BTRC.

The BTRC’s own analysis reveals that customers prefer three-day data packages, said Mohammad Zulfikar, secretary general at the Association of Mobile Telecom Operators of Bangladesh.

Discontinuing these packages will not only curtail the operators’ business opportunities but also significantly restrict customers’ choices, he said, urging the commission to reconsider and revise the directive.