

star

BUSINESS

The Department of Shipping called a meeting for lighter vessel owners to sit and fix a rift

Story on B3



WEEKLY
INTERVIEW



Syed Mahbubur Rahman

Bancassurance to make banks more responsible

MD MEHEDI HASAN

Bancassurance will help banks improve their profitability and boost liquidity, in addition to making them more responsible towards clients, said Syed Mahbubur Rahman, managing director and CEO of Mutual Trust Bank PLC.

"The insurance sector will be revived through bancassurance. As claims settlement is very important, insurance companies will have to work to increase it," he said in an interview with The Daily Star yesterday.

Bancassurance is an arrangement between a bank and an insurer, allowing the former to sell the products of the latter through its network.

Bangladesh Bank recently permitted the practice and introduced an associated guideline.

Stating the advantages of banks, Rahman, also the former chairman of the Association of Bankers Bangladesh (ABB), said banks selling insurance products would be able to generate an additional cash flow for themselves, boosting liquidity.

He also said it would improve their non-interest fee income and enhance relationships with customers.

"Bancassurance will increase the banks' responsibility as they

READ MORE ON B3

Growing inequality lays bare broader economic divide: CPD

CPD's assessment on Bangladesh's economy
Fiscal Year: 2023-24

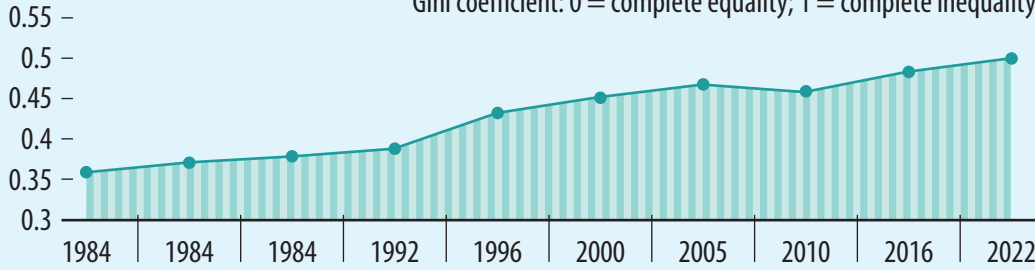
KEY CHALLENGES

- Fall in purchasing power of low income people for high inflation
- Slow pace of revenue collection
- High amount of bad loans
- Deteriorating external sector balance
- Depleting foreign exchange reserves

Trend in Income Inequality

(as reflected by Gini)

Gini coefficient: 0 = complete equality; 1 = complete inequality



Asset of the high-income people in Bangladesh was 30 times higher than that of lower income people in 2010. It has soared to 80 times. It shows the level of disparity in society and it is obviously opposite to the notion of inclusive development.



Mustafizur Rahman
CPD Distinguished Fellow

Observations

- Further scope for depreciation of taka by about 7%
- Public institutions have been captured by oligarchs
- Banking sector's fragility presents significant risks to the overall economy
- Crony capitalists use banks as vehicles for reaching their goal of financial oligarchy

STAR BUSINESS REPORT

The income inequality between the rich and the poor has surged to a level that the country is witnessing two economic systems, which go against the spirit of the Liberation War, said the Centre for Policy Dialogue (CPD).

Prof Mustafizur Rahman, a distinguished fellow of the think-tank, said the assets of the high-income people of Bangladesh were 30 times the lower income group in the Household Income and Expenditure Survey of 2010. "Now, it has soared to 80 times. It shows the level of disparity in society and it is obviously opposite to the notion of inclusive development."

He spoke during a media briefing organised to share the think-tank's observation on the state of Bangladesh's economy in the fiscal year of 2023-24 at its office in the capital.

Gini co-efficient, another tool to measure disparity in a society, is also on the rise, Prof Rahman said referring to the data of the Bangladesh Bureau of Statistics.

The Gini coefficient related to income rose to 0.499 in 2022,

up from 0.482 in 2016 and 0.458 in 2010. Generally, a country is considered to have a high-income inequality if the Gini coefficient is 0.500 and above.

"The disparity undermines the spirit of the Liberation War," said Prof Rahman.

He suggested using the fiscal

Khondaker Golam Moazzem, research director of the CPD, echoed Rahman, saying the economic sector needs reforms to reduce inequality.

"But we don't see any hope for reforms after the election because the type of participatory and competitive polls that can

employment, and labour and employment ministries, the Bangladesh Export Processing Zones Authority, and the industrial police.

Fahmida Khatun, executive director of the CPD, thinks establishing good governance through reform measures will not be an easy task as the vested interest groups are strong and public institutions have been captured by the oligarchs.

During her presentation, Fahmida identified five areas where the government should give a major focus: public finance, inflation, the banking sector, the external sector and debt sustainability, and labour rights.

The CPD says annual development programme (ADP) utilisation remains sluggish perhaps due to the government's cost-cutting efforts.

It recommended prioritising the unfinished agenda and reducing expenditure in the short-term, recognising the frontier issues of taxation such as meaningfully taxing property, wealth and the expanding digital economy, curbing illicit financial outflows, and emphasising

READ MORE ON B3

Govt employees' pay hike temporarily fuelled poverty

Researcher says at BIDS conference

STAR BUSINESS REPORT

The government's decision to raise salaries of all public sector workers by 100 percent in 2015 had inadvertently pushed many least skilled private sector workers below the poverty line temporarily, said a study.

This situation occurred as least skilled workers in the private sector could not cope with the new situation that was created in the labour market.

"The 10 percent upward shift in the poverty line led to a significant proportional increase in the poverty rate among private sector workers, representing an approximately 40 percent rise in the poverty rate due to this alteration in the poverty threshold," the study said.

"If the government's intervention in the labour market raises the public sector workers' wage, it directly increases the public-private wage differentials," Md Al-Hasan, research analyst of the International Food Policy Research Institute (IFPRI), added.

READ MORE ON B3

Solar irrigation promises to cut diesel use by 10 lakh tonnes a year

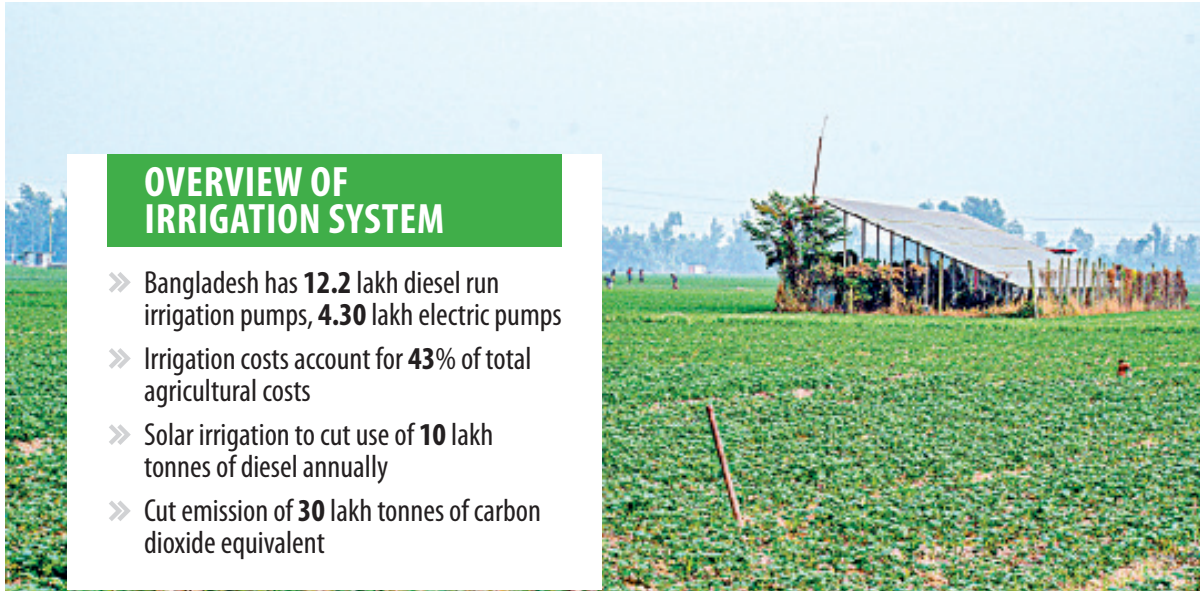
AKANDA MUHAMMAD JAHIID

Introducing solar irrigation pump (SIP) systems will gradually enable Bangladesh to cut consumption of diesel fuel by 10 lakh tonnes annually, according to a proposed road map by the Asian Development Bank (ADB).

SIPs will also help reduce emissions of 30 lakh tonnes of carbon dioxide equivalent per year, the ADB said in its proposed road map released in December, titled "Road Map To Scale Up Solar Irrigation Pumps In Bangladesh (2023-2031)".

Around 12.2 lakh diesel pumps and more than 4.3 lakh electric pumps are used for irrigation in the nation, which accounts for 43 percent of total agricultural costs in Bangladesh, according to the ADB.

Replacing diesel pumps with modern and efficient SIP systems will enable a transition to clean energy and reduce dependency on imported diesel.



OVERVIEW OF IRRIGATION SYSTEM

- Bangladesh has 12.2 lakh diesel run irrigation pumps, 4.30 lakh electric pumps
- Irrigation costs account for 43% of total agricultural costs
- Solar irrigation to cut use of 10 lakh tonnes of diesel annually
- Cut emission of 30 lakh tonnes of carbon dioxide equivalent

According to the road map, installing up to 45,000 SIP systems with pump ratings from 4 kilowatts (kW) to 25 kW will add up to 1,000-megawatt peak (MWp)

of solar capacity to the country, irrigating up to 4 lakh hectares of land and serving more than 13 lakh farmers.

The suggested breakdown per

SIP system is 15,000 solar low-lift pumps for surface water irrigation, 2,000 solar deep tube wells, and 28,000 shallow tube wells for groundwater irrigation.

PHOTO: MOSTAFA SHABUI

This will provide 480 gigawatt-hours (GWh) of electricity to the grid per year, almost one percent of total electricity generated now.

According to studies conducted by the Power Division of the Ministry of Power, Energy and Mineral Resources in 2021, factors such as load flow, voltage stability, frequency response, and angular stability for 10 percent and 25 percent integration of variable renewable energy (VRE), such as solar and wind energy, do not negatively affect the grid.

The road map proposes the integration of much lower shares of VRE, so it does not represent any significant risk to the stability of the grid, the ADB said.

The proposed SIP target is significantly more ambitious than interventions foreseen in the agriculture sector by Bangladesh's Nationally Determined Contribution.

And it may require support from the ADB, World Bank, and other

READ MORE ON B3

Prime Bank

QR PAYMENTS MADE EASY
WITH MyPrime



Scan to experience
Prime Bank world in AR