

# Gold price hits Tk 1.10 lakh per bhori

STAR BUSINESS REPORT

Gold prices hit a new record as the Bangladesh Jewellers' Association (Bajus) decided to sell each bhori (11.664 grammes) of the precious metal at over Tk 1.10 lakh from today.

The standing committee on pricing and price monitoring of Bajus took the decision in a meeting yesterday due to a rise in pure gold prices, the association said in a statement.

The previous price of each bhori of 22-carat gold ornaments was Tk 1.09 lakh.

Badal Chandra Roy, general secretary of Bajus, said prices were increasing due to demand-supply gap. The rising US dollar price is another factor behind the hike.

In July, the price of gold crossed the Tk 100,000 mark for the first time in Bangladesh.

Gold prices hit a new milestone



**The previous price of each bhori of 22-carat gold ornaments was Tk 1.09 lakh**

on November 29, when Bajus set the price per bhori at more than Tk 1.09 lakh.

Although Bangladesh does not import a significant quantity of gold, the prices are almost always linked with international fluctuations alongside volatility in the domestic market.

With an annual demand of 20 to 40 tonnes, 80 percent of the country's demand for gold is met through smuggling.

In August last year, the Bangladesh Bank made it mandatory to keep a 100 percent margin on letters of credit for gold with a view to discouraging imports and saving foreign currency.

The country's foreign currency reserve has declined by about 25 percent in the past 18 months.



**Lighter vessels are used to unload a major portion of imported goods, including industrial raw materials, foodgrain and fertiliser, from mother vessels which have to lessen their load at the outer anchorage to meet the draught limit for entering the Chattogram port. Having carrying capacities of 1,000 to 2,000 tonnes, these lighter vessels then transport the goods to different destinations around the country over inland waterways. The photo was taken at Patenga last week.**

PHOTO: RAJIB RAIHAN

## FEEDER VESSEL CHARTER DISPUTE

# Shipping dept calls owners to sit for solution today

DWAIPAYAN BARUA, Ctg

The Department of Shipping (DoS) has called a meeting at its Dhaka office today in the afternoon for lighter vessel owners to sit and fix a rift in a platform which coordinates the renting out of the vessels in rotation.

Water Transport Cell (WTC) is the "only recognised and legal organisation" for the chartering, said DoS Director General (DG) Commodore Mohammad Maksud Alam in a notification on Thursday.

Any move to bypass the WTC will create disorder and anarchy in goods transportation over waterways, he said, warning of stern action if the disputes were not resolved through discussions.

The meeting was called through a notice on Friday.

Last Tuesday, one of three of the vessel owners' platforms whose representatives make up the WTC broke away and started renting out vessels under their management through their own arrangements.

The three platforms are Bangladesh Cargo Vessel Owners' Association (BCVOA), Coastal Ship Owners Association

of Bangladesh (COAB) and Inland Vessel Owner's Association of Chattogram (IVOAC).

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Having carrying capacities of 1,000 to 2,000 tonnes, these lighter vessels then transport the goods to different destinations around the country over inland waterways.

Last year, they carried over 6.5 lakh tonnes of such cargo.

The IVOAC members are being deprived of their turns at renting out their vessels by the BCVOA members, alleged IVOAC President Haji Shafiq Ahmed.

The BCVOA representatives at the WTC are acting in a biased manner by favouring others, alleged IVOAC Spokesperson Parvez Ahmed, claiming that the IVOAC members had around 250 vessels under their management.

Regarding the shipping department notification, he said the director general "cannot pass such directives" in trade under an open market economy.

Refuting the IVOAC's allegations, BCVOA Convenor Nurul Hoque said a number of cargo agents, who also own 70 to 80 vessels, have over Tk 650 crore in arrears over vessels they chartered on behalf of goods importers.

The IVOAC broke away to dodge their dues, he added.

Parvez Ahmed of the IVOAC denied the allegation, saying that making payments in phases was a longstanding and continuous practice in the trade.

## Growing inequality

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digitalisation of the entire revenue system.

### Inflation

A major problem the economy has been facing lately is that prices for basic things are going up and the ongoing price increase has been influenced by domestic factors, including market distortion caused by a small number of dominant businesses and inadequate monitoring mechanisms, said the CPD.

The price of essentials such as rice, sugar and oil rose from 9 to 400 percent between 2019 and 2023.

This has made it harder for the lower income families to make ends meet since salaries and wages are not rising at that pace, said Fahmida Khatun.

The think tank suggested strengthening the role of the Bangladesh Competition Commission, particularly in the case of the essential consumer goods market.

The commission should adopt a strong stance against cartels and a zero-tolerance policy towards collusive practices. The Minimum Wage Board should consider increasing the minimum wages in all industries so that workers can at least afford basic foods."

It said the distribution of essential commodities sold through the open market system must be managed effectively and without corruption.

### Banking sector

Bangladesh's banking sector has consistently demonstrated

vulnerability, primarily because of a lack of good governance and a dearth of reforms.

Its weaknesses have been consistently exposed through the higher loan default rates and sub-par performance across various indicators.

"Without reducing NPLs, the capital adequacy can't be improved since an elevated level of bad loans leads to increased provisioning requirements, resulting in capital shortfall," said Fahmida.

A goal-specific, time-bound, unbiased and independent citizen's commission on banking should be set up to bring transparency, identify the root causes of the manifest problems, and suggest credible measures for improving the situation sustainably."

### Continuing vulnerabilities in external sector

The balance of payments scenario continued to face serious difficulties in July-October of FY24. The improvement in the current account was driven primarily by a sharp decline in imports.

The CPD said falling imports will have adverse consequences for key macroeconomic performance indicators and the growth of trading and associated preferences.

Now, a coordinated and immediate approach is required to minimise the possibilities of trade penalties, Fahmida said.

She called for ensuring a fair trial for the garment workers detained during the recent wage protest, withdrawing any false cases filed against them.

### Debt problem

Prof Rahman said the debt of

Bangladesh is still not at a concerning level if compared to GDP.

"However, concern is growing as foreign exchange reserves are falling and the share of non-concessional loans is rising. The interest rate of foreign loans is also going up."

He said the ADP is fully loan-based, both local and foreign, which is uncommon in the world. "It is raising the loan burden for the country."

Prof Rahman said some countries couldn't upgrade themselves from the lower-middle-income country due to huge debt.

"This is called the middle-income trap or the debt trap. We are now heading towards the situation."

Prof Rahman urged the government not to take up loan-based mega projects in the short term.

"Moreover, the government should work to enhance the internal rate of return and the economic rate of return of the existing projects."

The CPD said the labour rights of Bangladesh has regained fresh attention as major trading partners such as the US and the EU continue to incorporate labour rights compliance as a key conditionality for trading and associated preferences.

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### Banking sector

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penetration rate which stands below one percent now," he said.

The former ABB chairman suggested preparing a training curriculum for bank personnel on insurance products so that persons involved in selling insurance have a good understanding of the products.

Bancassurance is new in Bangladesh,

but it appears to have begun in France in the 1970s, according to investopedia.com. Since then, it has been embraced by most countries, particularly those in the Asia-Pacific region.

"With insurance added to the mix, bancassurance will diversify customers' portfolio, increasing the insurance

Currently, there are 35 life insurance and 46 non-life insurance companies in Bangladesh. The central bank on December 20 issued the bancassurance guidelines, saying that banks which maintain a net non-performing loan ratio of less than 5 percent would get approval for bancassurance.

The banks will also have to show positive net profits for three consecutive years to be considered eligible while their capital to risk-weighted asset ratio with capital conservation buffer cannot be less than 12.5 percent.

**Proper incentives, honest monitoring to cut bribery, extortion**

**Say economists at BIDS conference**

STAR BUSINESS REPORT

A proper design of incentives and honest monitoring through the adoption of technologies will effectively reduce bribery and extortion in the public sector, said experts yesterday.

"Incentives will encourage responsible persons to implement tasks properly. And the reduction of extortion and bribery will depend on how to design the incentives in implementing projects," said Fahad Khalil, a professor of economics at the University of Washington.

He made the comments while making a presentation at a session on "Corruption and Incentives" at the Dhaka Winter Conference in Economics 2023, organised by the Bangladesh Institute of Development Studies (BIDS) at its conference room.

"If monitoring is accurate, it will be useful in reducing bribery," Prof Khalil said.

He suggested increasing incentives for better monitoring output.

He said encouraging honesty is often seen as fundamental in the fight against corruption. At the same time, rooting out bribery and corruption is often too costly.

However, he said, honest agents don't require incentives to behave correctly.

According to Prof Khalil, corruption can result in the mis-allocation of talents and society loses contributions from those who can't easily resort to corruption.

The economist called for a "big push" on many fronts to fight corruption rather than sporadic small scale efforts.

Both Mahbub Ullah, a former professor at the University of Dhaka, and Kazi Iqbal, a research fellow at the BIDS, stressed the need for incentives for better output and reduced corruption, particularly in taxation.

Prof Ullah said: "Incentives should be encouraged instead of corruption."

Binayak Sen, director-general of the BIDS, AK Enamul Haque, a professor of economics at East West University, and Atonu Rabbani, professor of economics at the DU, spoke during the session.

## Key US inflation gauge cools

AFP, Washington

A measure of inflation favored by the US Federal Reserve weakened in November on lower energy prices, government data showed Friday, providing further reassurance to policymakers keen to rein in price increases.

The personal consumption expenditures (PCE) price index rose 2.6 percent from a year ago in November, markedly below October's 2.9 percent figure, the Department of Commerce said.

Compared with a month prior, the index decreased 0.1 percent - the first drop since early 2020 - on the back of a slump in energy prices and lower food costs. "Today marks a significant milestone, with inflation over the last six months at the pre-pandemic level of two percent," US President Joe Biden said in a statement.

## Govt employees'

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The study found that while the most skilled private sector workers could adjust their wages according to the new market conditions, least skilled workers could not do the same. Consequently, they became poorer even within their own group.

If the least skilled private sector workers' wage and spending remain unchanged, the general price level rise -- as a result of increments for other workers leading to a rise in the price of commodities -- could lead to new poverty cases among them.

Al-Hasan yesterday presented a paper titled "Intervention in Labor Market and Inequality Creation: A Natural Experiment" at a conference in Dhaka. The event was jointly organised by the Bangladesh Economics Research Network, Association for Economic and Development Studies on Bangladesh, and Bangladesh Institute of Development Studies (BIDS).

The paper was co-authored by researcher Mehrab Bakhtiar of IFPRI, Prof Syed Abul Basher, and Prof Salim Rashid of East West University.

Al-Hasan said they wanted to analyse the results of government intervention and whether it had unintentionally pushed people into poverty.

However, he said that the results of the study were still in the early stages.

The study highlighted that between 2010 and 2016, private sector wages increased by approximately 90 percent for least skilled workers and 140 percent for most skilled workers.

However, wage growth for moderately skilled workers was around 45 percent.

Conversely, wage growth for public sector workers ranged between 130 percent and 155 percent during the same period. In the inaugural session of the research conference, Prof Amin Masud Ali of Jahangirnagar University presented a paper on poverty alleviation and local government fragmentation.

Ali suggested that increasing the number of units in each district could be an effective tool to reduce moderate poverty, but less so for the reduction of extreme poverty, where the scope for increasing fragmentation in order to reduce extreme poverty seems to be restricted to specific contexts.

## Bancassurance to make banks

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will have to be more transparent and alert before signing agreements with the insurance companies because many companies are not good enough to settle claims," said Rahman.

He further mentioned that bancassurance would increase the clients' trust on the insurance sector as banks offer a lot of credibility while the insurance sector suffers for a lack of it.

"With insurance added to the mix, bancassurance will diversify customers' portfolio, increasing the insurance

## Solar irrigation promises

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international agencies to raise the estimated financing of \$800 million in a mix of loans and grants, it said.

The ADB said it has provided \$42.4 million to support the Bangladesh government's efforts to convert existing diesel pumps to solar photovoltaic irrigation pumps, of which \$20.244 million is a grant from the "Scaling Up of Renewable Energy Program".

This programme suggested a structured long term approach.

So, the Sustainable and Renewable Energy Development Authority should coordinate with the Bangladesh Agriculture Development Corporation, Barind Multipurpose Development Authority, and Bangladesh Water Development Board and others to align implementation efforts.

### ADB's observations

Installation of 45,000 solar irrigation pumps will:

- » Replace 2 lakh diesel pumps
- » Enable irrigation of 4 lakh hectares of land
- » Serve more than 13 lakh farmers
- » Generate 480 GWh surplus for national grid
- » Save \$377 million annually

Kenichi Yokoyama