

Gold firms on softer dollar

REUTERS
Gold eked out gains on Wednesday due to a lower dollar, as investors awaited a deluge of economic news in the US this week for more clues on the pace and scale of the Federal Reserve's interest rate cuts.

Spot gold edged up 0.1 percent to \$2,030.01 per ounce by 10:26 GMT. US gold futures rose 0.28 percent to \$2,031.30.

The dollar slipped 0.5 percent against its rivals, after hitting its highest since December 13 on Tuesday, while the Benchmark 10-year Treasury yield also edged lower but remained above 4 percent.

"I think gold holding above that kind of psychological threshold of \$2,000 is a sign of traders' ongoing belief that rate cuts are coming soon and they will be quite aggressive when they do start," said Craig Erlam, senior markets analyst at OANDA.

Investors are now focusing on the US flash PMI survey, which is scheduled at 1445 GMT, fourth-quarter advance GDP estimates on Thursday, and personal consumption expenditure data on Friday.

"I think if the PCE data on Friday is higher I wouldn't be surprised if gold breaks \$2,000 range and if the data is in line or lower, then gold could hold above \$2,000 for a little bit longer," Erlam said.

A strong US economy and pushback from central bank officials is leading some investors to rethink their bets on how quickly the Fed will cut rates this year.

According to the CME's FedWatch Tool, markets expect the US central bank will keep interest rates unchanged at the end of its policy meeting on January 30-31 and have pushed back the timeframe of the first interest rate cut.

Lower interest rates reduce the opportunity cost of holding non-yielding bullion.

Spot silver rose 1.3 percent to \$22.71 per ounce, platinum was up 0.8 percent to \$907.26, and palladium rose 1.6 percent to \$963.31.



A trader of plastic houseware and assorted trinkets is seen braving the cold winter weather while passing along the Bogura-Natore highway in Shahjahanpur upazila of Bogura. Temperatures in the district reached below 10 degrees Celsius in the morning yesterday.

PHOTO: MOSTAFA SHABUJ

Reducing inflation significantly this year will be difficult

Says former BB governor Atiur Rahman

STAR BUSINESS REPORT

It will be difficult to significantly reduce inflation this year as further currency devaluation and rationalisation of subsidies are necessary, said Atiur Rahman, a former governor of Bangladesh Bank, yesterday.

Inflationary pressure had eased in December but remained above 9 percent for the 10th month straight as commodity prices showed no signs of letting up, straining the purchasing power of most consumers.

Regarding the subsequent challenges now facing the economy, Rahman said they are manageable.

"Policymakers have rightly prioritised reducing inflation, with deeper coordination between the monetary and fiscal policies and prudent forex management being crucial to this end," he added.

Rahman made these comments while presenting a paper, styled "Towards a Trillion Dollar Economy of Bangladesh Opportunities and Challenges", at a luncheon meeting.

Various businesspeople, officials of the country's development partners and other

stakeholders participated in the event, which aimed to discuss solutions for improving Bangladesh's business climate.

The meeting was organised by the Foreign Investors' Chamber of Commerce and Industry (FICCI) at the Westin Dhaka.

While Bangladesh is on track to achieve developing country status by 2026, the country is at risk of losing up to 14 percent of its exports for the loss of duty benefits after graduation.

So, Bangladesh must now look for a new set of international support measures, including extended grace periods and lower interest on loans from its development partners, Rahman said.

According to the former central bank governor, bolstering exports and investments with special focus on foreign direct investment (FDI) is pivotal to this end while revenue mobilisation must also be bolstered.

However, the risk of foreign currency depletion remains due to the country's negative trade balance.

Besides, the financial account may face further deficit if reserve outflows continue to

exceed inflows.

FDI inflows need to be bolstered to realise Bangladesh's macroeconomic potentials, particularly to stabilise its trade balance, he added.

Regarding immediate policy challenges, Rahman said stabilising exchange rates, containing inflation, increasing export diversification, bolstering remittance and strengthening financial sector governance are a few ways to address them.

"With even just a modest 5 percent growth rate, Bangladesh's economy will touch the trillion-dollar mark by 2040. It can do so even faster [by 2030] if double-digit growth can be ensured," he added.

Rahman also said Bangladesh's success should be attributed to its multidimensional approach to sustainable development.

FICCI President Zaved Akhtar said the country is currently facing significant economic headwinds.

"But we will not go far by worrying about them, rather we should be concerned about the chances we miss when we don't try," he added.

Nagad Digital

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Nagad, which launched its operation on March 26, 2019, as an MFS provider under a revenue-sharing model with Bangladesh Post Office, has been operating with an interim licence from the BB. At one point, it wanted to run the MFS operations with an NBF1 licence.

It received the go-ahead in May. But in August, Nagad surrendered the NBF1 licence and sought a digital bank licence. It plans to become a full-fledged bank.

Mishuk said there is a bright prospect for digital banks in Bangladesh since a large number of people are still unbanked.

In order to reach customers, it will initially provide services through its 71 service centres and forge partnerships with big banks, especially state-run lenders that have branches in rural and suburban areas. Nagad, which launched its operation on March 26, 2019, as an MFS provider under a revenue-sharing model with Bangladesh Post Office, has been operating with an interim licence from the BB. At one point, it wanted to run the MFS operations with an NBF1 licence.

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Nagad is aware that providing services through such centres will be costlier than via apps. On the other hand, apps will encourage people to avail services digitally instead of visiting branches.

Mishuk said there are challenges in expanding digital banks. One of them is the low penetration of smartphones.

Bangladesh plans more licences

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"This gap will provide the opportunity to digital banks like Nagad to reach millions of unbanked people," Mishuk said, adding that informal transactions account for 52 percent of the economy.

With digital banks, Bangladesh is set to jump on the global bandwagon of digital banking.

Globally, the digital bank market is growing rapidly.

According to a 2021 analysis of mobile bank N26 and information technology firm Accenture, millions of customers have switched to digital banking for its ease and convenience—a trend accelerated by the Covid-19 pandemic.

One in four customers is already using a digital-only bank. Across the 28 countries surveyed, the number of consumers with a digital bank account represented 23 percent of the population—an estimated 450 million customers.

Globally, digital banks offer a wide range of financial products and services, including savings and checking accounts, credit cards, personal loans, and investment products. They offer a more convenient, accessible, and user-friendly banking experience by leveraging technology such as mobile apps and artificial intelligence.

The projected net interest income worldwide in the digital banks market is set to reach \$822 billion in 2024, according to statista.com, a global data and business intelligence platform.

The income will post an annual growth rate of 10.34 percent between 2024 and 2028, leading to a market volume of \$1.22 trillion by 2028.

Worldwide, digital banks are making impressive gains because of the low-cost structure compared to traditional banks since the former don't have brick-and-mortar branches, keeping expenses lower and allowing them to charge reduced rates services and products.

Another benefit is digital banks can provide financial services round the clock and quickly and in line with the lifestyle of the tech-savvy new generation, which does not want to

visit bank branches.

For example, Gen Z (born between 1997 and 2012) is far less likely to have a traditional bank account than Millennials (25-39 years old) or Baby Boomers (born between 1955 and 1964), according to MX, one of the fastest growing fintech innovators.

Industry insiders say that in Bangladesh, clients, especially the new generation, want to avoid visiting bank branches physically and this tendency has increased due to the pandemic.

Shah Md Ahsan Habib, professor of the Bangladesh Institute of Bank Management, said digital bank is a part of digitalisation in the financial sector and this started since the inception of MFS in the country more than a decade ago.

"There is a need for digital banks now because MFS providers can't lend and accept deposits."

He says there is a huge potential for digital banking in Bangladesh.

AKM Fahim Mashroor, a former president of the Bangladesh Association of Software and Information Services (BASIS), said if digital banks gain traction, small and medium entrepreneurs will be able to access loans at a lower interest rate than the 20 to 26 percent interest rate charged by microfinance institutions.

Arlan Ali, who pioneered agent banking while working as managing director of Bank Asia, said the future of digital banking is bright because the new generation is interested in availing financial services digitally.

"However, it will take time for digital banks to become profitable. There is also a need for huge investment in technology."

Challenges for digital banks
The N26-Accenture analysis says digital banking is taking off, and will only become more prevalent in the years to come.

"Obstacles remain, including earning trust and overcoming unfamiliarity with digital offerings. And yet the drivers—simplicity, convenience, value, and safety—have seen conversions grow sharply."

Fahim Mashroor said the penetration of internet and smart phones is still low in Bangladesh.

BIBM's Habib said ensuring cybersecurity, developing IT infrastructure and increasing digital literacy are key to successful digital bank ventures.

A low level of digital literacy is posing another challenge, he said.

"A growing number of people use mobile phones but most of them are not digitally literate."

At a meeting in June, the BASIS said the country needs to make key preparations such as personal identity authentication, real-time interoperable payments, and a comprehensive credit bureau with data of all lending institutions for the successful implementation of digital banks.

"This is an untested arena for Bangladesh, and it remains to be seen what products and services the digital banks will come up with that are not covered by existing banks," said Zahid Hussain, an economist.

Crawling peg

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period of 2024 declared last week, the BB said it would introduce the crawling peg system as part of the plan to move towards a market-based exchange rate regime in future.

The crawling peg is a system of exchange rate adjustments in which a currency with a fixed exchange rate is allowed to fluctuate within a band of rates.

Currently, only three countries — Botswana, Honduras, and Nicaragua — use a crawling peg, according to the International Monetary Fund.

The BB said the crawling peg system will be tethered to a carefully chosen basket of currencies within a defined band corridor.

A competitive and representative equilibrium rate will be established at the midpoint of the corridor, allowing the exchange rate flexibility within these bounds, it added.

Hussain, also managing director and chief executive of BRAC Bank Ltd, said Bangladesh's taka has become more expensive in the face of rising interest rate resulting from monetary tightening by the BB.

LTU honours 54 firms as highest taxpayers of FY23

STAR BUSINESS REPORT

The Large Taxpayer Unit (LTU) of the National Board of Revenue (NBR) yesterday honoured 54 companies for paying the highest amount of taxes in the fiscal year (FY) 2022-23.

The companies include 27 firms which were honoured with tax cards for paying highest taxes nationally in FY23. These firms are listed as taxpayers under the LTU, a field office of the NBR.

Syed Mohammad Abu Daud, member of tax admin and human resource management of the NBR, presented the awards to the recipients at an event at the LTU office.

The LTU collected Tk 25,858 crore as direct tax in FY23.

The companies that were honoured yesterday provided majority of the tax, according to the LTU, which collects taxes from 453 big firms and 860 high income individuals.

The field office collects over a fifth of total direct tax collected by the NBR.

Iqbal Bahar, commissioner of the LTU, said tax collection by the LTU is gradually increasing.

In the fiscal year 2003-05, the LTU logged Tk 1,475 crore.

"Our collection grew 17.53 times since then," said Bahar.

He said direct tax accounts for 34 percent of total tax collected by the NBR annually and the share of direct tax should rise further to help reduce inequality.

"There is no alternative to increasing our direct tax or income tax," he said, adding that share of direct tax to total tax needs to be increased to 60 percent.

In FY24, the LTU has set its target to collect Tk 35,000 crore, an increase of 20 percent from Tk 29,000 crore in the previous year.

Among others, Mohammed Younus, chairman of Shahjalal Islami Bank PLC, Mohammad Shah Alam Sarwar, managing director of IFIC Bank PLC, Md Arif Uddin, chief risk officer of Grameenphone Ltd, Md Kazim Uddin, chief executive officer of National Life Insurance Company Ltd, spoke at the event.

STOCKS	
DSEX ▼	CASPI ▼
0.79%	1.91%
6,226.65	17,811.31

COMMODITIES	
Gold ▲	Oil ▲
\$2,031.37	\$74.81
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.98%	▼ 0.80%	▲ 0.58%	▲ 1.80%
71,060.31	36,226.48	3,153.33	2,820.77

Digital banks aim

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Karim, a co-founder of the Bangladesh Association of Software and Information Services (BASIS) and a two-time president of the trade body, said reaching out to people in remote, rural areas is not that difficult.

As all MFS providers have done in recent years, all digital banks will reach out to them through social media and traditional communication mediums like television, radio, and print media.

"The difficult part is getting them to feel comfortable to come to the platform online and open an account or apply for a loan."

Trust is absolutely crucial, he said. "Since everything is done digitally, cybersecurity is paramount. Everything we do has to pass the test of cybersecurity first."

Not only financial transaction data, but also personal information must remain safe, secure, and confidential.

"Not only that, we have to comply with the digital security laws, the ICT Act, and the financial and banking laws."

He says when the server is down, customers sometimes have to wait for hours when they go to a bank to cash a check.

"You are not going to face that with our platform. This is what is known as a continuous availability system. No matter what happens, the system will always be available."

"I can ensure that we are coming up with a platform in such a way that it will never stop working even for a second even if we have to carry out some maintenance and upgradation. That's another technology we're going to provide — something that is not available in Bangladesh yet."

Karim was the convener of the Working Group of the National ICT Policy Review Committee that authored Bangladesh's ICT Policy 2009. He is also the coordinator of the Blockchain Olympiad Bangladesh.

He said despite the spread of the MFS industry, more than 90 percent of all transactions are cash-in and cash-out.

"But that is not the model we are offering to people. We want to make it

easy for people to transact and try day-to-day transactions of any kind. We are going to make it so easy for them that they are going to say why on Earth we ever used cash."

Digital banks are not allowed to have agents, own ATMs, or physical contact points. It can have call centres, however.

As a result, it may seem very difficult for people to get on board and put in money, according to Karim.

"For us, it's the other way around. The reason the central bank has disallowed all these things for us is because we are allowed to use every single channel. We are allowed to use all MFS points, agent points, bank branches, ATMs, cards, debit cards, credit cards, prepaid cards, and other digital wallets."

BGMEA election

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board was extended for one year in two phases, citing the critical period the garment sector has been facing because of the severe fallout of the Covid-19 pandemic, the Russia-Ukraine war, the dollar crisis and other internal problems.

The extension in the last six months was made, saying many lawmakers, who are also garment manufacturers and exporters, would not be interested in the BGMEA election before the national polls. The parliamentary elections took place on January 7.

JMI, Apollo partner

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JMI Group Chairman Md Javed Iqbal Pathan and CEO Tameed Alam also spoke at the signing ceremony.

Sales of JMI Hospital rose to Tk 185 crore in fiscal 2022-23 while it was Tk 180 crore the previous year.

However, the company's profit fell 7 percent year-on-year to Tk 30 crore, as per its financial reports. JMI Hospital's retained earnings added with its reserves and surplus amounts to about Tk 156 crore at present, the data showed. The company was listed with the country's stock exchanges in 2022.