

Star BUSINESS

The number of handlooms and artisans is rapidly decreasing and many fear that the 200-year-old tradition is nearing a point of no return.



Story on B4

Preparation underway for bank reform commission

Says finance minister

STAR BUSINESS REPORT

The government is going to form the banking sector reform commission, the revenue reform commission, and the public expenditure reform commission, said Finance Minister Abul Hassan Mahmood Ali yesterday. "The discussion is underway."

He, however, could not say immediately when exactly the commissions will be constituted.

Mahmood Ali was speaking to a group of members of the Economic Reporters' Forum (ERF) during a pre-budget meeting at his secretariat office in Dhaka.

Experts have long been calling for initiating drastic steps aimed at restoring discipline in the banking sector and bringing down

Experts have long been calling for initiating drastic steps to restore discipline in the banking sector

bad loans, and reforming the revenue sector. Bangladesh has one of the lowest tax-to-GDP ratios in the world.

Rationalising public expenditures is another demand as taxpayers' funds reportedly see leakage through subsidies, incentives and cost over runs of projects.

The finance minister also dispelled rumours that the economy is facing any major challenge.

The opposition parties used to say that the economy would experience the volatility as seen by Sri Lanka, he said.

"However, it did not happen."

He said the economy is on track despite facing several challenges.

"The preparation to formulate the national budget for the fiscal 2024-25 is underway."

The minister said the country is doing well and essential goods are available in the local markets.

He said inflation was now in a stable position. "One of the major challenges is now lowering the inflation."

The overall inflation in Bangladesh slid 19 basis

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Participants pose for photos at a roundtable titled "Future of Money: Central Bank's Digital Currency", jointly organised by the PRI and The Daily Star at The Daily Star Centre in Dhaka yesterday.

PHOTO: RASHED SHUMON

Digital currency: Is it the future of money?

Experts suggest Bangladesh Bank should explore the prospects of central bank digital currency in building a cashless society

STAR BUSINESS REPORT

The government should proactively explore how the adoption of a digital currency can add value to the economy while maintaining coherence with Bangladesh's social and political climate, experts said yesterday.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said the widespread adoption of central bank digital currencies (CBDCs) represents a significant evolution in the monetary system.

CBDCs are a form of digital currency regulated by a country's central bank. They are similar to cryptocurrencies, but their value is fixed by the central bank.

"We have to show more excitement for a CBDC. It doesn't mean that we will do it now. We should identify its limitations and advantages so that we can do it better even if we are late in implementation compared to other countries," the economist said.

"We have taken a stand on cryptocurrencies by banning them... but for the CBDC we have to take decisions more proactively," he added. "I am not sympathetic towards cryptocurrencies as they are not backed by central banks and vulnerability and volatility are associated with them," Mansur said.

He said Bangladesh was in a state of inertia regarding the CBDC, adding that the country must strive to digitalise transactions no matter what, even if it does not adopt a digital currency.

Mansur was speaking at a roundtable titled "Future of Money: Central Bank's Digital



RECOMMENDATIONS

- ➔ Setting up more realistic goals with existing cash-dependent economy for enhanced benefits
- ➔ Formulating and updating digital infrastructure and institutional regulatory frameworks
- ➔ Improving mass digital literacy, fintech knowledge base
- ➔ Addressing digital divide, data privacy and security
- ➔ Initiating small scale experimentations and stakeholder consultation

Currency", jointly organised by the PRI and The Daily Star at the Azimur Rahman Conference Hall at The Daily Star Centre yesterday.

"Our digital infrastructure has to develop more, and our digital outreach and inclusiveness must broaden so that the next generation can carry out digital transactions," he added.

The economist said the introduction of the CBDCs was being witnessed across the globe. "We must look at what other central banks are doing. We must explore why India is moving fast for a CBDC while China is reluctant and the USA is not proactive," he said.

"There are some tacit reasons and if we could understand and analyse these reasons, we can devise our strategy," he said.

Mohammad Abdur Razzaque, research director at the PRI, presented the keynote at the roundtable.

He said the potential benefits

of the CBDCs include improved transaction efficiency, reduced costs of printing money, enhanced security against counterfeiting, and the promotion of a cashless economy to combat financial crimes.

Former finance minister Mustafa Kamal had made a remark about conducting a feasibility study on the adoption of a CBDC. However, there are no notable updates regarding this issue, said Razzaque.

He said people mistakenly believe that the CBDCs are the same as existing cryptocurrencies. However, unlike cryptocurrencies, the CBDCs are backed by the country's financial system and are considered legal tender, he said.

Contrary to cryptocurrencies, the acceptance of CBDCs for transactions is mandatory, akin to traditional fiat money, which is a type of currency that is not backed by a precious metal, such as gold or silver.

Implementing the CBDCs will require a transaction record system, accessible service interface, reliable ledger, and secure storage solutions.

In a global survey conducted in 2020, 86 percent of central banks were actively exploring the CBDCs, a significant increase from the 65 percent reported in 2017.

In another study, the Bank for International Settlements said 15 retail and 9 wholesale CBDCs could be in operation by 2030.

Jamaica, Zimbabwe, Nigeria, and the Bahamas have officially launched CBDCs while numerous others are either researching, developing, or piloting similar programmes.

However, there are concerns about Bangladesh's digital preparedness which need to be addressed for successful implementation, Razzaque said.

"Bangladesh has marginally improved in global digital rankings, specific areas like network readiness, cybersecurity, and online services. However, digital literacy is still low, with over half of households unaware of the use of the internet and a significant portion lacking basic digital skills."

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BB cuts margin for banks as interest rate soars

STAR BUSINESS REPORT

With the interest rate on loans soaring, Bangladesh Bank (BB) yesterday reduced the margin that banks use to fix the lending rates in a bid to contain the cost of borrowing and ease pressure confronting businesses.

In a notice, the central bank said banks will be able to charge a maximum margin of 3 percent on the top of the benchmark rate — the Six Months Moving Average Rate of Treasury Bill (SMART). It was down from 3.5 percent.

Thanks to the cut, the maximum interest rate on loans can be 13.55 percent in April.

The decision comes as the SMART crossed the double-digit mark and stood at 10.55 percent at the end of March, reflecting the tighter liquidity situation in the financial sector of Bangladesh.

A top official of a private bank said had the BB not cut the margin, the interest rate would have crossed 14 percent.

"The central bank has once again slashed the interest margin in its effort to curb the spike in the interest rate."

In July last year, the BB introduced the SMART to allow the interest rate to become more market-based, ending the 9 percent lending rate ceiling, with a view to making funds costlier and rein in the skyrocketing inflation.

Initially, it allowed banks to charge up to 3.75 percent margin. In February, it brought down the margin by 25 basis points to 3.5 percent.

The second cut came as calls to contain the cost of borrowing and the overall cost of business are growing in the business community.

Yesterday, the central bank said it brought down the margin to maintain dynamism in the economy. Syed Mahbubur Rahman, managing director of Mutual Trust Bank, said the cut would have impact on banks.

"The rising interest of treasury bills and bonds is pushing up the cost of deposit for banks. Now, banks have to offer higher rates to attract depositors. This is putting pressure on us."

STOCKS	
DSEX ▲	CASPI ▲
0.88%	0.45%
5,829.7	16,628.71

COMMODITIES	
Gold ▼	Oil ▲
\$2,232.75	\$83.12
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.88%	▲ 0.5%	▼ 0.85%	▲ 1.01%
73,635.48	40,369.44	3,224.01	3,041.17

Initiate steps to end forex shortage: FBCCI

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) has urged the government to initiate steps in order to address the foreign currency crunch.

The economy is confronted with a number of challenges, including high inflation, foreign currency shortage, sluggish growth of remittance and a narrow export basket.

"Take steps to address the shortage of foreign currencies," said the FBCCI, recommending taking initiatives through consultations with stakeholders.

The apex chamber made the appeal in its proposals submitted before the finance minister recently over tax and other budgetary measures for fiscal year 2024-25 beginning from July.

Bangladesh has been experiencing the forex crisis owing to a sharp depletion of reserves driven by escalated imports, lower than expected exports and remittances, and alleged money laundering.

The reserves stood at \$19.45 billion on March 27 whereas it was more than \$41 billion two years ago.

The FBCCI urged the government to remain cautious when taking up projects based on foreign finance. "Strong political commitment will be necessary to prevent

money laundering."

It called for either forming a banking commission or bringing about reforms in the banking sector to ensure discipline and good governance in the financial sector.

The apex trade body said the budget for the next fiscal year should prioritise steps to reduce the cost of doing business, avoid loans having tough conditions, and develop an effective infrastructure.

The FBCCI urged the government to remain cautious when taking up projects based on foreign finance

The FBCCI proposed ensuring coordination among customs and VAT departments and bring them under an integrated automation process.

"There is a lack of coordination among various wings of the National Board of Revenue."

Businesses have to provide information pertaining to tax, VAT and customs separately and so it is necessary to bring the three wings under automation, said the FBCCI.

It also said there is a provision of rewarding customs, VAT and income tax officials. As a result, the law is abused and many honest businessmen suffer.

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More CEOs expect economic improvement this year

JAGARAN CHAKMA

A higher number of chief executive officers (CEOs) working in firms in Bangladesh expect that the economy is likely to improve in the next one year compared to that a year earlier, according to a survey by PwC Bangladesh released on Saturday night.

About 36 percent of the CEOs are expecting the economic growth rate to improve, compared to 31 percent in a similar survey conducted last year.

The optimism coincides with a myriad of challenges facing the economy such as high inflation, low foreign currency reserves and a sudden rise in energy prices.

The PwC surveyed 52 local CEOs as a part of its global survey among CEOs across 105 countries and territories from October 2 through November 10 of 2023.

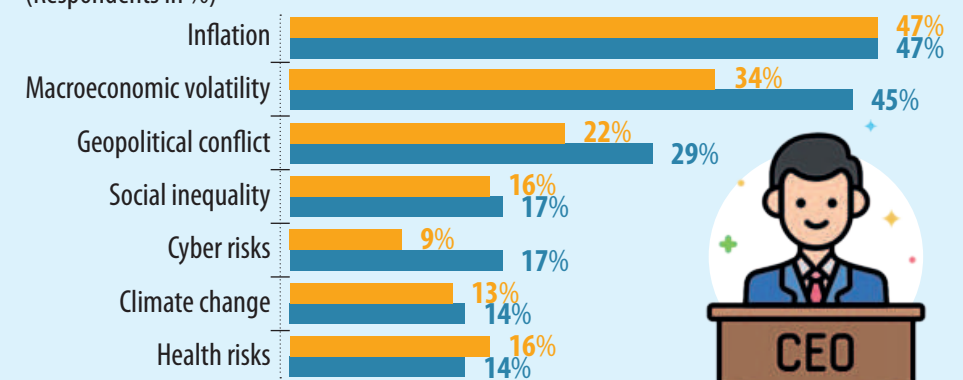
In the dynamic global business landscape, local CEOs are confronting an array of challenges and opportunities, the report said.

"Thriving in the era of continuous reinvention" reflects the sentiment of business leaders in Bangladesh amid ongoing economic changes, technological evolution, and environmental concerns.

The survey provides insights into CEOs' strategies for maintaining business relevance and operational efficiency against the backdrop of significant macroeconomic

CEOs in Bangladesh are more exposed to near-term economic vulnerabilities

(Respondents in %)



SOURCE: PWC

growth and emerging market pressures.

According to the findings of the survey, approximately 57 percent of CEOs in Bangladesh anticipate the necessity for substantial business model changes over the next decade, echoing global trends towards innovation and sustainability.

It also found that nearly half of them (47 percent) have adopted new technologies

to create, deliver, or capture value for their business.

Another 28 percent stated that they developed new technology in-house by forming their own teams.

The PwC said local CEOs have made good progress in driving decarbonisation initiatives for their companies.

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