

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
Week-on-week		As of Friday		Friday Closings				As on Thursday STANDARD CHARTERED BANK			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 0.22%	Flat	\$1,770.62 (per ounce)	\$41.02 (per barrel)	▲ 0.94%	▲ 1.13%	▲ 0.55%	▲ 0.30%	BUY TK 83.95	93.14	103.01	11.69
3,969.28	6,818.26			35,171.27	22,512.08	2,604.51	2,979.55	SELL TK 84.95	96.94	106.81	12.29

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June 28, 2020

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## Govt may not hike SD on telecom services

REJAUUL KARIM BYRON and MUHAMMAD ZAHIDUL ISLAM

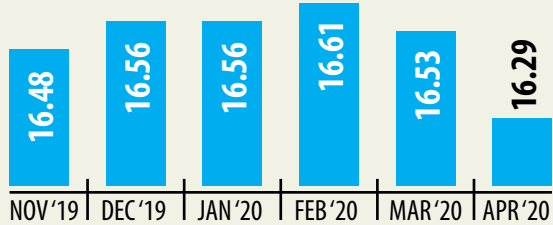
Finance Minister AHM Mustafa Kamal may scrap his plans to raise the supplementary duty (SD) on telecom services and double the deposit in VAT-related disputes following criticism and pleas from various quarters.

While unveiling the budget for fiscal year 2020-21 on June 11, the minister has proposed hiking the SD on all kinds of telecom services to 15 per cent from the previous 10 per cent.

Both operators and users have expressed dissatisfaction at the move and said tax on mobile phone use increased in the last few years, which has negatively affected customers' service-availing trends.

### ACTIVE MOBILE CONNECTIONS

In crore; SOURCE: BTRC



On Wednesday, Telecom Minister Mustafa Jabbar, in a demand letter to the finance minister, called for withdrawal of the additional SD, pointing out that it would thwart the process of digitalisation.

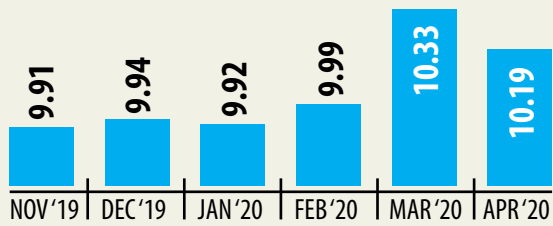
"People are now having a very tough time, so the government should not create any more burden for them," the telecom minister told The Daily Star.

Several other cabinet members and members of the parliament also requested the finance minister to scrap the SD. Apart from the latest hike in the supplementary duty, there is a 15 per cent value-added tax and 1 per cent surcharge on mobile phone bills from before, which make the total tax for mobile phone use 33.25 per cent now.

Kamal may withdraw the proposal while making a statement to parliament on the proposed budget on Monday.

### ACTIVE INTERNET CONNECTIONS

in crore, SOURCE: BTRC



Another area that may see change is the deposit needed for appealing against tax claims before VAT commissioners and appellate tribunals.

Kamal has proposed to increase it from 10 per cent of the disputed amount at present to 20 per cent.

This is one of the VAT-related measures businesses and trade bodies have expressed worry about, saying some of the proposed changes in the VAT law will increase their costs and discourage them from seeking justice against inflated revenue claims by field officials of the National Board of Revenue.

In his budget speech, Kamal said the increase aimed at reducing a tendency of lodging illogical cases against VAT claimed by field officials.

The current practice is that firms file appeals for revision of VAT claims before commissioners by paying 10 per cent of the disputed amount.

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## Private sector credit growth picks up in May -- on paper

AKM ZAMIR UDDIN

Private sector credit data appears to have gone against the grain in May.

For 24 months on the trot, private sector credit growth was lesser than in the previous month. And the trend was expected to continue given the overall doom and gloom on the economy.

But in May, it edged up to 8.86 per cent from 8.83 per cent a month earlier, according to data from the central bank.

"This is not the turnaround that we are desperately waiting for," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

In May, economic activities

started on a limited scale and both the central bank and the government began to release funds from the stimulus packages for businesses.

For instance, garment factory owners took out funds from the Tk 5,000 crore package allotted from them to provide the salaries of their workers, he said.

Banks had started disbursing loans and opening and settling the letters of credit on a limited scale since May, which also helped push the credit growth, said MA Halim Chowdhury, managing director of Pubali Bank.

"We should take the situation into account while considering the private sector credit growth

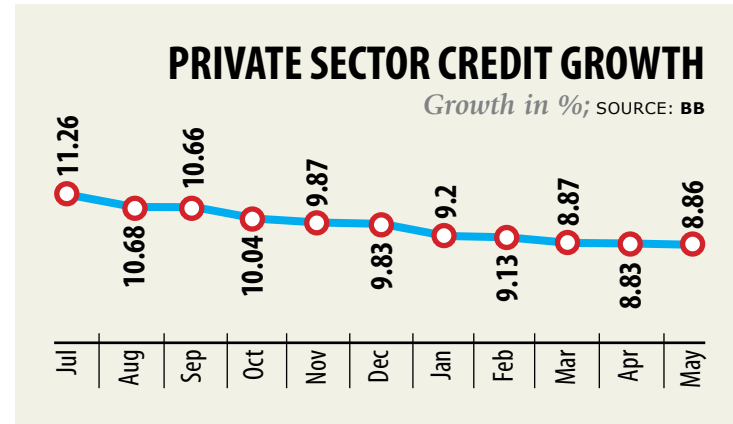


figure in May," said Mansur, a former economist of the International Monetary Fund.

The credit growth will increase in the true sense once the country gets relief from the pandemic after the vaccine for COVID-19 is invented.

Another reason for the uptick is the banks' opting for interest capitalisation in response to the central bank order to not classify any types of loan until September with the view to cushioning the blow for borrowers from the ongoing economic mayhem,

said Mansur, also the chairman of Brac Bank.

Interest capitalisation is the addition of unpaid interest to the principal balance of a loan. The subsequent interests are calculated on this new amount, meaning the loan balance increases over time and borrower ends up with a larger loan amount.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, echoed the same as Mansur about the effect of interest capitalisation on May's credit

growth figure.

Although banks traditionally calculate the interest capitalisation at the end of every quarter, many lenders have perhaps adopted the method in the middle of the quarter given the ongoing terrible situation.

"The stimulus packages and credit relaxation on borrowers are good in the interest of keeping the wheel of the economy moving. But this time the increased credit growth will not contribute to the economy," said Rahman, also a former chairman of the Association of Bankers, Bangladesh, a forum of managing directors of banks.

In fact, given the government's increasing tendency to borrow from the banking sector, the private sector might be crowded out from funds altogether.

The undetermined state of the coronavirus epidemic curve in Bangladesh also suggests that economic activities cannot begin in earnest anytime soon. So, May's figure seems like a blip in the narrative of private sector credit growth rather than a harbinger.

## Lack of database hinders youth development: lawmaker

STAR BUSINESS REPORT

The absence of an accurate database is the main barrier towards undertaking any initiative for youths in Bangladesh which could have led to the subsequent reaping of the expected demographic dividend, said one of the country's youngest lawmakers yesterday.

"The lack of database on youth is the major obstacle and weakness towards undertaking any plan regarding youth development," said the parliament member, Nahim Razzaq.

He raised this issue while addressing a webinar on "Development of young population: perspective FY2020-21 budget implementation" jointly organised by ActionAid Bangladesh and the South Asian Network on Economic Modeling (Sanem).

"How is it possible to set a target group without proper information," asked Razzaq, adding that institutional restructuring was also required for ensuring need-based education.

A member of the parliamentary standing committee on the foreign affairs ministry, he also put emphasis on budgetary allocation for young entrepreneurs so that they could deal with the impacts of Covid-19.

The language barrier is also one of the major problems for youth and a lack of this communications

skill was rendering them incapable of competing with others, he further said.

Though budgetary allocations are being made for youth development, there is no monitoring on how it was being spent, said Razzaq.

The health sector's infrastructure is very weak and the government gave priority to it in the proposed budget, said Atiur Rahman, former governor of Bangladesh Bank.

There are inefficiencies in utilisation of the budget for the health sector and it should be addressed for the health sector's development, said Rahman, also a professor of the Department of Development Studies at the University of Dhaka.

Regarding a budgetary allocation for small and medium enterprises, he said the small and micro entrepreneurs have no access to formal finance so the central bank could take up an initiative to protect them.

Regarding implementation of the budget for youth, he said the ministry of youth and sports could create a monitoring cell to oversee it. Training should be provided to youths seeking to become entrepreneurs in the future, said Rahman.

Hussain Elius, chief executive officer of ridesharing entity Pathao, demanded policy support from the government for

### LABOUR MARKET STATUS OF YOUTH POPULATION

Youth participation	Male	Female	National
Youth working age population (in million)	19.6	21.6	41.3
Youth labour force (% of total LF)	30.1	35.0	31.6
Youth (% of total employed)	27.4	35.0	29.5
Youth unemployed (% of total unemployed)	80.2	79.0	79.6
Youth unemployed (% of total youth)	5.4	5.2	10.6
Youth unemployment rate (%)	8.2	15.0	10.6
Informal employment (% of total employment)	88.0	91.6	89.2

SOURCE: SANEM

companies like his.

At least four lakh drivers are involved with ridesharing companies and their employment and livelihood depended on ridesharing, he said.

He alleged that the government was not allowing the resumption of ridesharing in the city on health safety grounds though mass transportation had again been made available.

He further said the around 1,000 startups created in the past 10 years with around \$200 million in investments were in trouble for the pandemic.

The government should have given emphasis on youth entrepreneurship in the budget, said Mahtab Uddin, a research fellow of Sanem. The allocation Bangladesh made for the health

sector is the lowest among least developed countries, he said.

The budget should have focused on human resource development instead of business for inclusive growth, said Nazmul Ahsan, manager-youth people, ActionAid Bangladesh.

"If we can't create domestic demand, the economy will not rebound," he said.

Vocational and technical education is not market oriented and the curriculum needs to be made up-to-date, he said.

Covid-19 has brought about a new world order which should be accepted to survive the changing situations, said Farah Kabir, country director of ActionAid Bangladesh, while chairing the event.

She urged the government to incorporate sufficient initiatives

in the budget to address the needs of the youth, at least for a short period.

"The youth are in uncertainty due to Covid-19 as they are frustrated over their future. We have to utilise the talent and innovation of the youth," she said.

Selim Raihan, executive director of Sanem, suggested considering employment generation initiatives in the budget focusing on the young population.

The government increased allocation for the health sector in the budget and there is scope to raise the budget for the health service system further, he said.

A long-term plan should be undertaken to reap demographic dividend, said Raihan, also a professor of the Department of Economics at the University of Dhaka.

Some 37 million students have been affected due to the nationwide closure of educational institutions since March 17, said Eshrat Sharmin, a research associate of Sanem, through a presentation.

Very few institutions and students have access to distance learning tools so this is a hiccup to ensuring education, she said.

Sayema Haque Bidisha, research director of Sanem and an economics professor of the University of Dhaka, moderated the event which included youth representatives.

## NBR failed to widen tax base despite huge spending

FBCCI says, demands investigation

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) yesterday demanded an investigation into the National Board of Revenue's (NBR) failure to widen the tax base despite having spent more than Tk 600 crore on consultancy fees and others for the implementation of multiple VAT rates.

The country's tax administration began the project back in 2012 with an objective to expand the tax base, ease the VAT system, improve compliance and reduce harassment among business people.

A majority of the informal business sector, which accounts for 84 per cent of the national economy, was supposed to be brought under the tax base through these initiatives. However, in reality, the only noticeable outcome was an increase in harassment.

In accordance with the recommendations

made by consultants, the government introduced multiple VAT rates in 2017, but following heavy backlash from the business community, the project was suspended.

Multiple VAT rates were then reintroduced in 2019, but the tax base did not grow as the tax-to-GDP ratio remained stagnant at 9 per cent.

Besides, the collection system is yet to be streamlined while incidents of VAT officials harassing businesspeople, especially those who own small-scale firms, have become far more frequent, said FBCCI President Sheikh Fazle Fahim.

District level NBR officials particularly harass small traders in the name of VAT law implementation, he said.

"The VAT system just became more complicated even though the NBR spent a lot of money to ease the system by paying consultants," added Fahim.

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## Faithful to his duty till the very end

AKM ZAMIR UDDIN

"My health condition is not good and I might probably take admission in a hospital, so you guys should send the draft of the monetary policy soon.

"It would be difficult for me to review the draft policy if you do not submit it in the quickest possible time."

The remarks were made by Allah Malik Kazemi, change management adviser of Bangladesh Bank, just days before he was hospitalised on June 22 for coronavirus infection.

He parted for the great beyond on June 26, his elusive retirement finally materialising at the age of 75.

Kazemi's long-time colleagues at Monetary Policy Department are still trying to come to terms with his passing.

"It is a great shock for us that sir will never give the final touches on the monetary policy, what he had done for years," said one.

The central bank had earlier decided to unveil the monetary policy statement for next fiscal

year early next month but it is now difficult to do so due to the absence of Kazemi, he said.

The central bank is highly dependent on Kazemi to frame not only the monetary policy but also other different guidelines for the

financial sector.

For this reason, he had been appointed adviser to the central bank soon after his retirement as deputy governor in 2007.

The central bank was able to tackle the previous great recession



Allah Malik Kazemi

and its aftershock successfully since 2007 by way of implementing different models framed by Kazemi, said Atiur Rahman, a former governor of Bangladesh Bank, who worked closely with him.

He served the central bank until his death and is also a torchbearer for officials of the country's central bank, he said.

Kazemi was also a brilliant student as he achieved first position in his graduation and post-graduation and the recruitment test of the central bank in tandem.

He joined the central bank in 1976 as an assistant director.

"The country is going through a recession. He would have served the economy as a whole if we could protect him from the lethal virus," Atiur said.

He has also educated many officials of the central bank on how to frame the monetary policy.

In addition, he had a great skill on predicting future conditions of the financial sector examining the present circumstances, Atiur said.

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