

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	BUY TK	USD	EUR	GBP	CNY
0.18%	0.03%	\$1,799.13	\$42.41	36,033.06	22,587.01	2,620.19	3,414.62	83.95	94.00	104.27	11.75	
4,082.14	7,031.27	(per ounce)	(per barrel)					84.95	97.80	108.07	12.35	

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Star BUSINESS

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An expansionary monetary policy or nothing

AKM ZAMIR UDDIN

At times of recession, it is all too tempting to axe jobs or go for pay cuts for self-preservation.

If all companies think this way, then it puts the economic locomotive that would pull the nation out of the crisis grind to a halt, and in fact, give rise to a chicken and egg situation.

It has a fierce reverse-hit to the industrial production as workers usually buy the majority of products from the market since they outnumber the other segments in society.

The demand for products declines due to the purchasing power of workers when they lose jobs or saw a salary cut.

Factory owners are finally forced to squeeze the production when goods are stuck in the market that contracts their profit further.

German philosopher Karl Marx

depicted the matter in his essay titled "Wage, Labour and Capital" in 1849.

The ongoing financial recession brought on by the coronavirus pandemic has also created the same consequence for the economy.

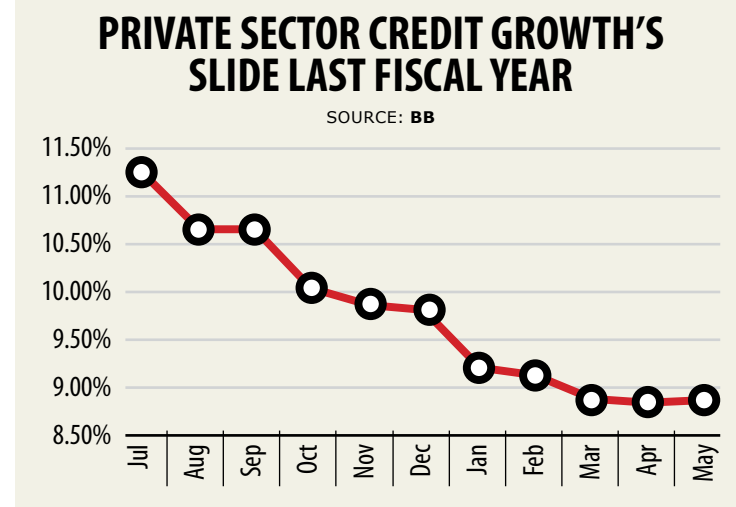
Bangladesh has never faced such an economic fallout, meaning the central bank in a tight spot as it draws up the monetary policy statement (MPS) for fiscal 2020-21.

The MPS is scheduled to be unveiled in the last week of July.

"We are in a difficult situation due to the twists and turns of the pandemic," said a central bank official.

Most likely, the Bangladesh Bank will take on an expansionary monetary policy stance that the other nations have already adopted, he said.

The new MPS should give all-out effort to boost the dwindling



demand, which has been hit hard by the financial meltdown.

The government has set a GDP growth target of 8.2 per cent and an inflationary target of 5.4 per cent for this fiscal year.

The central bank will try to achieve both the targets by implementing the new monetary policy, the official said.

Ensuring the target of the private sector credit growth is highly important for the next fiscal year as it will become a driving force in generating jobs and demand.

The credit growth stood at 8.86 per cent in May, which is much

lower than the target of 14.8 per cent for fiscal 2019-20.

Although the central bank has yet to release the data of the credit growth for June, the existing trend has given an indication that the BB is far away from the target.

The central bank will not set a target for the private sector credit growth that is lower than in the just-concluded fiscal year, in order to give a boost to the confidence of businesspeople.

"Setting private sector credit growth will not create anything. Rather, the central bank should give attention to implementing the stimulus packages properly to

revive the economy," said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

The BB will have to inject a large amount of reserve money (RM), or high-powered money, into the financial market to address the ongoing crisis, he said.

The RM is the base level for money supply and it is also the high-powered component of the money supply. The broad money, which is multiple of RM, depends on the volume of the RM as well.

Both the government and the central bank have announced a number of stimulus packages involving more than Tk 103,117 crore, which is 3.7 per cent of the country's gross domestic product, to help industries, exporters, farmers and SMEs ride out the crisis.

The majority of stimulus packages will be implemented by the central bank.

"This has added extra pressure for the central bank and banks as the government has taken little fiscal measures to mitigate the recession," said Mansur, a former senior official of the International Monetary Fund.

In addition, the government has set a borrowing target of Tk 84,980 crore from the banking source for the current fiscal year.

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E-invoices will now work as proof of VAT payment

Online VAT payment kicks off tomorrow

SOHEL PARVEZ

Electronic invoices would now be accepted as acknowledgement receipts for value-added tax payment to the treasury, as the National Board of Revenue edges closer to ensuring online payment of the indirect tax, the biggest source of revenue for the state.

The revenue authority said electronic notifications generated through the Integrated VAT Administration System (IVAS) software would be acceptable if those invoices, date of payment, codes of commissionerates and the amount paid match with the online system of the Office of the Controller General of Accounts (CGA).

The move will relieve businesses from visiting banks to deposit VAT to the public exchequer.

"They will be able to clear tax from anywhere. This will reduce their time and expenses," said the NBR in a notice issued on Monday.

The notification came just ahead of the launch of the e-payment facility for VAT tomorrow.

The NBR is going to open the scope for businesses to deposit the indirect tax, paid by consumers at the ultimate end, electronically -- a facility envisaged as part of the goal to fully automate the VAT system.

The government took the VAT automation initiative in 2013 to implement the VAT and Supplementary Duty Act 2012 to reduce the cost of businesses, improve compliance and increase revenue collection to enhance the capacity to finance its development and other expenditures.

Bangladesh has the lowest tax-GDP ratio, a measure of a country's capacity to fund its own expenses, in South Asia.

Since the launch of the Tk 690 crore VAT Online Project (VOP), the NBR could open online VAT registration facility and online submission of VAT returns or monthly transaction statements since October last year -- three months after the new VAT law came into effect from July.

So far, Tk 238 crore out of the total estimated cost of Tk 690 crore for the VAT improvement project has been spent. And a large chunk of the money is likely to remain unspent.

"The opening of e-payment for VAT is going to be a big step forward," said Kazi Mostafizur Rahman, director of the VOP. Initially, account holders of HSBC, Prime and Midland Bank will be able to pay VAT electronically and account holders of two more banks -- Islamic Bank and Bank Asia -- will be able to do the job by the end of this month.

The Bangladesh Bank suggested these banks kick off the e-payment initiative as they are connected with the real-time gross settlement system, a funds transfer system that allows for the instantaneous transfer of money.

"We are trying to bring all banks onboard within August," he said.

Earlier, the VOP succeeded in conducting a mock-test of electronic payments of some firms through HSBC and Midland Bank. The payments were small but the results were positive.

A VAT commissioner seeking to remain unnamed said it may take time for the e-payment facility to be fully operational. "But it will have a positive impact on businesses," the official added.

Businesses have to go to banks either with cash or cheque to deposit VAT, said Md Arshed Ali, convener of the research wing of VAT Professional Forum.

"They have to stay in queue to do the job. The e-payment will provide convenience."

All banks should be brought under the e-payment system so that businesses with accounts at any financial institution could avail the opportunity, Ali said.

The initiative to open the electronic payment for VAT option for businesses follows the rollout of the online return filing window for 150,000 VAT-registered firms in October. The responses were initially very low. But the number of online return filers has risen over time to nearly 40,000 now.

The VOP is working to start some modules this month and two more modules including VAT refund, appeal and arrears in August to complete all the functional requirement before the expiry of the project, which got extended owing to a deferral of implementation of the VAT law by the government, Rahman said.

Decent development spending amid extenuating circumstances

REJAUl KARIM BYRON and MD FAZLUl RAHMAN

Sometimes, one just needs to resign to reality.

Bangladesh's development expenditure fell to a 27-year low in the just-concluded fiscal year.

But, unlike in previous years, a sense of indignation over yet another lacklustre implementation of the annual development programme seems misplaced this time.

Development activities almost halted after the government was forced to implement a countrywide shutdown from March 26 to rein in the rising cases of coronavirus infections, causing ADP implementation to virtually collapse in the following two months, when spending typically heats up to show a flattering result for the full year.

ADP expenditure fell 38.79 per

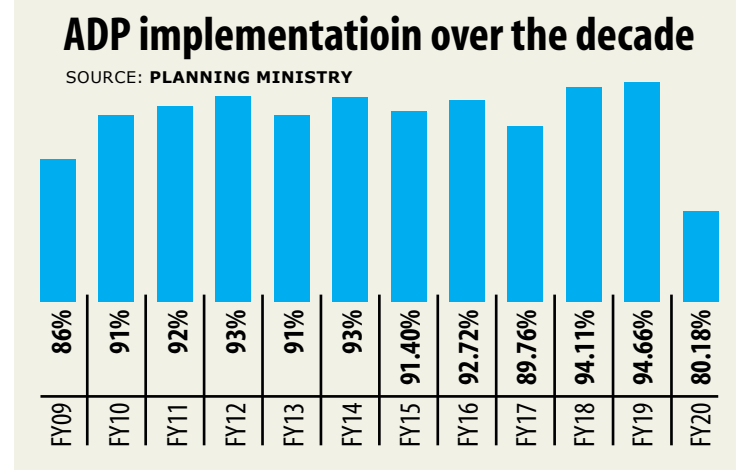
cent to Tk 16,581 crore in May and 40.27 per cent to Tk 8,136 crore in April.

But implementation was ramped up in June when the government lifted the shutdown. About Tk 45,579 crore was spent last month, down 3.13 per cent year-on-year.

Subsequently, the ministries and divisions ended up spending Tk 161,000 crore in fiscal 2019-20, which was 80.18 per cent of the total allocation, said a senior official of the Implementation Monitoring Evaluation Division (IMED) of the planning ministry.

This was the lowest ADP implementation rate since fiscal 1993-94 and the second-lowest since the 1980s, for which official statistics were available immediately.

The previous lowest was recorded in fiscal 1992-93 when



the government managed to spend 80 per cent of the allocation, according to the Bangladesh Economic Review 2004.

Only twice in the last four decades, Bangladesh's ADP execution was below 90 per cent.

The lower ADP implementation rate was expected given the extraordinary situation brought on by the pandemic, said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

What surprised him was that it was still a respectable 80 per cent. "It could have been much lower."

ADP implementation rate was 45.08 per cent in the first 11 months of the fiscal year and there had been little work in April and May.

"The figure rose significantly on the back of the implementation in June. This is surprising," Mansur said.

The IMED data is not prepared based on the actual work done. Rather, it is prepared on the disbursement of the funds, he added.

Expenditure for the large projects had been almost on hold from March, let alone small projects, said Zahid Hussain, a former lead economist of the World Bank Dhaka office.

"So, the slowdown has been expected."

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Star's initiative to reassure jittery youths in pandemic world

STAR BUSINESS REPORT

The Daily Star is set to host the Youth Skills Summit today on the World Youth Skills Day, to explore ways to harness Bangladesh's enviable dividend demographic.

More than 60 speakers comprising industry leaders, entrepreneurs and young aspirants representing different fields will partake in the virtual event.

This year, the day -- which was designated by the United Nations in 2014 with the view to creating a dialogue on the importance of technical, vocational education and training for the youth in securing gainful employment and living up to their potential -- has added importance.

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Farm mechanisation gets a big push from govt

Takes up Tk 3,020 crore project to subsidise agro machinery purchase by farmers

SOHEL PARVEZ and REJAUl KARIM BYRON

The government yesterday approved a Tk 3,020 crore project -- the biggest ever scheme for farm sector -- to provide price support to farmers in purchasing agricultural machinery.

The aim is to enable them to timely plant and harvest crops by getting rid of worries over the availability of farm workers.

Farmers throughout the country will get subsidies to buy agricultural machinery, namely combine harvester, rice transplanter, power thresher, drier, power weeder, power sprayer, potato digger and maize sheller, to reduce production cost and post-harvest losses.

Food producers in haors in the northeastern and southern coastal regions will be able to buy the farm machinery by paying only 30 per cent of the prices of the items. The government will pay the rest 70 per cent from the state coffers.



TITU DAS

Growers in the remaining areas will have to pay half the price of the farm equipment and the government will bear the remaining cost.

The objective is to speed up mechanised planting and

harvesting, 99 per cent of which are still done manually owing to the sluggish pace of mechanisation in these two major operations.

"We are giving importance to expand mechanisation throughout the country," said Planning Minister

MA Mannan after the meeting of the Executive Committee of the National Economic Council (Enec) at the planning ministry yesterday.

The government aims to reduce post-harvest losses of crops, including the main crop rice, by up to 15 per cent, save 50 per cent time in cultivation time and cut costs by 20 per cent, according to a brief of the Enec meeting.

Mannan quoted Prime Minister Sheikh Hasina as saying at the meeting that local entrepreneurs were making agricultural equipment and quality product makers should be encouraged to facilitate domestic industrialisation and job creation.

This is the third project that the government has undertaken since 2009 to provide subsidy to farmers to buy agricultural machinery to facilitate mechanised cultivation.

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