

Tax hike to harm RMG, jute exports: trade bodies

STAR BUSINESS REPORT

Increased tax at source may harm the readymade garment and jute product sectors and cause exports to fall, trade bodies warned yesterday.

Exports of RMG will decline in the next couple of months, said Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

The lobby group predicted a fall in exports and said 1.5 percent tax at source would add an additional 7.5 percent to cutting and making charges for knitwear and woven sectors.

In the first 10 months of the current fiscal year, RMG exports grew 42.30 percent. But BGMEA said due to high interest rate, 80 percent increase in labour cost and raging international competition, exports might fall eventually.

The RMG apex body urged 0.25 percent tax at source, which was in force in 2009-10, instead of 1.5 percent proposed in the new budget.

Echoing the BGMEA, Bangladesh Jute Mills Association said 1.5 percent tax imposed at source would hurt the export of jute products. It also requested the government to double export subsidies to 20 percent.

Mahmudul Islam Chowdhury, president of International Business Forum of Bangladesh (IBFB), said to meet the budget deficit, the government would have to depend on domestic borrowing.

"This may lead to a liquidity crisis and hike bank interest rate further. As a result, the industrial sector may not get enough loans."

Chowdhury said raising tax at source from the present 0.40 percent would have a negative impact on exports.

He also said cuts in agriculture subsidy might affect farm production, which may jeopardise the government policy of attaining food sufficiency.

"Foreign remittance is also declining which may affect foreign currency reserve. Steps should be taken to augment earning from the sector," the IBFB boss said.

Subsidy cut to upset agriculture: analysts

STAR BUSINESS REPORT

A budgetary plan to cut farm subsidies will frustrate farmers and the sector as a whole, as they still need special care for a few more years, analysts said yesterday.

They also said the government would face challenges in implementing the budget, as the mechanism to implement the annual development programme is still weak and slow.

"The national budget allocates fewer subsidies for the agriculture sector than the previous two years. We think the sector still needs special care for another few years," said Khondkar Ibrahim Khaled, emeritus fellow of Unnayan Shamannay, a private think-tank.

"Ideally, subsidy is not a solution for any sector in the long run, but the government should continue providing financial assistance to the sector for at least three more years," he said.

"Although the government allocates more money to be disbursed as loans for the sector, it will not be as beneficial as subsidies for farmers," said Khaled.

He spoke at a post-budget discussion meeting co-organised by

Unnayan Shamannay and Shamunnay, both research organisations, at the CIRDAP auditorium in Dhaka.

Finance Minister AMA Muhith has proposed a 12.19 percent cut in subsidy for the agriculture sector in the national budget for fiscal 2011-12.

The government plans to provide Tk 4,500 crore in farm subsidy in 2011-12, which was Tk 5,700 crore in the outgoing fiscal year. The minister has also proposed to set a target to disburse Tk 13,800 crore in farm loans in 2011-12.

Khaled, also the chairman of Bangladesh Krishi Bank, said the government has to change its mindset about determining black money in order to increase the tax-GDP ratio further, so that it can reach its target of becoming a middle income country by 2021.

"The tax department should not ask about the source of income. If one declares his income as illegal he pays less tax. So, if there was no such differentiation, the government could have earned more," he explained.

"Whenever one earns illegally, there is police and Anti-Corruption Commission to punish him. So there is no point of losing revenue from these people," he said.

Khaled said the implementation of the proposed budget would depend on managing funds to finance the budget deficit of Tk 45,000 crore.

In his keynote paper, AK Enamul Haque, a consultant of Unnayan Shamunnay, said the government has to manage Tk 27,000 crore from internal borrowing, which may create an extra burden on banks while disbursing loans to private sector.

He said the budget "lacks revolutionary direction". He also said the government has failed to show any hope in controlling inflation and balancing rising food and fuel prices.

Haque said the budget also lacks direction for attracting investment, although the increased allocation for energy sector would help better the situation in the upcoming fiscal year.

He applauded the move to impose a 10 percent surcharge on incomes of over Tk 2 crore. He also stressed on properly utilising block money of Tk 6,000 crore, so that the poor and landless people in char areas can reap benefit from the assistance.

AKM Muksudul Alam Morshed, coordinator of Unnayan Shamannay moderated the discussion.



Shakil Rizvi, second from right, president of Dhaka Stock Exchange, speaks at a press meet at the DSE building yesterday, seeking a change in the government's tax plan on brokerage commission in the proposed budget. (Story on B1)

Digital marketplace launched for SMEs

STAR BUSINESS REPORT

Akhoni.com, a digital marketing and e-commerce company, was launched in the city yesterday in order to help small and medium businesses market their products.

Bangladesh Bank Governor Atiur Rahman unveiled the digital platform at a ceremony at Ruposhi Bangla Hotel in Dhaka.

Chief Executive Officer of Akhoni.com Shameem Ahsan, former presidents of Bangladesh Association of Software and Information Services Sarwar Alam, Rafiqul Islam Rowly, Habibullah N Karim, A Tawhid and senior vice president of BASIS AKM Fahim Mashrur were, among others, present on the occasion.

The online marketplace features discount deals with popular businesses like internet services, luxury restaurants, hotels, transports, beauty parlours, fashion houses, theme parks, gymnasiums, furniture shops, sports and recreation centres.

Its merchant partners offer discounts, date and time specific on their products, and the online platform promotes the offer through activation campaigns, emails and SMS.

It currently has a database of around 1.5 lakh consumers, according to akhoni.com.

US trade seeks to help Africa's people: Clinton

AFP, Lusaka

Secretary of State Hillary Clinton said Saturday the United States wants to expand trade with Africa by investing in the continent's people, drawing a line with China's no-strings trade policies.

On the first leg of a three-nation African tour, Clinton came to Zambia for annual trade talks Friday with ministers from across the continent, where China has surpassed the United States as the top trading partner.

The drive to boost business was reiterated Saturday, when she opened the US-Zambia Chamber of Commerce to develop ties in a country where the government estimated Chinese investment last year at more than one billion dollars.

In an interview with South African television, she alluded to differences between China's trade policies and the United States, which attaches conditions for democracy and free markets.

"We don't want to see a new colonialism in Africa," she told the Africa 360 programme. "The United States is investing in the people of Africa, not just the elites."

Clinton highlighted a new US-built Pediatric Centre of Excellence in Lusaka, which helps prevent mother-child HIV transmission, as an example of the American approach.

The United States is believed to remain Africa's top donor, giving out \$7.6 billion in 2009, but comparisons are difficult because China does not give detailed information on its aid programmes.

Clinton on Friday voiced concern about the lack of transparency in China's activities on the continent.

"China's presence in Africa reflects the reality that it has important and growing interests here on the continent," Clinton said during a press conference.

Apple recalls some Verizon iPad 2 tablets

REUTERS, San Francisco

Apple Inc is recalling some of its iPad2 tablets that is designed to run on Verizon's network for connectivity issues.

"Duplicate MEID codes were flashed onto an extremely small number of iPad units for the Verizon 3G network," an Apple spokeswoman said but declined to say how many units were impacted by the issue.

Verizon declined to comment. MEID, which stands for mobile equipment identifier, is a unique number that is used to identify a mobile device when it connects to the network. Two devices cannot have the same MEID code.

Apple is replacing the affected units that were

Atiur suggests strong microcredit watch

STAR BUSINESS REPORT

Bangladesh Bank Governor Atiur Rahman yesterday called for stronger monitoring of microcredit activities to free the sector of corruption and irregularities.

"We have heard that corruption and irregularities have penetrated the activities of microcredit organisations. So, we need strong monitoring on the part of the regulator to prevent the trend."

"The stronger the monitoring the higher the success rate we will have," Rahman said, urging the Microcredit Regulatory Authority (MRA) to put a strong mechanism in place to reinforce surveillance on microfinance institutions.

The governor made the comments at the launching of a book, Microfinance Regulations for Development -- Global Experiences, at the CIRDAP auditorium in the city.

Rushidan Islam Rahman, research director of Bangladesh Institute of Development Studies, and Lila Rashid, deputy general manager of Bangladesh Bank, jointly edited the book, which was published by MRA and University Press Ltd.

Currently, about 1,200 MFIs operate in Bangladesh, catering to over three crore clients. Of the organisations, only about 550 are registered with MRA.

Rahman said the publication of the book is quite opportune, as the theory and practices of microcredit are being critically evaluated and analysed at home and abroad.

"Bangladesh has played a pioneering role in innovating modern microcredit system, and also has become the first country in the world to have set up a regulatory body to regulate the industry."

"Now we have to play another role to strengthen the MRA and make it more professional. The government has to play a role



Atiur Rahman, third from left, Bangladesh Bank Governor, holds a book, Microfinance Regulations for Development -- Global Experiences, at its launch at CIRDAP auditorium in the city yesterday.

here too," he said.

The anti-poverty campaigner urged the government to supply adequate and talented manpower to the MRA and give it autonomy so that the agency can run like the central bank.

Rahman said the government had to step into MFIs because some people were using the sector for making huge profits. "We have learnt that some have made huge profits. Besides, some top officials maintain luxury lifestyle without giving much attention to the wellbeing of the MFI."

The governor said microcredit has been one of the greatest innovations in the country. "Particularly, it opened huge employment opportunities in the rural areas."

"The rural economy now is not only based on agriculture, the villages are full of non-farm activities. The role of microcredit in this regard is noteworthy. There is no way to negate the role of microcredit. Now there is no cry for financing in the rural areas."

Rahman said microcredit is working as a tool for financial

inclusion. "It has given financial empowerment, building social and political awareness. Its role in women empowerment is incredible."

"We are not yet fully satisfied with the achievements, and there is still more to do," the governor said.

Rahman said the microcredit movement in the country has to be strengthened further by helping the MFIs use technology in taking their services to the masses, many of whom have been bypassed by the mainstream financial sector.

Rahman called upon the MFIs to improve quality of their work instead of being worried about the criticism the industry now faces. "We have progressed a lot in terms of quantity. Now the time has come to improve the quality of what they do."

"Central bank governors around the world ask me what will happen to Bangladesh's microcredit operations. I always tell them that Bangladesh's microcredit industry is safe,

secured and regulated."

"We have to prove that practically and in more professional way. Microcredit has little by little built up a social protection in the country, which can not be destroyed by careless actions of a group of people."

He said the responsibility of the MFIs does not lie only in disbursing fund to borrowers. They have to ensure that the money flows to the sector as has been said. "MRA should see what percentage of the budget of an MFI is being set aside for monitoring."

The governor said the book should be made a textbook at the university level in Bangladesh.

Qazi Kholiquzzaman Ahmad, chairman of Palli Karma-Sahayak Foundation (PKSF), said regulations are necessary for any sector. "In the past it was said that the market economy does not need regulations. But the global financial crisis showed us that the claim does not work."

He said microcredit organisations now face difficulties due to lack of regulations. "Everybody



Shah A Sarwar, managing director of Trust Bank, and Mustafa Rafiqul Islam, chairman and managing director of Flora Systems, exchange documents of a deal at a programme in Dhaka on Thursday. Customers of the bank will be able to do real-time transactions from home and abroad.

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