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Export subsidy gets bigger

REJAUL KARIM BYRON

The government is set to extend export subsidy to eight new products and increase the amount for existing ones with a view to boosting overseas shipments and encouraging environment-friendly industrialisation.

The decision, which was taken last week at a meeting chaired by Finance Minister AMA Muhith, will soon be conveyed to the central bank for implementation.

The export target for this fiscal year is $44 billion, which is about 20 percent more than fiscal 2017-18's receipts.

At present, cash incentive ranging from 2-20 percent is given to 26 product categories.

The new products that will get export subsidy are: pharmaceuticals, photovoltaic modules, locally assembled motorcycles, razor and razor blades, ceramics, prayer caps, galvanised sheets and coils, and crabs and eels.

They will get cash incentives of 5-10 percent.

After meeting 97 percent of the country's demand, 107 medicines are exported. Now, those shipments will bring 5 percent cash incentive, provided there were 30 percent value addition.

Photovoltaic module is a new entrant to Bangladesh's export basket. With the view to boosting its overseas shipment, 10 percent cash incentive will be extended on their export, provided there was value addition of 30 percent.

Export of locally assembled motorcycles will bring 10 percent incentive on condition of 30 percent local value addition.

Considering the huge demand for low-priced razor and razor blades in least-developed countries, the products have been granted 10 percent cash incentive provided there is value addition of 40 percent.

After meeting the local demand for ceramics, they are exported to more than 70 countries. However, the machineries, technology and raw materials are imported, against which the sector currently enjoys duty facility.

Going forward, the duty facility will be withdrawn and replaced with 5 percent cash incentive but on condition of 30 percent value addition.

The export of prayer caps will be extended 10 percent cash incentive but the local value addition must be 30 percent.

Export of crabs and swamp eels, provided they get the clearance from the environment ministry, will get 10 percent cash incentive.

Galvanised sheets and coils will be given 10 percent incentive, provided there is 30 percent value addition.

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NEW PRODUCTS SELECTED FOR CASH INCENTIVES

Pharmaceuticals	5%
Photovoltaic module	10%
Motorcycle	10%
Razor/ razor blades	10%
Ceramics	5%
Cap	10%
Galvanised sheets and coil	10%
Crab and eel	10%

Excess liquidity shrinking fast

JEBUN NESA ALO

Excess liquidity, which was burden for banks even a year ago, is fast running down on the back of the strong private sector credit growth.

All liquidity available in the banking system that exceeds the needs of banks is called excess liquidity.

At the end of March, the total excess liquidity in the banking system stood at Tk 76,890 crore, down 31 percent from a year earlier.

Of the Tk 35,110 crore of excess liquidity that was drained, Tk 16,400 crore went just in the first three months of 2018, when banks faced a cash crunch amid a deposit withdrawal trend brought about by Farmers Bank's precarious financial standing.

The banking sector's excess liquidity has been declining in recent months, suggesting the need for aligning the credit growth in line with the deposit growth, said the Bangladesh Bank in its January-March quarterly report.

At the end of fiscal 2017-18, private sector credit growth stood at 17 percent and the deposit growth 10.3 percent, according to the BB. In 2015, credit growth was 12.7 percent against the deposit growth of 12.6 percent.

Mismatch between deposit and credit growth is causing the ongoing liquidity crisis to linger, found a survey of the Bangladesh Institute of Bank Management titled 'Treasury Operations of Banks 2017'.

The mismatch is also causing the excess liquidity to lessen, the survey added.

Towards the end of last year, many bankers apprehended difficulties in liquidity management in 2018.

An increasing trend in private sector credit growth, large import payments and declining depositor confidence in the banking sector may erode banks' liquidity base in 2018, Syed Mahbubur Rahman, managing director of Dhaka Bank, had told The Daily Star in December last year.

Private banks' excess liquidity has shrunk faster than the state banks', thanks to Farmers Bank's failure to return depositors' money, setting off panic among the general public.

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Symphony to start local assembly of handsets next month

MUHAMMAD ZAHIDUL ISLAM

All is set for Symphony to start assembling mobile handsets in Bangladesh as the leading vendor has already set up the plant in Ashulia.

The commercial assembling will begin next month with a plan to put together mid-range handsets, said a top executive of the company.

"After we got the licence, we have completed all of our preparations. Now the assembling will begin next month," said Md Maksudur Rahman, senior director of Symphony Mobile, a sister concern of Edison Group.

The plant has the capacity to assemble 500,000 devices every month and is planning to assemble mostly feature phones and a good number of 3G-enabled smartphones.

"Our initial target is to set the standard and then we will go for 4G-enabled and other high-tech devices," said Rahman.

He spoke on the sidelines of a co-branded handset launching programme with Grameenphone at the Pan Pacific Sonargaon hotel yesterday.

Symphony is putting in about Tk 100 crore for the venture in Ashulia, said a source of the company.

Edison Group completed establishing the plant in the first quarter of 2018 after receiving the licence from the Bangladesh Telecommunication Regulatory Commission. However, all the preparations related to official launching came to a halt after the government suddenly increased taxes of local assemblers.

Higher tax is a huge burden to the industry and preventing the market growth from accelerating, Rahman said, while addressing the programme.

For the first time, the mobile device industry posted a negative growth in the January-June period and this sent a negative signal, he added.

SYMPHONY

Rahman also shared the company's plan to export mobile handsets – a development that will make Bangladesh a device-exporting country.

Symphony, the market leader both in smartphone and feature phone segments in Bangladesh, also plans to set up its second assembly plant, which will be established in the Bangabandhu Hi-Tech City at Kaliakoir in Gazipur, the country's first hi-tech park.

It has signed an agreement with Summit Technopolis, a joint venture between local Summit Group and India's Infinity, the developers of the park. In 2017-18, the government took an initiative to inspire local firms to set up assembly plants to meet the demand of the fast-growing market.

Last year about 3.4 crore mobile handsets were imported through legal channels, of which 82 lakh were smartphones, according to the Bangladesh Mobile Phone Importers Association. In the first half of 2018, it stood at 1.55 crore units and 37.89 lakh units respectively.

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Bangabandhu would have ensured exponential development

STAR BUSINESS REPORT

Bangladesh would have been the Switzerland of the East if Bangabandhu Sheikh Mujibur Rahman was still alive, said Commerce Minister Tofail Ahmed yesterday.

He had two goals: one was the independence of the nation and another building a prosperous and poverty-free Bangladesh.

"But, he was assassinated just as he put the country on the path of development," Ahmed said at a seminar styled "how far would have Bangladesh's economy and society advanced had Bangabandhu been alive?"

The Bangladesh Economic Association organised the seminar at the CIRDAP to commemorate Bangabandhu's 43rd death anniversary.

BEA

Commerce Minister Tofail Ahmed speaks at a seminar organised by Bangladesh Economic Association at Cirdap auditorium in Dhaka yesterday.

Affectionately christened the Father of the Nation, Rahman was assassinated along with most of his family members at the crack of dawn on August 15, 1975, by some disgruntled army officers.

His two daughters -- Sheikh Hasina, now the prime minister, and Sheikh Rehana -- survived as they were out of the country at that time.

"He was very wise and had farsightedness," Ahmed said, citing the inauguration of the satellite earth station at Betbunia in 1974 as a case in point.

In 1972, the life expectancy was 39 years; now, it is 72 years. Exports, which were only $348 million after independence, is now $36.7 billion.

"We are ahead of Pakistan in many socio-economic indicators and in some cases ahead of India too," Ahmed added.

At the event, BEA President Abul Barkat in a paper said Bangladesh's GDP would grow 9 percent annually. It would have been 2.7 times that of Malaysia were Bangabandhu still around.

In 2011, Bangladesh's GDP would have been $421.58 billion, far exceeding the GDP of Malaysia's, which was $154.26 billion. At the same time, the per capita income would have crossed Malaysia's.

Had Bangabandhu's development philosophy implemented, the income divide between the rich and the poor would have narrowed.

"The percentage of rich would have been 0.07 percent and the percentage of poor would have been the same if Bangabandhu was alive."

The middleclass would account for 98 percent of the population by 2011.

Now, the middleclass comprises 31 percent of the population, Barkat said, adding that the killers had not only slain a patriotic leader but also the future of a promising and progressive nation.

At the discussion, former Bangladesh Bank governor Mohammed Farashuddin said the country's per capita income has exceeded Pakistan's in 2017.

The economy grew at 4 percent from 1971 to 1973. In fiscal 1974-75, when Bangabandhu was assassinated, the growth rate was 8 percent, he said.

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Shipment delay weighs on RMG

BIBM finds in survey

STAR BUSINESS REPORT

Shipment delays and late presentation of documents to Bangladesh's authorities are among the most critical challenges faced by the country's garment sector, according to a survey.

Some 66 percent of the exports could not be delivered on time while late presentation of documents, which poses a money laundering risk, occurred 53 percent of the time, said the survey of the Bangladesh Institute of Bank Management (BIBM).

Inadequate knowledge of domestic and international regulations was also to blame, it said. The BIBM revealed the findings of the "Trade Facilitations in RMG by Banks: Risks and Mitigation Techniques" survey at a workshop at its auditorium in Dhaka yesterday.

The institute organised the programme in association with the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

Garment exports account for more than four-fifths of the country's total exports, earning about $30 billion in 2017, of which woven and knitwear garments constituting around 52 and 48 percent respectively, according to the survey.

The survey spoke of another risk: the increasing amount of overdue export bills: 48 percent against letters of credit (LCs) and 53 percent against contracts.

The bills increased sevenfold to $119.63 million last year from $16.23 million the year before, said the survey, adding that some 42 percent of the export proceeds were found to have been non-repatriated against contracts.

The overdue bills raised concerns about money laundering and whether the exports actually did occur. The LCs cater to transactions between locals and foreign banks while contracts to direct deals between buyers and suppliers.

During the survey, members of the BGMEA and the BKMEA pointed out some key operational challenges to trade facilitation and financing by banks.

These include low packing credit usage, inefficiency in assessing working capital, absence of credit limit tolerance and of a customised collateral system, and inconsistent trade charges among banks.

Other obstacles are lack of awareness and inefficiency of traders and bankers in handling operations, they said, adding that problems were sometimes faced in trade facilitation with countries including Russia, Iran, North Korea and Cuba.

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SALE OF DSE STAKE

Brokers decry 15pc capital gains tax

AHSAN HABIB

Stock brokers of the Dhaka bourse are disappointed as they will have to pay 15 percent capital gains tax on the sale of their shares in the bourse to a Chinese consortium.

Stock brokers have to part with 25 percent of their shares to a strategic partner as per the Demutualisation Act, 2013.

Accordingly, the Dhaka Stock Exchange signed a share purchase agreement with the Chinese consortium, comprising Shenzhen Stock Exchange and Shanghai Stock Exchange, on May 14 to sell the shares worth about Tk 947 crore.

As the bourse is not listed, the stock brokers will have to pay 15 percent capital gains tax, whereas the rate is 5 percent for the sponsors of the listed companies.

"Why will the stock brokers pay such a high capital gains tax?" asked the managing director of a leading stock broker, requesting anonymity.

"We [the DSE] are a non-listed company and we had no option to be listed first."

The Demutualisation Act stipulates that the DSE would have to pick the strategic partner first before being listed in the market.

The official said this is totally discriminatory as they will have to pay more taxes.

On several occasions, the stock brokers urged the finance minister to rationalise the tax and also met with him recently.

"We approached the finance minister in written and verbally. He had also promised to consider our demand," said Mostaque Ahmed Sadeque, president of the DSE Brokers' Association.

"But we are now hearing that he is not in a position to entertain our request."

Sadeque said, if they are offered the tax waiver, they are ready to invest the sales proceeds in the capital market and pay 5 percent capital gains tax.

The Chinese consortium's money will arrive within next two to three weeks and the DSE is going to open an account to receive the money.

The exchange is waiting for the central bank's approval to open the account.

"We expect to get the money very soon," said KAM Majedur Rahman, managing director of the bourse.

The Chinese consortium has bought 45 crore shares at Tk 21 each.

It sought a seat on the DSE board. The consortium, however, said it would not ask for any return on its investment for 10 years.