STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES (STANDARD CHARTERED BANK)				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI		USD	EUR	GBP	JPY
▼ 0.55%	▲ 0.51%	▼ $1,405.80 (per ounce)	▲ $66.25 (per barrel)	▲ 0.40%	▼ 0.51%	▼ 0.09%	▼ 0.19%	BUY TK	83.50	93.84	105.04	0.76
5,410.70	10,036.38			39,592.08	21,086.59	3,301.25	2,976.28	SELL TK	84.50	97.64	108.84	0.80

Star BUSINESS

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Pathao downsizing on fund shortage

MUHAMMAD ZAHIDUL ISLAM and SHAHRIAR RAHMAN

Pathao, a ride-hailing company and one of the fastest growing tech startups in Asia, cut more than 50 percent of its workforce in the last two days as it struggles to raise funds amid waning popularity for its services.

According to several sources, nearly 300 mid- to top level employees, including the head of Pathao Food and Ride Core Service, were terminated.

Senior executives from Chattogram and Sylhet were also forced to step down, said the employees who faced the fate.

The finance department of Pathao told The Daily Star that the layoff was due to investors backing out from the upcoming investment round, leaving it with only a few months' worth of funds to run the company.

The top management had tried to raise $100 million from new investors but the effort went in vain, the sources said.

After the fund-raising move failed, the existing investors asked some senior executives, including CEO Hussain Md Elius, to resign.

Elius, who co-founded the popular ride-sharing business in 2015, refused to step down.

Pathao, which started with motorcycle taxi service in Dhaka, had a flying start. Within a couple of years of its inception, it received an undisclosed amount from GO-JEK, a popular ride-sharing company in Indonesia.

Soon, Alter Global and Openspace Ventures joined in and came up with solutions to overcome infrastructural problems in Bangladesh.

At one point last year, its ride number went past one lakh a day in three cities, namely Dhaka, Chattogram and Sylhet.

However, its popularity started to wane after Uber launched its motorcycle service in Dhaka. Pathao's daily ride number came down to about 20,000, said a senior executive, who was also forced to resign.

COLLECTED

Nearly 300 employees, including the head of Pathao Food and Ride Core Service, were terminated.

"Non-compliance is a serious issue within the company and this has largely caused its popularity to decline," he added.

On Tuesday, all sorts of internal communication tools were blocked and the employees who were about to be terminated were separated on Wednesday, said an executive who was sacked.

Once the termination letters had been handed over, the employees were asked to leave the premises immediately, he said.

Pathao Limited, which runs its service in Bangladesh as a foreign entity, has so far served four crore trips or orders and its app was downloaded 50 lakh times, according to its official website. It opened its venture in Nepal last year.

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Foreign digital campaigners kept on a tight leash

They must have VAT-registered agents from July 1

STAR BUSINESS REPORT

Foreign platforms like social media giants and television channels will now have to appoint their local agents to broadcast campaigns in Bangladesh from next fiscal year, the National Board of Revenue (NBR) said on Tuesday.

The local agents will pay 15 percent VAT on behalf of the foreign entities.

The revenue authority issued the directive as it revs up to implement the VAT and Supplementary Duty Act 2012 from July 1. Most of the local digital campaigners welcomed the move as it will bring transparency and ensure governance.

The market size of digital campaigns is estimated at more than Tk 1,000 crore and the government is deprived of any earning from the transactions.

The NBR said the new law—which will replace the VAT Act 1991—makes it compulsory for non-residents to hire VAT agent here to air programmes or to provide electronic services that are taken by people in Bangladesh.

As per the NBR directive, no local company can run their campaigns and advertisements to any foreign satellite television channels without paying any VAT to the government through the channels' VAT agents.

This means, owners of satellite channels such as Zee Bangla and Star Jalsha will have to appoint their VAT agents and pay 15 percent VAT on their advertisement revenue from Bangladesh.

At the same time, electronic service providers namely Facebook, Google, YouTube, Messenger, Viber and WhatsApp will also have to do the same, said an NBR letter signed by Hasan Mohammad Tarek Rikabder, first secretary of VAT policy of the NBR.

The NBR requested the secretary of information ministry and chairman of the Bangladesh Telecommunication Regulatory Commission to ask all the non-resident firms to get VAT registration and hire VAT agents.

"We welcome this decision as the local e-commerce companies will be able to pay their digital campaign expenditure in local currency," said Abdul Wahed Tomal, general secretary of the e-Commerce Association of Bangladesh (e-CAB).

Through this process transparency will be established and the government can get their fair share from the industry.

At present, the total expenditure for digital campaigning on the social media platform is more than Tk 1,000 crore and the government is only getting crumbs from the transactions, he added.

Developed countries and even India have adopted this system a few years ago, said Shahed Alam, head of corporate and regulatory affairs at Robi Axiata.

"Now we can spend on digital campaigning without any fear and can also use the documents to get VAT rebate from the NBR," he said, adding that mobile operators are the biggest spenders on social media.

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Sari weavers face bleak future

MIRZA SHAKIL, Tangail

Weavers in Tangail are going through a difficult time as the sales of the saris they make using handlooms have dropped drastically in the last couple of years.

The price hike of raw materials, women's dwindling interest in saris, the rise of power looms, and the availability of Indian products are the major reasons behind the fall of the sales of local sari, according to weavers and traders.

During a recent visit to different parts in the district, weavers were found busy making different types of saris, but they are not sure about the business prospects.

"We are not sure whether we will be able to sell all of our saris although we are selling them at a very low profit," said Suruj Miah, a handloom owner in Dhulutia village under Sadar upazila.

"Now, we can log a maximum profit of Tk 200 to Tk 300 per sari that takes two to three days to make," he added.

Dilip Das, a sari trader in the district town, said women are losing interest in wearing saris. Rather, they are interested in salwar kameez, especially those brought in from India.

Around two lakh weavers in the district are involved in the handloom industry, according to weavers and traders. They produce different types of saris, including cotton, jute cotton, jal cotton, banarasi, jamdani, katan, silk, half silk, soft silk, gas silk, dotari silk, jute silk, khaddar, baluchuri, and tosor.

"We used to sell saris worth Tk 1 crore during Eid season five years ago. But the sale has fallen to Tk 20 lakh in recent years," he said.

Shahin Alam, a weaver at Chandi in Delduar upazila, said many handloom owners have already shut their business because of poor business prospects. Many skilled weavers are also moving to other professions.

Mantu Basak, a sari trader, demanded that the government impose higher duty on the imports of saris to help the local handloom industry stay afloat.

Md Rabiul Islam, liaison officer of the Tangail Basic Centre of Bangladesh Handloom Board, said, "We are ready to extend all-out cooperation to revamp the handloom industry."

The government has already undertaken a project to provide loans to handloom owners at low interest rate, he added.


STAR/FILE

Women are busy weaving saris at Chandi village in Delduar upazila of Tangail.

Mobile users feeling the budget pinch

Stakeholders express concern over service quality

STAR BUSINESS REPORT

Mobile users have already started to feel the heat of the proposed budget for fiscal 2019-20, which proposed doubling the supplementary duty and higher turnover tax on operators, said experts and related bodies yesterday.

Finance Minister AHM Mustafa Kamal in his maiden budget presentation on June 13 called for hiking the supplementary duty to 10 percent from 5 percent, SIM tax from Tk 100 to Tk 200 and turnover tax for mobile operators to 2 percent from 0.75 percent at present.

The government is highlighting digitalisation but in the proposed budget of fiscal 2019-20 it has proposed higher taxes for using technology, said Mohiuddin Ahmed, president of Bangladesh Mobile Phone Consumer Association.

"The supplementary duty has already been passed on to the customers and we know the operators will get some other taxes and those will ultimately fall on the customers."

Ahmed's comment came in a roundtable styled "Proposed Budget: Reality in Telecom Sector" organised by the Telecom Reporters Network (TRNB) at the capital's Best Western La Vinci Hotel.

After raising the supplementary duty the government will earn Tk 1,300 crore more, but it will come from the consumers' pocket, said Shamim Jahangir, finance secretary to the TRNB.

The hike in SIM tax will hinder the growth of the industry and the increase in turnover tax would raise the cost of doing business and ultimately that will lead to poorer service quality, speakers said.

Mahtab Uddin Ahmed, chief executive officer and managing director of Robi, said the operator logged in profit in the first quarter of 2019 but the proposed tax measures -- which will be the highest in the world -- means the trend will not continue for the rest of the year.

At present, only one operator is seeing profits and the other three are bleeding. Additional taxes on them at this moment would be fatal.

"The policymakers need to look into the matter," he said.

The government had tried to offer new mobile licences at least three times in the past but found no response though Bangladesh as a market is very lucrative thanks to its huge tech savvy youth population.

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Allocation for water, sanitation scarce in rural areas: experts

STAR BUSINESS REPORT

Although the allocation for water, sanitation and hygiene has increased significantly in the proposed budget, an inadequate allotment for rural and hard-to-reach areas poses a challenge for achieving the Sustainable Development Goal 6, experts said yesterday.

"The urban allocation, mostly for 11 city corporations, has increased but the rural allocation is insufficient as it was seen in the past budgets," said Hossain Zillur Rahman, a former adviser to a caretaker government.

He spoke at a press conference on "Water, Sanitation and Hygiene allocation in the budget 2019-2020" organised by WaterAid Bangladesh at National Press Club in Dhaka.

In the proposed budget, the urban areas have collectively received about Tk 8,530 crore for water, sanitation and hygiene, known collectively as WASH. On the other hand, the rural areas got Tk 2,470 crore, according to the Power and Participation Research Centre (PPRC).

"This poses a big challenge in achieving the SDG 6, which requires the country to ensure availability and sustainable management of water and sanitation for all," said Rahman, also the executive chairman of the PPRC. The economist said there are discrepancies in allocation even within the city corporations.

For example, the allocation for the WASH sector in Gazipur City Corporation surged to Tk 680 crore in the proposed budget from Tk 161 crore in the outgoing fiscal year's revised budget.

Dhaka South City Corporation has received Tk 843 crore, up from Tk 675 crore.

On the other hand, Tk 76 crore was set aside for Chattogram City Corporation, way lower than the Tk 1,078 crore allocated in the revised budget.

Sylhet City Corporation will get only Tk 34 crore whereas it received Tk 87 crore in 2018-19.

"There was no explanation in the proposed budget why the allocation for the Gazipur and Dhaka south city corporations rose while it fell for Chattogram and Sylhet," Rahman said.

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WATERAID BANGLADESH

Hossain Zillur Rahman, a former caretaker government adviser, speaks at a press conference on the allocation for water, sanitation and hygiene in the proposed budget, at the National Press Club in Dhaka yesterday.