

## With new bank aid, BOJ makes stealthy retreat from negative rates

REUTERS, Tokyo

The Bank of Japan is quietly walking back its unpopular negative interest rates policy with a controversial scheme designed to drive mergers among weaker, smaller lenders, a move some insiders see as a risky deviation into industrial reform.

As COVID-19 adds pain for regional banks suffering from years of ultra-low interest rates, the BOJ this month unveiled a plan to pay 0.1 per cent interest on deposits held by lenders that cut costs, boost profits or consolidate.

The programme means the BOJ will for the first time offer payouts to a specific industry with the aim of driving reform in that sector. Critics warn such policy should be directed by elected officials, not central bankers.

"The BOJ is incentivising unviable banks to merge before they end up going under," said Tomoyuki Shimoda, a former BOJ official who is now professor at Hitotsubashi University. "It's a pretty bold decision. There's no turning back."

Some BOJ executives were against the scheme, which defied the central bank's tradition of being "a lender not a spender," according to three sources with direct knowledge of the matter.

But after more than a year of groundwork by BOJ bureaucrats and bank regulators, the plan went through, the sources said, a sign that regional banks were in worse shape than BOJ Governor Haruhiko



REUTERS/FILE

**A Japanese flag flutters atop the Bank of Japan building in Tokyo.**

Kuroda was willing to admit.

"It's a message to regional banks that time is running short," one of the sources said. "Were it not for the seriousness of the problem, the BOJ wouldn't have gone this far," another source said, a view echoed by a third source.

The BOJ declined to comment for the story.

The decision highlights how Kuroda's defense of his stimulus policies - and his view the cost of prolonged easing is manageable - is crumbling, forcing him to pay the price for his radical measures with an even more controversial programme.

It also marked another retreat from negative rates, a policy long criticised by banks as crushing yields across the curve and

narrowing already thin margins, two other sources said.

The policy was unpopular from the outset. Just eight months after its launch in 2016, the BOJ was forced to set a target for 10-year bond yields to avoid excessive falls in long-term rates.

It also shrank the pool of funds to which negative rates were applied to around 5 trillion yen (\$48 billion) - or 1 per cent of total reserves financial institutions park with the BOJ.

"The aid scheme is part of the BOJ's attempt to phase out the impact of negative rates, which has been going on over the past few years," said former BOJ executive Hideo Hayakawa, who retains close contact with incumbent policymakers.

## Genex Infosys now distributor of Siemens software

STAR BUSINESS DESK

IT services provider Genex Infosys will be distributing Siemens software offerings across a broad spectrum of industry domains in Bangladesh.

Yesterday it announced to have joined a Siemens Digital Industries Software Solution Provider Partner Programme.

"(It) will play a key role in the digital transformation of our manufacturing sectors including RMC, and help them in their journey of Industry 4.0," said Abu Taiyab, executive director of Genex Infosys.

"It is now possible for our customers to use the same industry-leading technology that top manufacturing companies

throughout the world depend on every day," he said.

"Leveraging the Xcelerator Portfolio, the end-to-end digital innovation platform... will help enable our customers to realise innovation and optimise manufacturing performance," he added.

Team center PLM, Mendix Low Code Software development, Mindsphere Industrial IOT Platform, NX CAD/CAM Products and Preactor Planning Solutions will create significant contribution towards the industrial revolution of Bangladesh, according to a statement.

Genex Infosys has multiple operation centers in Bangladesh, Myanmar, Malaysia, Thailand and the UK.

## Indian mills sign sugar export deals without government sweetener

REUTERS, Mumbai

Indian sugar mills have for the first time in three years agreed export agreements without the support of government subsidies as they scramble to pay dues owing to farmers, four industry officials told Reuters.

So far they have contracted 10,000 tonnes of white sugar for exports in the new season that began on Oct. 1, which they face selling at a loss, potentially weighing on international prices.

India is the world's biggest consumer of sugar, but as the second biggest producer, produces more than required. The government uses subsidies to encourage exports and ensure mills make payments to cane farmers.

This year, disagreements among ministries has delayed the announcement

of the export subsidy, helping to drive global sugar prices to the highest levels in nearly nine months.

"Mills have started selling sugar to exporters after waiting for the subsidy announcement for months," said Rahil Shaikh, managing director of MEIR Commodities India, noting India has not allocated an export quota for the 2020/21 season. Three other sources that confirmed the export agreements could not be named because of their company policies.

They said the 10,000 tonnes of white sugar had been contracted to trading houses that are exporting the sweetener to Afghanistan for December shipments.

"When we compare overall export volume, 10,000 tonnes is a very small amount, but the deals are significant as it shows the desperation," a Mumbai-based dealer with a global trading firm said.

## ICAB awards 23 corporates for best annual reports

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In the public sector entities category, the top honour went to the Investment Corporation of Bangladesh.

Sajida Foundation secured the highest accolade in the non-governmental organisation category. Ghashful and Codec became the joint second prize winners, and ActionAid Bangladesh won the third prize.

Unique Hotel & Resorts Ltd was the first prize winner in the service sector category, while Golden Harvest Agro Industries received the top award in the agriculture category.

In the integrated reporting category, the first prize went to LankaBangla Finance, the second prize to IDLC Finance, and the third prize to Bank Asia and Brac Bank.

IDLC Finance and LankaBangla Finance came out as the joint first prize winners in the corporate governance disclosures segment. Bank Asia came second, and Islami Bank Bangladesh and Brac Bank came joint third.

A nine-member jury board led by Md Matul Islam, chairman of the Industrial and Infrastructure Development Finance Company, and a former finance secretary, reviewed the recommended list of the winners.

Speaking as the chief guest, the commerce minister said chartered accountants are not only dealing with the conventional area of accounting, taxation, auditing and management consultancy, they are also involved in overall strategic business planning and its effective implementation

for business growth and the overall economic development of Bangladesh.

"They are now a very vital part of financial and macro-economic management. Their expertise, input and contribution in generating government revenues as well as building confidence for investment are admirable."

"I hope your professional excellence will continue to add value to ensure good governance. It will create an environment of business confidence among stakeholders."

ICAB President Muhammad Farooq said the role of the ICAB is to promote, enhance and improve the framing of the financial statements and reports to reflect fair views of the entities to safeguard the interest of the investors, the government, stakeholders and other users.

The objective of the awards is to promote transparent reporting and adequate disclosures, through the application of accounting or financial reporting and auditing standards, thereby meeting stakeholder expectations and high levels of professional ethics, he said.

"This reflects ICAB's firm commitment to serving the public interest and contributing to the economic development of the country."

Jafar Uddin, commerce secretary, Md Hamid Ullah Bhuiyan, chairman of the Financial Reporting Council, and Mohammed Humayun Kabir, chairman of the review committee for published accounts and reports, also attended the event.

## Robi's profit plummets 77pc

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Robi's revenue from voice call services dipped 8.2 per cent year-on-year to Tk 972 crore in the third quarter, indicating a sharp decline in 2G-based voice call services amid the ongoing coronavirus pandemic.

Data revenue rose 22 per cent year-on-year to Tk 684 crore.

Although Robi is going to be listed on the Dhaka Stock Exchange, it is yet to get any extra incentives for going public.

"And unfortunately, our conditions have yet to be fulfilled either," Ahmed said.

Robi included two conditions in its application for the initial public offering. The first is to reduce the turnover tax to 0.75 per cent from the existing 2 per cent and the second one was to reduce corporate tax by 10 percentage points.

Robi paid Tk 875 crore to the government exchequer in the third quarter, which is 45.3 per cent of its total revenue.

"We got the commitment from a high authority of the government on the conditions, but they were not fulfilled yet. We are disappointed, but we are still hopeful that the government will consider our conditions," the Robi CEO said.

"Otherwise, it will give a bad signal to foreign investors."

Replying to a query, Ahmed said that the telecom operator did not boost its assets through revaluations.

Robi is a technology company, and it

is currently growing. It is the only way to quantify its value since earnings per share are not yet available.

"We are in a massive expansion phase," Ahmed said.

Robi's capital expenditure rose 24.8 per cent to around Tk 360 crore this year.

"We have been running our business for the last 22 years and incurred losses in six of them because of the merger with Airtel," said Shahed Alam, chief corporate and regulatory officer at Robi.

The Robi-Airtel merger was completed in 2016.

"When a company merges with another, it is normal for it to incur a loss for a few years before a turnaround," Alam said.

"Besides, the increased tax on turnover also lowered our profits," he added.

In the last nine months, Robi's revenue grew by about 1 per cent year-on-year to Tk 5,644 crore. Profits rose 1.9 per cent to Tk 116 crore, the company's financial report shows.

Robi Axiata completed its IPO subscription last Monday and aims to raise a fund of Tk 523 crore from the stock market.

## Deepening uncertainty downing credit growth

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Banks now face excess liquidity due to the collapse in credit demand, Rahman added.

The excess liquidity in the banking sector stood at Tk 160,979 crore as of August, up 105 per cent year-on-year.

The import of capital machinery and industrial raw materials went down alarmingly in recent months, signalling a sluggish investment scenario, Rahman said.

Settlement of letters of credit (LCs), generally known as import payments, for capital machinery declined 39 per cent year-on-year to \$822 million in the first

quarter of the ongoing fiscal year.

LC settlement for industrial raw materials declined 7.32 per cent to \$4.32 billion.

"The credit growth will pick up heavily once Covid-19 vaccines are available," Rahman added.

The managing director also predicted that the ongoing sluggishness would continue until next March.

The outstanding loans in the private sector stood at Tk 11,14,322 crore as of October in contrast to Tk 11,13,082 crore the previous month.

## Calls ring out for deadline extension

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A taxpayer can file returns for the next the four months after the deadline by availing time extensions from tax offices. However, submission after the deadline is subject to 2 per cent monthly interest on the payable tax amount as per rule.

The National Board of Revenue (NBR) kept the period unchanged this year.

However, taxpayers said the two-month-long shutdown devastated incomes of many taxpayers as the economic activities plunged to historic lows during the April-May period of this year.

The shutdown and the continuation of new people getting infected every day affected regular office activities even after the government removed the restrictions from June.

Preparation of salary statements for employees by many offices was delayed while the collection of other required documents by taxpayers affected.

"We had to wait for getting papers for a longer period this year than the previous year because of the pandemic," said banker Mahmud Hasan.

"There are many who have been limited to homes after reporting positive. It would be a great respite for many if the government increases the time by 20 to 30 days," he said.

Nihad Kabir, president of the Metropolitan Chamber of Commerce and Industry (MCCI), said there appears to have been a sudden change in the Covid situation and concerns about a second wave was growing.

"We see a sudden rise in the infection numbers. It has become difficult to complete all the documentation required to be submitted because many people are unwell," she said.

The second thing is that this year there is no scope to file returns online.

So, she said, it would create another health hazard to have so many people trying to submit

their returns on the last day, "which we know always happens".

"Everybody will be trying to submit returns all at once. So to avoid further aggravating the situation, we would request that the NBR be kind enough to extend the time for submission," she said.

The MCCI president suggested for the revenue authority to consider staggering return submission and payment hours to avoid large crowds at a tax office or banks at a time.

"An increasing number of people are becoming Covid positive. And they include taxpayers, tax lawyers, bankers and even tax officials," said Syed Iqbal Mostafa, president of Dhaka Taxes Bar Association (DTBA).

"Taxpayers have to spend more time in banks to pay tax. Considering this and loss of jobs and incomes, we have appealed to the NBR for extension of the deadline," he said.

"Many senior taxpayers are afraid of visiting banks to pay tax while a number of our clients are sending documents by email," he said.

Iqbal said the NBR has legal tools in its hand as the parliament this June added a provision in the income tax law empowering the tax authority to waive or extend the time to enable taxpayers to comply.

Citing news reports in the media, Iqbal said India extended its deadline until December this year to facilitate tax payment by its citizens.

"We appealed for two months until January 30," he said, adding that tax lawyers from various districts also urged the NBR to provide the extension.

"The extension will increase revenue collection," said Iqbal.

Asif Ibrahim, chairman of Chittagong Stock Exchange (CSE), said retail investors of the capital market and small business owners had been affected by the economic woes caused by

the impacts of the pandemic.

"Hence we request the NBR to extend the filing deadline without the penalty," he said.

Shams Mahmud, president of Dhaka Chamber of Commerce & Industry (DCCI), echoed them.

"The business community as per a directive of the government has started to be careful regarding social distancing as the rate of transmission is going up," he said.

"Also with the change in season, people are catching a cold. Considering everything, the government should extend the time by a minimum of one month," he said.

Also, any form of penalty, especially during this time, will be a heavy burden on businesses, especially the micro, small and medium enterprises. "We expect the NBR to allow a time extension keeping in mind this year's special circumstances," he said.

A senior official of the NBR's income tax wing said taxpayers get five months to submit returns. "Taxpayers could have filed income tax returns had they wanted to," he said.

He, however, said the NBR was reviewing the situation.

"We are collecting information on return submission from field offices this year and the previous one to get a comparison of submissions. Let us see the data," he said in response to the demands for extension of the deadline.

Bangladesh has 55 lakh registered TIN holders as of now. Last year, the NBR received nearly 22 lakh returns, according to the officials.

All registered taxpayers will have to submit income statements irrespective of whether they have taxable income or not.

This excludes non-residents alongside those who have either credit cards or have registered for taxpayer-identification numbers (TIN) for having to sell land but do not have taxable income.

## Expand stimulus packages as second wave looms

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"But, the country's government has taken swift actions by way of declaring stimulus packages to reduce the negative impact," she said.

The disbursement of the stimulus packages for the small and micro-enterprise (SME) sector is sluggishness as 30 per cent of the fund was given out as of September, Tembon said.

Given the uncertainties going forward, the government should be ready to expand the size of the stimulus packages, she said.

The rising number of coronavirus cases in Bangladesh and around the world may put negative pressure on domestic economic activities, according to the WB official.

"In order to resolve the crisis, the government should be ready to provide additional support whenever required."

The experiences of the current packages should be used in the upcoming economic programmes. This will help implement the new packages in a smooth manner, Tembon said.

"We need to continue our joint cooperation to tackle the economic slowdown," said ITO Naoki, Japanese ambassador to Bangladesh.

"Japan is ready to provide support to the Bangladesh government."

Salary support for the export-oriented industries and working capital loans in the form of stimulus packages have played a positive role in meeting the immediate needs of the industries.

The exports in the country's readymade garment sector faced a negative growth of 18 per cent last fiscal year due to a tremendous shock deriving from the business slowdown everywhere, said Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association.

The RMG export growth has declined in different countries in the last couple of months to a large extent, she said.

"We need a fresh package to protect the sector. The current tenure of loan packages should be extended by at least five years," she said.

The Covid-19 has impacted the three major social indicators - poverty, inequality and employment, said Selim Raihan, executive director of the South Asian Network on Economic Modeling (Sanem).

But both Bangladesh and India, among the south Asian countries, have promptly declared stimulus packages, he said.

The Sanem conducted two surveys to assess the crisis facing the people.

In a sector survey, which was conducted in October, the think-tank had assessed 502 firms in 14 sectors.

Four per cent of the firms informed that they made a strong recovery, and 29 per cent had not enjoyed any recovery. Some 41 per cent attained a moderate recovery while 26 per cent called the recovery weak.

"The findings are encouraging as around 70 per cent are on the recovery stage," Prof Raihan said.

"But the recovery is largely dependent on what is happening in the global economy. We are going to witness the second wave of the pandemic, which will put an impact on the ongoing recovery process."

Against the backdrop, the effectiveness of the stimulus packages is extremely important, he said. The economist recommended three issues to make the stimulus packages effective.

"First is financing, but this is not a major barrier," he said.

"The second one is the management and the third is monitoring."

The government has announced massive funds to get rid of the crisis, which is unprecedented in the history of Bangladesh. "Management is essential to achieve the success," Raihan said.

The survey also found that 19 per cent of

firms had received funds from the packages.

Only 8 per cent of micro and small businesses managed to avail funds from the stimulus packages. It is 20 per cent for medium-sized firms, and it is 41 per cent for large firms.

It means the large firms have so far enjoyed the facility from the packages and micro and small firms are lagging.

"Probably, we need to revisit the stimulus packages. In this context, we must have an independent evaluation of the packages that have been executed so far," Raihan said.

"We must look at the challenges of the SMEs such that they get the funds they need."

On getting these evaluations, the government needs to consider another round of stimulus packages because of the upcoming second wave of infections, Prof Raihan said.

"Many factories could not sustain themselves in the wake of demand collapse. And workers of the industries lost jobs," said Nazneen Ahmed, a senior research fellow of the Bangladesh Institute of Development Studies

"We all want recovery. So, fresh packages have to be devised so that we can support the suffering workers."

As of now, Bangladesh has survived in a better way in comparison to many other countries, said Ahmad Kaikaus, principal secretary to the prime minister.

All developed nations faced negative growth, but Bangladesh grew by 5.4 per cent last year, which is a positive thing, he said.

Attending as chief guest, Commerce Minister Tipu Munshi said the government had taken lots of initiatives to tackle the economic slowdown.

The wheels of the economy have started moving riding on the proper implementation of the stimulus packages, he said.

The government took the time-befitting initiatives, which helped avert any unexpected losses, Munshi said.