



**Md Mofizur Rahman, managing director of SME Foundation; Shah Md Ahsan Habib, professor at the Bangladesh Institute of Bank Management; Husne Ara Shikha, a general manager at Bangladesh Bank, and Md Arfan Ali, president and managing director at Bank Asia, attend a daylong “CMSME Conference 2021” organised by Bank Asia yesterday.**

## Ready flats almost sold out

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In December, the price of steel, a major raw material of the construction sector, increased by 17 per cent.

The retail price of 60-grade mild-steel (MS) rod rose to Tk 64,000 per tonne, up from Tk 54,000 in November and to Tk 61,500 in the corresponding period last year, data from the state-run Trading Corporation of Bangladesh showed.

The price has remained unchanged.

Afterwards the price of cement increased by around 5 per cent as a form of commercial adjustment. The 50-kg bags, which were being sold at Tk 390 to Tk 420 depending on the brand, reached Tk 410 to Tk 440.

However, he said, no realtor had yet increased prices of flats after the pandemic as they had used raw materials purchased at previous rates. But the impact will come about in the near future, he warned.

IPDC Finance lends up to 85 per cent of a flat's value at 9 per cent interest for a maximum of 25 years.

IPDC provides this financing scheme to clients of Assure Group, BTI, Sheltech, UDDL, Concord, Assurance, Bay Developer, Shanta Holdings, Ranks Real Estate, ABC Real Estate, Anwar Landmark, Finely Properties, ANZ Properties and Summar.

Sirajus Salekin, head of mortgaging at IPDC Finance, said now they were getting clients who were purchasing readymade flats, which made it clear that there would be a shortage of ready flats in the market.

As per their observation on loan applications where prices are mentioned, the price of flats and land had increased this year compared to last year.

“We have been disbursing home loans of Tk 120 crore to Tk 150 crore per month for the last four to five months to individual clients and

entrepreneurs of the real estate sector,” he said.

Tanvir Ahmed, managing director of Sheltech Group, one of the leading realtors in Bangladesh, said the present trend was a form of recovery of the deficit left behind by the Covid-19 pandemic as demand had increased compared to the preceding months.

Sheltech is organising a month-long solo housing fair at its corporate office at the city's Panthapath area.

According to him, Sheltech has 12 ready and partially complete projects and 16 ongoing projects where flats prices ranged between Tk 90 lakh to Tk 14 crore.

However, he said, the number of flats ready to be handed over were very low compared to those in ongoing project.

He said credit facilities were available for homes and commercial spaces in different parts of the city.

However, he said, the prices of construction materials had increased in recent times, the impact of which would fall on the shoulders of the consumers.

In the budget of the current fiscal year, the government allowed use of the untaxed income for purchase of property, land and flats in certain areas, saying no questions would be raised on the source.

Besides, banks are providing home loans at very cheap, single digit interest rates, taking it to be a secured form of investment, according to industry players.

Md Arifur Rahman, chief executive officer at Assurance Development, said the price of flats increased by around Tk 100 to Tk 500 on every square feet in different locations of Dhaka city compared to that last year due to a shortage of the product.

Basically, the construction work in the housing

sector had remained stuck in 2020 due to the pandemic, he said.

“As normalcy returned in economic activities and the government provided policy support, it helped to create demand for apartments. But apartments are not sufficiently available against demand at this moment,” he said.

As an example, he said in Uttara the cost of every square feet of a flat ranged between Tk 7,000 to Tk 11,000 whereas it was Tk 6,000 to Tk 8,500 from 2016 till the start of the pandemic.

During the last five years, flat prices increased by over 25 per cent, Rahman said.

Mohammad Farhaduzzaman, marketing in charge, Eastern Housing, said a low bank deposit rate, unsteady share market and a stable political condition were helping the housing sector.

Kamal Mahmud, vice-president of REHAB and managing director of Skiros Builders, said the demand for mid-sized flats of 1,000 to 1,500 square feet had increased.

Basically, the demand increased for readymade flats as people wanted to waste no time in investing untaxed money.

Clients apprehend that they may not get a chance to whiten their untaxed money in the year as demand had created a shortage of readymade flats.

According to him, less than 5 per cent of their clients were expatriates while the rest residing in Bangladesh, which proved that there was a lot of untaxed money in the country which was being used though the government initiative to revive the housing sector.

Mahmud believes that if the government continues to provide such scopes, the real estate sector would do good this year and recover from the losses faced during the early stage of the pandemic, when around 6,000 projects were put on halt.

## Boro cultivation rises on higher prices

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Asadullah said the incentive brought about results. Farmers planted hybrid rice on 12 lakh hectares this season, up 33 per cent from 9 lakh hectares the previous year, said the DAE Chief.

Farmers are also turning to some new varieties of rice.

“Farmers respond positively and increase cultivation when prices remain high as they expect profitable prices,” said Jahangir Alam, an agricultural economist.

“There may be a dispute about the actual acreage but it is true that farmers have cultivated the grains on a higher area of land after Aman rice production dropped for floods,” he added.

On March 10, the FAO said the price of rice

had been steady in February and were well above their earlier-year levels.

The UN agency said in Dhaka markets, rice prices held steady in February and were 40 per cent higher than that of a year earlier.

Prices saw a continuous increase in the previous 11 months, reflecting tight market supply following stagnant production for three consecutive years, limited imports and strong demand amid the COVID-19 pandemic.

“Now the question is whether farmers will get fair prices for their produce,” he said citing the arrival of rice imported by the food ministry and private traders.

Until March 15, the total amount of rice imported was 5 lakh tonnes, data from the food

ministry showed.

Alam said the government has plans to allow imports of 10-15 lakh tonnes of rice, which may affect farmers in the coming harvest.

“This is the concern,” he said. “The government should ensure that growers are getting profitable prices.”

He added that the government should buy 10 per cent of the paddy grown by farmers for 20 per cent higher prices than the cost of production.

“The government can hire private sector entities to store the grains as it does not have enough capacity. It can also use godowns of the Bangladesh Agricultural Development Corporation to store grains,” he said.

## PepsiCo Foundation, Brac team up for safe water scheme in Cox's Bazar

STAR BUSINESS DESK

The PepsiCo Foundation has launched a pilot programme with Brac to increase safe water access in the Cox's Bazar district by supporting local water entrepreneurs in establishing water treatment plants to sustainably provide affordable, clean water to community members.

Brac will also support local groups to raise awareness about the importance of safe water and handwashing, especially in light of the Covid-19 pandemic, said the American multinational food, snack and beverage corporation in a press release.

The PepsiCo Foundation has helped more than 55 million people gain access to safe water globally since 2006 and catalysed nearly \$700 million in additional funding over the same period to support safe water access investments in partnership with leading non-profits worldwide.

“As part of our company's winning with purpose vision, we are piloting a project in Bangladesh in partnership with Brac which aims at helping communities effectively conserve, manage, and distribute water,” said Debasish Deb, country manager at PepsiCo Bangladesh.

“We are hopeful the program will benefit the community and will help us in our goal of improving water security for those in need in the country,”

“The PepsiCo Foundation truly understands the need for clean and safe water access to every individual on this planet,” he added.



## Standard Bank AMD made 'IFN Roadshow Bangladesh-2021' member

STAR BUSINESS DESK

Standard Bank's Additional Managing Director Md Touhidul Alam Khan has been nominated as member of the advisory board of international “IFN Roadshow Bangladesh-2021” to be held on April 5.

The roadshow will also cover areas such as capital raising, investment, financial technology and the Islamic finance landscape in Bangladesh, according to a statement.

Khan is an international correspondent of Islamic Finance News (IFN), Malaysia, an Islamic Finance news provider.

## US Justice Department probing Visa over debit practices

REUTERS

The Justice Department is looking at Visa Inc's debit practices, the company said on Friday, after reports the United States was investigating whether the credit card company uses anticompetitive practices in the debit-card market.

“The US Department of Justice has informed Visa of its plans to open an investigation into Visa's US debit practices,” the company said in a securities filing. “We

have received a notice to preserve relevant documents related to the investigation.”

The Justice Department is probing whether Visa uses anticompetitive practices in the debit-card market, a source familiar with the matter said on Friday. The Wall Street Journal, which first reported the news, said the Justice Department's antitrust division was looking in to whether Visa limited merchants' ability to route debit-card transactions over card networks that are often less expensive.

## Rising imports leave little room to use reserves

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Because of the plan of buying a massive quantity of food grains from external sources, the import would get momentum in the coming months.

The uptick in imports came after global economic prospects improved markedly in recent weeks, on the back of ongoing mass vaccination against the deadly coronavirus across the world.

“Implementation of the policy decision to use forex reserves exceeding six months equivalent to imports for infrastructure investment depends on how the Bangladesh Bank assesses the monthly import requirements going forward and how actual reserves evolve,” said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

Import payments have been relatively low in the past couple of years due to weak domestic demand. International commodity prices were either stable or declining, depending on specific commodities. The pandemic had exacerbated these pre-existing trends.

“A sharp pick-up in import payments to more than \$7.2 billion in January is a good reminder that this can't be taken for granted,” Hussain said.

International commodity prices have risen, and domestic demand is poised to

recover with the global vaccination and growing virus fatigue.

Advanced economies are projected to recover strongly in the second half of 2021 as their vaccination rates approach herd immunity. International commodity prices may thus rise further or remain at the current elevated levels, according to Hussain.

If imports remained at about \$7 billion a month, there would hardly be any excess reserves left since it had recently been varying between \$42 billion and \$43 billion, he said.

Remittance growth has slowed, and exports are struggling to return to pre-pandemic levels, said the economist, adding that global recovery may boost both, but there is no certainty about how much and when.

Adequacy of reserves is a major confidence anchor for foreign investors and creditors. It allows the Bangladesh Bank to smoothen exchange rate volatility, which is critical for macroeconomic stability.

“We hope the Bangladesh Bank will err on the side of caution in determining the adequacy of reserves.”

Self-reliance in managing external stability risk is more important than self-reliance in financing infrastructure, said the economist.

## BB bats for sukuk investors

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These have created a roadblock to buying and selling the sukuk in the secondary bond market, the official said.

If an individual or institutional investor sells the sukuk certificate in the midway of earning the profit, they will have to pay the source tax as per rules. Similarly, the person or institution that intends to buy the tool will have to face the same amount of source tax.

An agreement is needed between the buyer and seller to split the source tax proportionately in order to avoid double-taxation.

Profits will be paid to investors of the sukuk on a half-yearly basis.

Against this backdrop, investors now face complexities regarding buying and selling of the Islamic certificate, the BB official said.

The NBR imposed the source tax on the investors of T-bills and bonds at the

beginning of the current fiscal year.

The central bank has already sent two letters to the NBR, suggesting it withdraw the source tax on the profits made on the investment in T-bills and bonds.

The NBR has not responded yet.

The central bank has urged the NBR to treat Sukuk like three other bonds the government has introduced for expatriate Bangladeshis.

The Bangladeshis investing in the US Dollar Premium Bond, the US Dollar Investment Bond, and the Wage Earners Development Bond do not face any tax.

“The NBR should follow the same method to make sukuk attractive,” the central bank said.

Countries including Malaysia, Pakistan and Turkey have offered tax rebate to the investors of sukuk by drawing up a separate tax policy, a central bank letter said.

The initiative taken by the countries has made sukuk attractive, the BB official said.

## Mutual funds fail to attract investors despite discounts

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When a stock price rises and investors make profits, it is considered capital gains and when companies provide dividends, it refers to dividend gains, he added.

“The performance of mutual funds are not attractive to us because their portfolio shows many non-performing stocks are bought by them,” said Torkiul Islam, a stock investor.

“How can a fund manager buy low performing company's stocks? Many fund managers bought stocks at higher prices, but with what valuation analysis?”

“Actually, many fund managers made their funds as dumping stations so they bought low-performing and junk stocks even at higher prices,” he said.

They are not giving good dividends either, Islam said, adding that only a few have good track records of providing higher dividends.

Among the 37 mutual funds on the market, the dividend yield of 17 is zero as they declared no dividend for the year that ended on June 30, 2020, IDLC Asset Management data shows.

The dividend yield shows how much a company pays out each year relative to its stock price.

“No one even asked them why their performance is poor and why they are buying junk stocks or low performing stocks,” Islam said.

The BSEC's biggest blunder was when it allowed fund managers to extend the tenure by 10 years without approval from unitholders.

How can a fund manager extend the tenure of a fund if it is not their own money. So, the right only belongs to investors, he added.

A top official of a stock brokerage house said some fund managers misused the fund's money by investing in non-listed low performing companies which are giving no returns.

So, investors have no trust in most fund managers and as a result, they do not buy units of mutual funds despite discounts, he said.

Only two funds are trading over their NAV,

IDLC data shows.

Performance of open-ended funds is better than that of the closed-ended.

On March 16, returns of the DSEX year to date was 3.1 per cent while return of aggregated closed end funds was 5.3 per cent and the rate is 6.5 per cent in open-ended funds.

These open-ended funds are not traded in the stock market and their dividend was between 5 to 17 per cent last year, which is much higher than the bank deposit rate.

The total assets under management is Tk 13,640 crore.

In order to return investors' confidence to the sector, accountability of fund managers needs to be ensured so that they cannot invest in sick companies.

The regulator should also give priority to investors rather than fund managers, the stock broker said.

The regulator should also find out if any other fund managers invested in any other sick company from their funds, he added.

“We are working closely to ensure transparency and accountability in the mutual fund sector,” said Mizanur Rahman, a commissioner of the BSEC.

“Firstly, we are checking whether the fund managers are lawfully charging management fees and other operating expenses against the mutual funds.”

Secondly, some fund managers had invested in unapproved private equities. Those investments often turned out to be non-performing assets.

“So, we are forcing them to bring back the money and taking enforcement actions,” Rahman added.

Some asset managers also invested in junk stocks and incurred large losses against those investments. They then avoided making provisions for losses and thus overstated profits and net asset values for years.

“So, we are instructing them to recognise the loss in financial reports and keep provisions

## Adopt global standards for better financial reporting

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In his keynote paper, Toufique Shafiqul Islam, a consultant of finance ministry, said the chartered accountants' (CA) firms have the scope for financial audit on 178 extra budgetary and public enterprise organisations.

Islam said the challenges that CA firms face during the auditing of the public enterprises are ensuring independences, increasing the coverage of audit and timely submission of audit report to the parliament.

Some other challenges they face while ensuring citizens' participations, building

awareness, conducting more performance audit and financial audit, using modern auditing technology, proper monitoring, improving the quality of audit report and engaging more professional bodies, he said.

Bilquis Jahan Rimi, joint secretary of the finance division, said the financial reforms in Bangladesh started in 1989 and ended in 2001. The IPSAS is underway to be implemented in future in Bangladesh, Rimi said.

She said the field level officials of the ministries of health and education have been preparing the budget for the next fiscal year.