

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
Week-on-week		As of Friday		Friday Closings				As on Thursday STANDARD CHARTERED BANK			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 1.37%	▲ 1.15%	\$1,861.00 (per ounce)	\$78.89 (per barrel)	▼ 0.62%	▲ 0.50%	▼ 0.14%	▲ 1.13%	BUY TK 84.85	95.08	114.79	13.08
7,091.82	12,459.80			59,636.01	29,745.87	3,232.34	3,560.37	SELL TK 85.85	98.88	118.59	13.75





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BUSINESS

DHAKA SUNDAY NOVEMBER 21, 2021, AGRAHAYAN 6, 1428 BS
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Govt aims for major reforms to boost tax receipts

Will also ensure transparency in expenses

REJAUL KARIM BYRON and MAHMUDUL HASAN

The government plans to merge development and revenue budgets, amend income tax laws and establish a procurement authority in the next three years as part of a set of reforms aimed at boosting revenue collection and ensuring transparency in expenditure.

Revenue generation in Bangladesh is one of the lowest in the world because of tax avoidance, a long list of exemptions, lower taxpayer base, and weak enforcement, while public expenditures face leakages and are not efficient.

The reform initiatives are in keeping with the conditions set by the global development partners before they had provided budgetary support to the government to help the country recover from shocks triggered by the coronavirus pandemic.

“We have submitted an implementation plans on reforms with a specific timeline to the development partners,” a finance ministry official told The Daily Star,

REFORMS TIMELINE

- Jul 1, 2022:** Piloting online personal income tax return filing for over Tk 70 lakh
- Jul 1, 2022:** Online payment for income tax over Tk 20 lakh
- Jul 1, 2022:** Withdrawal of selected income tax exemptions
- Jan 1, 2022:** E-payment of VAT for Tk 1 crore
- 2024:** Merging development and revenue budgets

SOURCE: FINANCE MINISTRY

adding that the minister himself had written to a development partner outlining the government's plans.

“Some of the reforms will be put in place through statutory regulatory orders before next budget,” said the official.

By July 1 next year, the National

Board of the Revenue will implement online payment for income tax exceeding Tk 20 lakh and roll out a piloting of online return filing for the taxpayers with incomes exceeding Tk 70 lakh, according to the document related to the plans.

The government is also set to undertake an initiative to make the

return submission mandatory for any individual who has spent more than Tk 4 lakh for travels abroad in the previous income year.

The steps will aim at improving tax collection efficiency and tax assessment and avoiding fraudulent transactions.

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Higher work orders, prices barely bring profit

BGMEA blames soaring production costs

STAR BUSINESS REPORT

With improvements in the pandemic situation, local garment suppliers have been receiving higher prices and more work orders from international retailers and brands but making a profit has become difficult as business costs have increased.

At the same time, apparel manufacturers are apprehending a return of the crisis in the global apparel supply chain as the rate of Covid-19 infections has been spiking in different countries in Europe.

“So, please do not negotiate the prices of apparel items below the production cost anymore,” said Faruque Hassan, president

of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

“We are receiving an adequate number of work orders but there is a fear of the resurgence of the crisis in the supply chain,” he told a press conference at the Amari Dhaka hotel.

Buyers are paying higher prices because of a hike of raw material prices and freight charges, he said.

But the latter have gone up to such an extent that the percentage increase per unit paid by buyers is not adequate to offset the higher cost of production and enable making a profit, Hassan said.

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Tune policies to increase women’s role in economy: analysts

STAR BUSINESS REPORT

The government should give special attention when framing policies to enhance the economic contributions made by women in order to help the country achieve its goal of becoming a developed nation, according to analysts.

“Bangladesh has done impressively well in terms of socio-economic development but many challenges remain when it comes to women empowerment,” said

Sayema Haque Bidisha, research director of the South Asian Network on Economic Modeling (Sanem).

For example, one area that requires attention is female participation in the labour market, she added.

These comments came at a webinar jointly organised by Sanem and Manusher Jonno Foundation (MJF) yesterday.

Women who spend most of their time doing unpaid care work deserve recognition but increasing their participation in formal work and implementing the country's sustainable development goals is required.

This is because Bangladesh is currently passing through a window of demographic dividend, where half of the population is engaged in unpaid care work for as long as six hours a day.

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MAKING THE MOST OF BONDS

In recent years, banks in Bangladesh have raised a sizable amount of funds by issuing bonds chiefly to comply with regulatory standards. Corporates have also borrowed using the tool to cut their cost of funds and as a hedge against any future interest rate spike. The Daily Star's Ahsan Habib explores various aspects of the budding bond market and its prospects and challenges

Appetite for bonds growing

Scheduled banks and corporates in Bangladesh have been opting for issuance of bonds for the last couple of years to diversify treasury management and strengthen capital base.

The amount of funds raised through issuance of bonds rose 13 per cent year-on-year to Tk 9,967 crore in fiscal 2020-21. This was 13 times the Tk 686 crore raised in fiscal 2010-11, according to data of the Bangladesh Securities and Exchange Commission (BSEC).

Banks need to maintain capital as per Bangladesh Bank's regulations and the Basel III guidelines, said Ershad Hossain, CEO of City Bank Capital Resources.

So, they have three options to beef up capital: through direct injection of funds, issuance of rights share, and issuance of tier 1 perpetual bonds.

Tier 1 capital is a bank's core capital and includes shareholders' equity and retained earnings.

Tier 2 capital is a bank's supplementary capital that includes undisclosed funds, which do not appear on a bank's financial statements, revaluation reserves, hybrid capital instruments, subordinated term debt and so on.

Issuance of tier 1 or tier 2 bonds is cost-effective compared to share issuance as the interest rate is paid before tax payments whereas dividend payments on common equity are made after tax deductions, Hossain said.

Bonds are cheaper to issue, less cumbersome and quicker, he said, adding that debt securities rules have laid down conditions for a faster approval process for debt securities.

“Moreover, no dilution of existing shareholders happens if bonds are issued rather than shares. Therefore, we see financial institutions issuing bonds,” Hossain said.

In Bangladesh, the bond market lacks an investor base and banks are the primary investors of bonds. However, good-rated corporate bonds can woo insurance companies and pension funds.

Mohammed Monirul Moula, managing director of Islami Bank Bangladesh Ltd, says that banks have to keep capital at 12.5 per cent against their risk-weighted assets in line with the Basel III.

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BASICS OF BONDS

- WHAT IS COUPON RATE?** The coupon rate is the rate of interest the bond issuer will pay on the face value of the bond, expressed as a percentage.
- WHY ARE BONDS ISSUED?** Governments and corporations commonly use bonds to borrow money. Governments need to bankroll roads, schools, dams, or other infrastructures. Similarly, corporations often borrow to grow their business, buy property and equipment, undertake projects, carry out research, or hire employees.
- WHO CAN BUY BONDS?** Normally banks, insurance companies, government enterprises, corporates, and general investors buy bonds considering coupon rate, the credit rating, and the goodwill of the bond issuer. The issuer sells the bonds through private placement.
- WHAT IS BOND?** A bond is referred to as a fixed-income instrument since bonds traditionally pay a fixed interest rate (coupon) to debtholders. Variable or floating interest rates are also common.
- WHO ISSUES BONDS?** Bonds are issued by companies, municipalities, states, and sovereign governments.
- WHAT ARE THE TYPES OF BOND?** There are many types of bonds, but commonly issued bonds are zero coupon bonds and convertible bonds. Zero-coupon bonds do not pay coupon payments and instead are issued at a discount to their par value, which will generate a return once the bondholder is paid the full face value when the bond matures. Convertible bonds with an embedded option that allows bondholders to convert the instruments into stock (equity) at some point.

ISSUANCE OF BONDS
(In crore taka)
* Data till October 31
SOURCE: BSEC

Year	Issuance (Cr. Taka)
2011-12	686
2012-13	1,860
2013-14	4,871
2014-15	3,215
2015-16	5,540
2016-17	2,967
2017-18	12,388
2018-19	13,875
2019-20	8,788
2020-21	9,967
2021-22*	6,976

Tradable bonds key to stable money, stock markets

Says Mirza Elias Uddin Ahmed, MD of Jamuna Bank

A strong and vibrant bond market is necessary to stabilise both the money market and the stock market, according to Mirza Elias Uddin Ahmed, managing director of Jamuna Bank.

“Bonds could work as a balance between the two markets if they are overheated,” he said. For example, corporations could turn away from banks with high lending rates and head towards the bond market to secure funds.

Similarly, when the stock market turns volatile and shares become overvalued or pay lower profits, then companies have an alternative investment tool in the

Mirza Elias Uddin Ahmed

form of bonds.

General investors can also benefit from bonds if the yield rate is higher than that of bank deposits. For instance, if a bank's

lending rate is 9 per cent and the deposit rate is 5 per cent, the corporation can choose to issue a bond instead.

And by offering an 8 per cent yield on maturity, bonds can be a lucrative venture for both buyers and the issuing company.

While this indicates that bonds can provide higher returns compared to bank deposits, it also shows that it is cheaper for the company to borrow using the investment tool rather than taking loans from lenders, Ahmed said.

“So, a direct connection between savers and borrowers will be created through bonds in a win-win situation.”

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Lack of investor diversity stunts market growth

Say experts

The bond market in Bangladesh has been facing numerous challenges due to a lack of investors and issuers from diverse backgrounds, credibility of financial reports and a non-supportive tax policy, according to analysts.

Besides, there is no active secondary market in the country for trading bonds, they said while recommending that these issues need to be resolved in order to secure the full benefits of the fund-raising tool.

The bond market is necessary to help develop a sustainable banking system in Bangladesh and so the government should remove all barriers for the market to flourish, said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

Most bonds are issued by financial institutions for the purpose of raising capital but the participation of corporations is very little.

At present, only banks invest in each other's bonds. “So, listing the bonds and secondary trading is very crucial here as the participation of other parties is needed to make the market more vibrant,” he said.

In some cases, tax has been cut but other issues also need to be addressed to popularise the financial tool.

To attract corporations and other big investors, the authenticity and confidence on related disclosures should be nurtured to much higher levels, added Rahman, also former chairman of the Association of Bankers, Bangladesh.

“For a sustainable bond market, we need strict trustee eligibility criteria and expertise to manage complex asset backed securities,” said Ershad Hossain, chief executive officer of City Bank Capital Resources.

In addition, the credibility and expertise of credit rating agencies should be increased while bond and preference share default issues should be included in the primary legal instrument dealing with local financial institutions, namely the Artha Rin Adalat.

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Most bonds are issued by financial institutions for the purpose of raising capital but the participation of corporations is very little, says an expert