



Hassan O Rashid, managing director of Prime Bank Ltd, and Moinuddin Hasan Rashid, managing director of United Mymensingh Power Ltd (UMPL), exchange signed documents of an agreement at UMPL's office at United City on Madani Avenue in Dhaka yesterday. The lender subscribed Tk 200 crore in the preference shares of UMPL to help the group explore alternative instruments to support its financing requirement. Hasan Mahmood Raja, chief adviser of UMPL, and Shams A Muhaimin, deputy managing director of the bank, were present.

Higher work orders, prices barely bring profit

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For instance, yarn prices increased by 60 per cent, container freight charge 350 per cent to 500 per cent over the past year, dyes and chemical prices 40 per cent and electricity 13 per cent, he said.

The price of gas has also increased during this time, said Hassan.

The overall cost of production has increased, which has been affecting profitability, said the BGMEA president.

He demanded that the international retailers and brands be more sensitive in paying better prices considering the price hikes of raw materials and other accessories in local and international markets.

Many local suppliers last year accepted work order prices below that permissible by their production cost, mainly to continue business amidst the pandemic even if it meant incurring losses, he said.

However, times have changed for the garment trade, turning better for the business, but the higher cost of production is still having a detrimental effect, he said.

The latest 23 per cent diesel price hike by the government on November 4 has also

raised production cost by 4 per cent to 5 per cent, he said.

Fuel prices have a direct relation to the cost of transportation of goods, power production by generators, services charges and accessories of garment items, he added.

Hassan reiterated that Bangladesh's garment shipments would not be affected by the United Nations status graduation from a least developed to a developing country in 2026.

This is because Bangladesh already has a very strong presence of apparel's backward linkage industry, he said.

On another note, he said the BGMEA has been awarded the "WITSA Global ICT Excellence Awards" at a 25th World Congress on Information Technology for implementing a "Biometric Identity and Worker Information Management System".

The BGMEA has been preparing the biometric database of garment workers since 2013 and it was completed in 2021.

Every day the new biometric database is used by 2,500 active garment factories who have the BGMEA membership. Some 4 million workers have been brought under the biometric database, Hassan also said.

Hassan also announced that the 37th international convention of global platform International Apparel Federation (IAF) will be held in Dhaka in November next year.

The IAF convention will be accompanied by a third apparel summit, fashion festival, exposition and some award presentation events, he said.

Regarding carbon emissions of Bangladeshi suppliers and scopes for carbon trading, Hassan said Bangladesh accounts for 0.5 per cent of global emissions whereas that of other garment producing countries were at nearly 10 per cent.

Still, Bangladesh has been bearing the brunt of carbon emissions, he said. Hassan said carbon trading was a very complex trade, so it could take more time for Bangladesh to be a global player.

The coming year is very important for Bangladesh and the sector as a lot of international events will take place here with improvements in the pandemic situation, he said. This will also be an opportunity for turning the country into an important hub for garment sourcing for international retailers and brands, Hassan said.

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

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"This acts as a barrier to their economic opportunities," Bidisha said while emphasising the need to recognise the values of female participation in the workforce.

"Recognising and reducing the burden of a woman's unpaid care work is more important than assigning a monetary value to it," she added.

Women would earn about 2.5 to three times more than their current income if a value was placed on unpaid care work, said Fahmida Khatun, executive director of the Centre for Policy Dialogue (CPD).

Besides, even though most university toppers are female, they usually drop out of their careers due to increasing household responsibilities.

So, few women are seen in managerial positions, she added.

However, the government is taking strategic steps to address these issues, said Planning Minister MA Mannan.

Many initiatives, such as making it mandatory to have at least three female members at the union level or one vice-chairman at the upazila level and reserving 60 per cent of the employment opportunities in primary schools for women, have already been taken.

"I'm personally and officially always with you to ensure women's participation in the economy," he added.

Shaheen Anam, executive director of the MJE, said focusing on the care economy would lessen the burden on women and ultimately ensure their participation in paid labour. Proper policy interventions to this end would also have a positive impact on Bangladesh's gross domestic product.

"So, recognising unpaid care work will ensure equality for women and reduce violence against them," she added.

Sheikh Muslima Moon, additional director of the Ministry of Women and Children Affairs, emphasised on the need to change people's outlook in this regard.

This means that men should participate more in household chores to reduce the burden on women so that they have the time to engage in formal work as well.

Md Saiful Islam, additional secretary to the Ministry of Social Welfare, spoke about various ongoing government projects to facilitate female participation in the labour force.

Islam also assured that the participation of young women in unpaid care work would be addressed in future policy documents.

During her presentation, Sanem's Bidisha showed that having children who are less than five years old at home reduces the probability of a woman's participation in the labour force by 2.4 per cent.

Bidisha, also a professor of economics at the University of Dhaka, recommended that the government provide training programmes for women and incentivise the private sector to employ more of them through fiscal policies like tax rebates and cash transfer subsidies.

Similarly, providing day-care facilities under social protection programmes could go a long way in this regard, she said.

Banasree Mitra, gender adviser of the MJE, and Selim Raihan, executive director of Sanem, also spoke at the event.



Syeed Khan

VMware gets new country manager

STAR BUSINESS DESK
US-based cloud computing and virtualisation technology company VMware Incorporated has recently witnessed the appointment of a new country manager for Bangladesh, Nepal and Bhutan.

The appointee, Syeed Khan, previously served F5 Network Bangladesh Ltd as country manager for the same countries. He also worked as territory business manager for banking and financial services industry at Cisco Systems Incorporated, says a press release.

"Bangladesh, Nepal and Bhutan are still in primary stage of digital transformation for which there are huge opportunities of growth here," he said.

Syeed has an undergraduate degree in computer science from De Montfort University.

Tradable bonds key to stable money, stock markets

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Banks will also make business by giving acceptance to the bonds."

In addition, if the bond market becomes vibrant and strong, the Bangladesh Bank will no longer need to cap the interest rate on savings and borrowing at 6 per cent and 9 per cent respectively.

"To make it happen, investor participation needs to increase through massive awareness campaigns with a view to informing people about the potential benefits of the bond market," Ahmed told The Daily Star in an interview recently.

The former chairman of the technical committee of the Primary Dealers Bangladesh Ltd went on to say that investors must have diversified products in their portfolios to minimise market risks, and bonds could play a big role in this regard.

One of the main products offered by banks is loans. If some of these loans go bad, the banks have to give out even more to offset losses.

"This is a very risky task," Ahmed said, adding that by providing other products such as bonds, investors can lower the risks by diversifying their portfolios.

Loans are an interest-based product while stocks are price-based. The tradable bond market is a mix of both interest (coupon) rate and demand-supply-driven market price.

When the money market offers handsome interest rates, all investors rush to the banks, but when the situation reverses, they go to the stock market by liquidating their fixed deposit receipts.

The total process is like a boat which rolls regularly, creating volatility in the market. As a result, interest rates swing quite fast in Bangladesh.

"Our money and stock markets are not stabilised due to the absence of a vibrant bond market, so the volatility will remain in both markets until we get a strong bond

market," Ahmed said.

If stock investors want to keep their funds in fixed-income secured instruments, then they can invest in bonds while money market investors seeking higher returns from price-based instruments can do the same, he added.

Volatile interest rates are not good for the economy as changes come in waves that are not favourable for any industry.

"It is easy to swim in a calm river. The economy can also smoothly navigate when interest rates are stable," Ahmed said.

Interest rates in the banking sector had surged to 16-18 per cent in 2011-12 while it is now 8-9 per cent.

Many industries, especially small and medium enterprises, became financially sick due to this "interest wave".

In developed countries, the bond market is also developed, so 40 per cent to 50 per cent of the trade in their stock exchanges comes from bonds.

The yield rate of government bonds is not market-based and is lower than the normal deposit rate. This ultimately creates crises in the money market.

"So, the bond yield rate should be market based. We are doing business so the loans to the government should be profitable for us," said Ahmed.

During the Covid-19 pandemic, the government took loans from abroad but the funds could have been raised from local banks by issuing bonds.

The government allowed non-primary dealers to participate in the auction of government bonds, which went for very lower rates. Now, the yield rate is rising and when it rises, it creates losses for bond buyers if they bought it at a low price.

"So, non-primary dealers should not be allowed to take part in the auctions to ensure smart bidding. Swift changes to bond yields are also not good, so the central bank should work to this end," Ahmed added.



Mohibul Hassan Chowdhury, deputy minister for education, uncovers the 1st issue of the half yearly journal of The Institute of Chartered Accountants of Bangladesh (ICAB), called 'Bangladesh Economica', at Council Hall, CA Bhaban in Dhaka yesterday. Atiur Rahman, former governor of Bangladesh Bank, Khondaker Golam Moazzem, research director of Centre for Policy Dialogue, Mahmudul Hasan Khusru, president of ICAB, and Md Salim Uddin, chairman of the editorial board at Bangladesh Economica, were present.

PHOTO: ICAB

Tesla drivers back behind wheel after server problem

AFP, Washington
Tesla CEO Elon Musk reported late Friday that an app problem that was keeping a number of drivers worldwide from using their cars was on the mend after a server issue was resolved.

Multiple Tesla drivers tweeted that they were no longer able to start their cars with their phone apps and had to use keycards if they were lucky enough to be carrying theirs with them.

Govt aims for major reforms to boost tax receipts

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Other steps include online payment of VAT amount surpassing Tk 1 crore with effect from January 1 next year, introducing an electronic contract management system of e-GP (electronic government procurement), and initiating and scaling up citizen monitoring of contract implementation by June 30, 2022.

And by December 31 next year, it will integrate e-GP with iBAS++, an integrated budget management system.

In order to implement the reforms, the government will amend the Income Tax Ordinance, 1984, secure approvals from the cabinet, bring in policy changes, and issue orders.

"These reforms will further expand the fiscal space through accelerating revenue mobilisation, enhancing expenditure control measures, and strengthening the environment for continued steady flows of credit to MSMEs," said Finance Minister AHM Mustafa Kamal, in a letter to the president of the Asian Development Bank (ADB).

The Manila-based lender has already approved \$250 million and the Asian Infrastructure Investment Bank sanctioned \$250 million as budget support for the current fiscal year. The Export-Import Bank of Korea will lend \$100 million and the OPEC Fund for International Development will provide \$100 million.

The government is also prioritising securing external funds on concessional terms to meet its near-term financing needs.

As part of the reforms, the government will secure the cabinet approval for the Bangladesh Public Procurement Authority Bill by December 31, 2022 for the setting up of a public procurement authority to streamline public procurement, strengthen professionalism in purchase, and enhance efficiency, said the document.

It will establish direct linkages between procurement value, budget and actual expenditure, facilitate real time capturing of procurement budget utilisation, procurement commitment and expenditure data, and monitor and track payments, avoid cost escalations, and monitor contract performance efficiently.

Riding on the set of reforms, the government wants to lift revenue to GDP ratio to at least 10.4 by December 2024, up from 9.7 per cent from the baseline fiscal year of 2020.

The tax-to-GDP ratio will also be increased to 8.8 per cent, up from 8.1 per cent. The capital expenditure to GDP ratio will be raised to 6.3 per cent, up from 5.6 per cent in FY20.

The government also looks to limit the budget deficit at a tolerable level.

The fiscal deficit is estimated at \$23.9 billion for FY2022 and \$26.5 billion for FY2023. The projected external borrowing is \$8.8 billion in FY2022 and \$11.7 billion in FY2023.

At least 20,000 electronic fiscal devices will be installed and commissioned for automated VAT invoice generation by 2024.

The government plans to withdraw selected income tax exemptions in the next fiscal year in a bid to reduce unproductive immunity.

From FY24 onwards, it will issue a unified budget circular merging development and revenue expenditures to improve expense management.

The separation of the annual development programme budget and the revenue budget leads to weak control over the sizable project recurrent costs. This often results in fund shortages for well-performing projects but unspent funds for non-performing projects.

Appetite for bonds growing

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The ceiling is up from 10 per cent required as per the Basel II.

"Some banks that faced shortage of capital have issued bonds to strengthen their financial health," said Moula, adding that the issuance of the securities has also given a boost to the overall bond market.

Officials of the BSEC say most of the issuers have been able to raise funds through bonds, and subscriptions were mainly high thanks to elevated confidence among investors.

The responses, however, were not that high in case of subscription of corporate bonds. This prompted the regulator to grant additional time to the issuers in order to enable them to raise funds.

Samiul Rabbi, executive director for business operations at OMS Advisory Ltd, says scheduled commercial banks are raising funds through perpetual and fully redeemable bonds to meet mainly their tier 1 and tier 2 capital requirements.

The subscribers of these bonds are mainly banks, life insurance

companies, general insurance companies, and non-bank financial institutions. However, the picture of the subscription of corporate bonds has not been rosy.

The main reason is the Bangladesh Bank's restriction on the investment by banks in corporate bonds, debentures, or sukuk, Rabbi added.

"Corporates are issuing zero-coupon bonds targeting cash-rich corporates as investors as the tax authority has offered exemption on the investment in the zero-coupon bonds by companies and individuals."

He said corporates raise funds through bonds in order to fix their costs of funds and as a hedge against any future interest rate spike. "This helps mitigate the interest rate fluctuation risk."

Tanzim Alamgir, CEO of UCB Investments, says since the interest rate is relatively low, it is perfect time for the corporates to raise funds by issuing bonds, especially the zero coupon bonds.

"Corporates have also become more interested in issuing zero coupon bonds because of the tax advantage associated with it."

A top official of the BSEC says the commission is working hard to make the bond market vibrant. But wholehearted support is yet to come from the National Board of Revenue (NBR). "But if it allows exemptions on some costs now and the bond market becomes vibrant, the NBR will get a much higher amount of tax."

"The bond market can be a big source of funds for government projects and for the private sector to expand business. So, the NBR should ease all conditions that are deterring the bond market from flourishing."

Recently, the central bank issued a sukuk, an Islamic financial certificate similar to a bond, helping the government raise Tk 8,000 crore for the implementation of a safe water supply project. "Bonds can be a big investment tool," said the BSEC official.

The secondary trading should be ensured and strong regulations should be framed so that products aren't nipped in the bud, according to analysts.

Lack of investor diversity stunts market growth

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"Or a tribunal needs to be set up to settle bond defaults with the appointment of professional administrators for restructuring or liquidation of the issuer," he added.

Hossain, who is working to issue the country's biggest private sector sukuk bond worth Tk 3,000 crore for Beximco, said the tax structure was not facilitative for asset-backed securities or the Islamic sukuk structure.

Only a capital gain tax of 4 per cent has been exempted for sukuk transactions between the originator and SPV/Trust, he said, adding that a stamp duty of 1.5 per cent, VAT of 2 per cent of the total value, and registration cost has not been exempted yet.

A top official of a bank, preferring

"The regulations should be strict on the (fledgling) bond market so that it cannot not be nipped in the bud," he said.

Traditionally banks issued subordinated bonds as capital instruments but recently they are issuing perpetual bonds too.

As perpetual bonds have no maturity period, they are considered a tier-1 capital whereas other bonds are considered tier-2 capital.

"I think perpetual bonds should be listed in the stock market to ensure an exit route for investors as it has no maturity period," he said.

On the other hand, its coupon rate should be determined by the market, otherwise it will not be sustainable, he added.