DHAKA TUESDAY MAY 31, 2022, JAISHTHA 17, 1429 BS ● starbusiness@thedailystar.net

Star BUSINESS

Convert export proceeds into taka fast

BB asks banks

STAR BUSINESS REPORT

Bangladesh Bank has asked banks to convert major export earnings of businesses into taka immediately as it looks to increase the supply of US dollars in the economy.

The rule will be applicable for the value-added portion of export earnings. The value-added portion refers to the export proceeds that are available to exporters after their import bills for back-to-back letters of credit have been met.

"It is observed that the value-added portion is not encashed into the taka immediately on the repatriation of export proceeds, resulting in delayed cash support to exporters for meeting working capital needs in the taka," said the central bank in a notice yesterday.

Banks have recently alleged that many exporters have not converted their dollars into the taka as the local currency has weakened drastically

Banks have recently alleged that many exporters have not converted their dollars into the taka as the local currency has weakened drastically.

The exporters thought that they would benefit more if US dollars are not converted immediately, intensifying the foreign exchange crisis.

The latest measure from the BB came after the foreign currency reserves fell to $42.29 billion on May 25 in contrast to $46.15 billion in December, driven by higher imports against moderate exports and lower remittance flows.

In Bangladesh, banks are allowed to retain repatriated export proceeds in a foreign currency in a single pool following the encashment of the local value-added portion. These funds are useable only for the settlement of back-to-back import payments of relative exporters.

The retention of export proceeds in foreign currency facilitates exporters to settle back-to-back liabilities without facing exchange losses.

In another notice, the BB said exporters would have to sell their export proceeds to the banks through which they ship goods.

READ MORE ON B3

IF LENDING RATE CAP IS LIFTED...

- Interest rates on lending and deposit will go up
- Demand for loans including import financing will come down
- Imports will decrease
- Demand for dollar will fall
- Forex market may become stable
- Inflation will decline due to tight money supply
- Policy rate hike will be effective

EXPERTS SAY ON LATEST POLICY RATE HIKE

- Banks now face rising loan disbursement cost
- Credit demand from borrowers will not decrease

WHAT'S WHAT

- BB imposed cap on lending rate in Apr 2020
- Inflation stood at **6.29**pc in Apr 2022
- Inflation target for FY22 is **5.3**pc
- Private sector credit growth **12.48**pc in Apr
- Annual private credit growth target **14.8**pc

HIKE IN KEY INTEREST RATE

Case for lifting lending rate cap strengthens

AKM ZAMIR UDDIN

The case for withdrawing the lending rate cap, set in motion more than two years ago, has strengthened after the Bangladesh Bank hiked its key interest rate for the first time in a decade to cool inflationary pressures.

Experts urged the central bank to move away from the ceiling in order to bring back stability to the financial sector, which is facing a crisis owing to depleting foreign currency reserves and the devaluation of the local currency.

They described the hiking of the policy rate by the Bangladesh Bank by 25 basis points on Sunday as time-befitting and called on the BB to abolish the lending rate cap to make it effective.

The central bank imposed the interest rate cap on loans on April 1, 2020, as per the direction of the government. In August last year, it asked lenders not to set the deposit rates on fixed-term deposits below the inflation rate, as higher consumer prices have turned the actual return on such savings negative.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said that the taka would become dearer if the central bank withdrew the lending cap.

"Hiking the policy rate will not be able to reduce the credit demand unless the interest rate cap on lending is withdrawn."

The increase in the key lending rate of the BB, the repurchase rate at which a central bank lends money to lenders, to 5 per cent means banks will have to pay more to borrow. So, lenders will have to adopt a cautious stance while disbursing loans.

The policy rate hike will not tighten the money supply to a significant level, Mansur said.

But if the interest rates on loans go up, clients will not feel encouraged in borrowing from banks. Similarly, if the deposit rate increases in keeping with the lending rate, it will provide better returns to savers and allow banks to woo funds.

"This will make keeping the taka at banks attractive," said Mansur.

The withdrawal of the lending rate cap is also expected to bring back stability to the foreign exchange market.

Mansur also explained that the cost of funds for import financing would go up when the lending cap is withdrawn.

Banks are allowed to charge a maximum of 9 per cent for post-import financing.

"Importers will take a cautious stance when the interest rate on post-import financing moves higher," said Mansur, also a former official of the International Monetary Fund.

This will rein in import payments, which have gone up exponentially in recent months owing to the higher commodity prices in the global markets and the weakening of the local currency at home.

Bangladesh's import payments stood at $61.52 billion between July and March, up 44 per cent year-on-year, while exports grew 33 per cent to $36.61 billion.

The large import payments created a record trade deficit of $24.90 billion in the first nine months of the current fiscal year ending in June. This has compelled the central bank to inject more than $5.83 billion into the market, sending foreign exchange reserves low.

The reserves stood at $42.29 billion on May 25 in contrast to $46.15 billion on December 31.

The surge in imports, which are needed to feed the economy rebounding from the pandemic-induced slowdown, has also created tremendous pressure on the taka, compelling the central bank to depreciate the local currency seven times this year alone.

The latest devaluation came on Sunday when the taka was allowed to lose value by 1.25 per cent to Tk 89.

A BB official said that import financing was one of the main reasons behind the recent upward trend of credit growth in the private sector. The credit growth stood at 12.48 per cent in April, albeit slower than the BB's target of 14.8 per cent for the current fiscal year.

The curb in imports may lead to a decline in domestic demand, which will ultimately go on to help the government tame inflation, which rose to an 18-month high in April.

Salehuddin Ahmed, a former governor of the central bank, says that the central bank should withdraw the interest rate cap on lending as it will help ease the inflationary pressure.

He also suggested the central bank not impose any ceiling on the exchange rate of the taka against the US dollar.

Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, urged the government to revisit the rates on loans and deposits.

Senior bankers also voiced concerns that lenders would face difficulties in running banking operations unless the lending rate ceiling is removed.

Profitability in banks will decrease because they have to borrow at a higher rate from

READ MORE ON B3

Financial market liberalisation may be derailed

Frequent regulatory interventions to blame

AHSAN HABIB

Bangladesh set out for financial sector reforms in the 1980s.

The interest rates were partially deregulated in 1989 to bring flexibility in determining the deposit and lending rates. In 1992, the interest rate bands for lending were removed for all sectors, except agriculture, small industries, and exports.

It took a step further in 2003 when the government adopted a free-floating exchange rate regime to determine the value of the local currency on the basis of demand and supply, which forms the theoretical basis of modern economics.

Still, regulatory intervention in the markets has not become a thing of the past, posing a threat to the progress that the country has attained so far in financial liberalisation.

Sometimes, regulatory measures are taken on an ad hoc basis. And every now and then, they are put in place, due to, economists say, a lack of knowledge and good governance, in absence of empirical analysis, and often to provide undue advantage to a few big players.

In the money market, the interest rates of banks are determined, not by the market forces, but by the Bangladesh Bank's order. The central bank also controls the foreign exchange market strictly.

In the stock market, the Bangladesh Securities and Exchange Commission (BSEC) even goes further. It tries to control the market movement by imposing a floor price or reducing the limit of the circuit breaker although it is not its core task.

"Nothing is market-determined in the financial market of Bangladesh," said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

"The interest rate is determined by the central bank. The minimum wage of employees is also set by the regulator. Fees and charges limit of financial services are also dictated. Even sector-wise, credit targets are also given."

"So, there is no free market anymore in the financial sector. The companies are doing business based on the volume only."

Selim Raihan, executive director of the South Asian Network on Economic Modeling, blames market imperfection for the intervention.

READ MORE ON B3

STOCKS

DSEX ▲	CASPI ▲
0.30% 6,388.65	0.29% 18,702.78

COMMODITIES

Gold ▲	Oil ▲
$1,856.25 (per ounce)	$115.73 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 1.90% 55,925.74	▲ 2.19% 27,369.43	▲ 0.26% 3,238.92	▲ 0.60% 3,149.06

UK to lend $450m in five years

PORIMOL PALMA

British International Investment (BII) has embarked on an ambitious plan of lending $450 million to Bangladesh over the next five years, finding that the country has a stable government and policy support for private sector development.

Private sector financing in the areas of renewable energy and green factories will be the focus of the fund, said top officials of the BII, the development finance institution of the UK government.

The plan was made public during BII Chief Executive Officer Nick O'Donohoe's visit to Bangladesh last week.

"We focus on the countries that have a strategic alliance with the UK, with ongoing development challenges, and ideally, having a stable government and stable economic policies that create jobs," said O'Donohoe.

"All of these are present in Bangladesh," he said in an interview with The Daily Star at the British high commission in Dhaka.

Currently, the BII has a portfolio of about $300 million in Bangladesh, supporting 11 businesses and two funds, across a variety of sectors, including financial services, infrastructure, manufacturing and food processing.

Following a visit to Dhaka in 2019 by the officials of the then Commonwealth Development Corporation, which is the former name of the BII, it has already established its Bangladesh office in Dhaka.

This shows the increasing interest of the development financial institution in Bangladesh where the private sector is rapidly expanding.

O'Donohoe said the BII keeps green financing a top priority in line with the UK's commitment to climate finance.

Given the lack of adequate wind and land, the country does not have much scope on investing in wind or solar power. Therefore, it will look to invest in green factories and projects, he said.

"Another important area is commercial industrial application. Individual industries or hospitals can set up solar power systems. Bangladesh is one of the target countries for this."

He thinks Bangladesh can attract more foreign direct investments by better focusing on its digital transformation.

Unlike some of the African countries and also countries like Pakistan and Nepal, Bangladesh is already active in digital transformation and the BII could find more opportunities in the sector.

On the potential of Bangladesh in terms of foreign investments, BII Country Director M Rehan Rashid said there were positive moves from the government side.

The investment process needs

READ MORE ON B2

MetLife offers automatic premium payments

STAR BUSINESS DESK

MetLife Bangladesh has introduced an online enrolment system for automatic electronic fund transfers (EFT) meant for premium payments.

Customers only need to register once to activate the EFT after which premiums will be paid automatically from their bank accounts, said a press release.

"With the new online enrollment process, our customers can now activate EFT debit in just 2 minutes, and enjoy world class insurance services seamlessly," said Ala Ahmad, chief executive officer of MetLife Bangladesh.

bKash launches 'b.Academy' for skills dev of employees

STAR BUSINESS DESK

bKash yesterday launched a learning fest called "b.Academy" to make its employees more efficient and future-ready through training and other skill development activities.

As a part of its relentless efforts to develop human resources, the mobile financial service provider has taken this initiative, a press release said.

The first phase of this programme has been organised through a week-long learning fest, under which employees will get training on innovation, presentation, project management, communication, and data analytics from local and overseas trainers.

"We believe b.Academy will continue to enhance the skills of the employees to maintain that position in the coming days," said Ferdous Yusuf, chief human resources officer of bKash.

How the Ukraine conflict is reshaping global oil markets

REUTERS, *London*

Russia's invasion of Ukraine has reconfigured the global oil market, with African suppliers stepping in to meet European demand and Moscow, stung by Western sanctions, increasingly tapping risky ship-to-ship transfers to get its crude to Asia.

The reroutings mark the biggest supply-side shakeup of the global oil trade since the U.S. shale revolution altered the shape of the market around a decade ago and suggest Russia will be able to navigate a European Union (EU) oil ban, provided Asia and China continue to buy its crude.

Sanctions imposed on Moscow after the conflict in Ukraine kicked off in February, including a US ban on its oil imports, have prompted Russia to pivot away from Europe, where its crude is shunned, to customers in India and China who are picking up cargoes at a steep discount, according to industry data and traders.

Russian exports were back to pre-invasion levels in April, according to data from the Paris-based International Energy Agency and oil prices have stabilised around $110 after hitting a 14-year high above $139 a barrel in March.

Even if the EU agrees to an oil ban in its next round of Russian sanctions, analysts said the impact could be tempered by demand from Asia.

"Unless the West puts diplomatic pressure on Asian buyers, we do not see the supply gap widening and oil prices spiking," said Norbert Rücker of Julius Baer.

A complex patchwork of US, EU and British sanctions have prohibited Russian-owned or flagged ships from calling at ports meaning that some of the increased trade to Asia is being facilitated via ship-to-ship transfer at sea -- a costly process where the risk of spills is greater.

Overall, the flow of Russian oil to Asia via the sea has jumped at least 50 per cent since the start of the year, according to tanker-tracker Petro-Logistics and other data.

Transfers between vessels, which account for a small fraction of the overall sea trade, have shifted away from the Danish coast to the Mediterranean Sea to avoid sanctions and protests.

"Ship-to-ship (STS) transfers were common in Danish waters, at the entry point of the Baltic Sea," Petro-Logistics President Mark Gerber told Reuters. "Those are not happening anymore; hence the STS trend of sanctioned tanker to non-sanctioned tanker increasing in the warmer and friendlier Mediterranean waters."

Gerber put the volumes of Russian crude and products being transferred between tankers in the Mediterranean at about 400,000 barrels per day (bpd), of which the majority is going to Asia, adding to the 2.3 million bpd going directly.

In January, before the invasion, around 1.5 million bpd were being sent directly to Asia.

Russian oil is loaded on Aframax or Suezmax tankers that carry less than 1 million barrels and it is transferred at sea to larger vessels that can take 2 million barrels, making shipping more cost effective, traders said.

The seaborne volumes are only part of the total exports from Russia. Including pipeline supplies, total Russian crude and products exports increased to just above 8 million bpd in April, back to the pre-invasion rate.

People of the lower-income bracket waiting in queues since daybreak for a truck of the Trading Corporation of Bangladesh to arrive at Moylapota Mour in Khulna city and start selling basic food commodities at subsidised rates from 10:00am. Each truck usually has a stock of 1 tonne of rice, which is sold at Tk 30 per kilogramme, and 500 kilogrammes of flour, which is sold at Tk 18 per kilogramme. Each person can avail a maximum of five kilogrammes of each item. The photo was taken yesterday. PHOTO: HABIBUR RAHMAN

Swisscontact, Daraz in deal to support small firm growth

STAR BUSINESS DESK

Swisscontact Bangladesh recently teamed up with Daraz Bangladesh under a B-Skilful Programme Phase II to promote digital marketing platforms among micro, small, and medium enterprises in leather goods, light engineering, and furniture manufacturing sectors.

Under this partnership, Daraz will educate the firms on e-commerce and assist them in setting up and maintaining digital shops in social media channels such as Facebook and Instagram, said a press release.

They will be able to establish a viable commercial relationship with Daraz, which will lead to increased growth of businesses through improved marketing practices.

Mujibul Hasan, country director of Swisscontact, Dajna Sorensen, team leader of B-Skilful Programme, Corinne Henchoz Pignani, deputy head of cooperation at the embassy of Switzerland in Bangladesh, Ameena Chowdhury, programme manager for income and economic development, AHM Hasinul Quddus Rusho, chief corporate affairs officer of Daraz Bangladesh, and Shabbir Hossain, chief commercial officer, were present.

2 Pran concerns win productivity award

STAR BUSINESS DESK

Habiganj Agro Ltd and Sylvan Technologies Ltd, sister concerns of Pran-RFL Group, won National Productivity and Quality Excellence Award-2020 for enhancing productivity and manufacturing quality products.

On behalf of Habiganj Agro, Eleash Mridha, managing director of Pran Group, and Mostafizur Rahman, chief operating officer of Sylvan Technologies, received the award from Industries Minister Nurul Majid Mahmud Humayun at Pan Pacific Sonargaon Dhaka in the capital on Sunday.

Habiganj Agro claimed second place in the food industry sector in the large industrial category and Sylvan Technologies clinched first prize under the steel and engineering sector in the medium industry category, a press release said.

"We are working to boost productivity and quality of our products. This recognition will inspire us to do more," said Mridha.

Kamal Ahmed Mojumder, state minister for industries, Zakia Sultana, secretary of the ministry, and Md Jashim Uddin, president of the Federation of Bangladesh Chambers of Commerce and Industry, were present.

From electronic cash registers

FROM PAGE B4

Another reason is the installation of the devices at larger stores has put them in a disadvantageous position with the shops that don't use EFDs at all, thus remaining out of the oversight of the NBR.

Sultana Pervin Pia, proprietor of Galaxy, a wholesale and retail fashion house at the Orchard Point shopping mall in the capital, says many customers bargain when they are served a bill with a VAT invoice.

"The shopping mall is closed to the Gausia Market and New Market. They can buy the same product at a lower price from there where they will not have to pay the VAT," she said.

The entrepreneur, however, explains to customers the VAT payment requirement in order to persuade them.

At a restaurant in the Anderkilla area of the port city, a salesperson handed a bill that did not contain VAT-related information. When enquired, the restaurant owners say the issuance of EFD-generated receipts causes losses to both buyers and sellers.

The restaurant does not issue the VAT invoices unless a customer seeks one, the salesperson said.

Accepting bills from customers without using EFD-generated sales receipts is a punishable offence under laws, according to Mohammad Akbar Hossain, commissioner of the Chittagong VAT Commissionerate.

"We have taken action against non-compliant shops after receiving complaints. Apart from carrying out regular campaigns, whenever customers complain, we take necessary steps," he said.

An NBR official says the head office of the tax administration is also aware of the problem that many traders are not issuing sales receipts generated by the EFDs, which will confirm the deposition of the VAT to the exchequer.

"Shopkeepers say there is no sale. Again, when we visit a spot, they issue memos from the devices. When we leave the place, they stop again," he said.

Amid the dismal use of EFDs, which were believed to bring about a revolutionary change in the VAT collection in Bangladesh, NBR Chairman Abu Hena Md Rahmatul Muneem in December last year admitted that the installation and maintenance of the devices had become a problem.

Accordingly, the NBR floated a tender calling bid to outsource the EFD, SDC (Sales Data Controller) and EFD management systems. The bid submission time was extended to February and the NBR received five proposals.

It is yet to appoint any firm to provide the support.

Seeking anonymity, a top official of the NBR says the EFD outsourcing plan is a government decision.

"Many government projects are being implemented under the public-private partnership. There are millions of shops across the country. These are not monitored properly. That is why we will receive the service from private companies."

"But the administrative issue will be completely in our control."

Not all tax officials are convinced.

Another top official of the NBR who was engaged in the EFD installation scheme said the lottery was introduced to encourage customers to demand the receipts.

"What is missing is a robust campaign to raise awareness among customers. There is no need for EFDs if the machines are required monitoring."

Some officials also expressed doubts whether it would be possible for private firms to monitor the use of EFDs properly when taxmen have failed to carry out the same task.

Rouble rallies

FROM PAGE B4

Russia plans to settle its Eurobond obligations using a mechanism similar to the scheme used to pay for Russian gas in roubles, Finance Minister Anton Siluanov told the Vedomosti daily.

Russian stock indexes were mixed.

The dollar-denominated RTS index rose 4.2 per cent to 1,181.7 points. The rouble-based MOEX Russian index was 0.3 per cent lower at 2,401.0 points, pressured by the rouble's recovery.

UK to lend $450m in five years

FROM PAGE B1

simplification of procedures. The government has already established a one-stop centre, he said.

In the past, development finance institutions had been coming here but now commercial banks from the countries such as Malaysia and Singapore are also coming.

"That means the market is opening up here. In fact, we would also encourage other foreign investors to come to this market," said Rashid.

On the challenges the country faces in terms of foreign investment, he said foreign investors look at the level of governance and environmental standards and check if local companies have access to low-cost funds.

He said there were 160 green factories that were mostly from the RMG and pharmaceuticals sectors.

"They have done it because they have incentives as they are export-oriented factories and face buyers' pressure."

"If factories in other sectors go green, they will get low-cost financing. Investors are looking for good companies. As soon as you can have these things in place, you will have more foreign investments," Rashid added.

Apart from garments and pharmaceuticals, Bangladesh also has sectors with potential like jute and IT, which can be multi-billion-dollar sectors. Then, there is the blue economy that has immense potential but is yet to be tapped.

"Bangladesh has adequate power supply. Now, hopefully, we will see a lot of new factories in the economic zones," Rashid added.

Accelerate use

FROM PAGE B4

system must not be given the task of enforcing it."

Mansur, a former economist at the International Monetary Fund, says VAT evasion tendency is also seen in developed countries.

"In our country, the collection of VAT from retailers will be small since stores are small in sizes. Priority should be given to the proper collection of VAT from the wholesale and manufacturing levels."

"For this, surveillance will have to be beefed up. At the same time, the automation process has to be strengthened."

He says the NBR's initiative to engage the private sector in the operations of EFDs is okay, but the NBR must have vigilance on both traders and private service providers.

Abul Khair, director of corporate affairs at Kohinoor Chemical Company (Bangladesh), received the trophy and certificate of National Productivity Excellence & Institutional Appreciation Award-2020 from Nurul Majid Mahmud Humayun, minister for Industries, for achieving second place in the "large industry" category at the Pan Pacific Sonargaon Dhaka in the capital on Sunday. PHOTO: KOHINOOR CHEMICAL COMPANY

Md Masud Biswas, head of the Bangladesh Financial Intelligence Unit (BFIU), recently inaugurated the MTB Branch Anti Money Laundering Compliance Officer Conference and MTB AML & CFT Awareness Week 2022 at MTB tower in Dhaka to celebrate 20 years of AML compliance in Bangladesh. Syed Mahbubur Rahman, managing director of Mutual Trust Bank (MTB), Chowdhury Akhtar Asif, additional managing director, Goutam Prosad Das and Md Khalid Mahmood Khan, deputy managing directors, Muhammad Mohsin Hossaini, additional director of BFIU, and Md Masud Rana, additional director, were present. PHOTO: MUTUAL TRUST BANK

Bangladesh has potential for green jobs and business

Deputy environment minister says

STAR BUSINESS DESK

The government is promoting green and inclusive development as a part of its 8th five-year plan and green growth strategy, said Habibun Nahar, deputy minister for the ministry of environment, forest, and climate change in a national seminar.

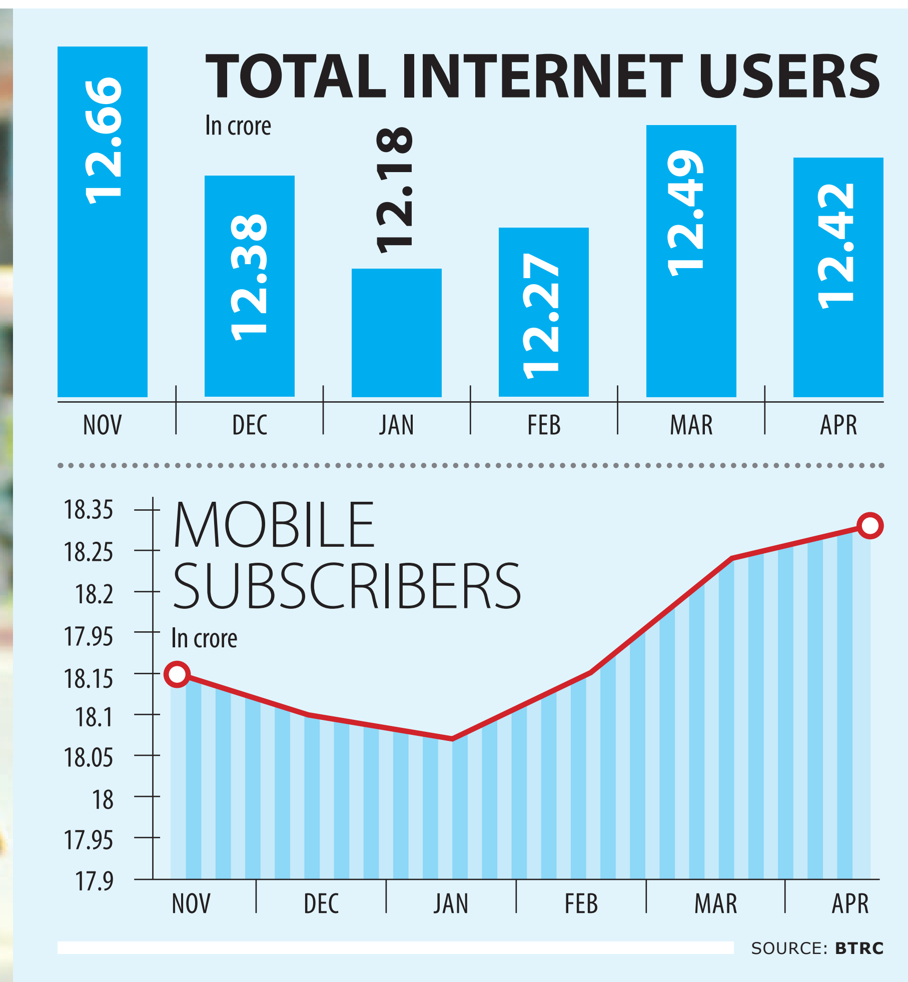
The seminar on "Prospects and Challenges of Green and Inclusive Business Development in Bangladesh' was jointly organised by Cordaid and Greentech Foundation at Spectra convention centre in Dhaka, said a press release.

"The prospects and potential of green business and green jobs are enormous in Bangladesh. The government has meanwhile taken a slew of measures. Now they are promoting green and inclusive development as part of their 8th Five-year plan and green growth strategy," Nahar said.

The event was supported by the European Union as part of its Sustained Opportunities for Nutrition Governance (SONGO) project, which is working to improve maternal and child nutrition in Kurigram and Gaibandha, two northern districts of the country.

"This event will be helpful to collaborate with donors, other like-minded donor organisations, private sector partners, governments and civil society organisations to collectively work towards inclusive green growth of Bangladesh," said Lenneke Braam, director for Asia cluster at Cordaid.

Charles Whitely, ambassador of the European Union, Abul Kalam Azad, special envoy of the Climate Vulnerable Forum (CVF), and Lenneke Braam, cluster director for Asia cluster at Cordaid, were present.



Mobile subscribers up in April, internet users drop

MAHMUDUL HASAN

The number of mobile network subscribers in Bangladesh rose for three consecutive months to reach an all-time high in April while internet usage slipped that same month.

Local network operators collectively added about 4.6 lakh customers in April from that a month earlier to reach 183.3 crore subscribers.

On a year-on-year basis, the number of mobile subscribers rose by about 5.28 per cent that month, according to recent data from Bangladesh Telecommunication Regulatory Commission (BTRC).

Grameenphone, the country's top operator, posted a strong performance in that period while third-placed Banglalink continued its customer acquisition to help boost the number of mobile subscribers.

Grameenphone alone added about 3.5 lakh customers to its total in the months leading up to April.

The network providers' total number of subscribers jumped by about 5.59 per cent year-on-year to 8.42 crore in April this year compared to 8.05 crore during the same month in 2021.

Banglalink added 2 lakh customers in December, solidifying its 12-month winning streak in terms of customer acquisition.

Banglalink grew almost 6 per cent year-on-year in April to take its number of customers to 3.82 crore.

Taimur Rahman, chief corporate and regulatory affairs officer of Banglalink, credited the operator's network expansion drive in recent months for their continued customer acquisition.

"We have rolled out over 3,000 network sites to take our overall Base Transceiver Station (BTS) to 13,000, which ensures better data service for our customers," he said.

Rahman went on to say that many Banglalink customers were previously unable to secure proper network connections when travelling during Eid festivals or other occasions.

"But now this problem has been solved thanks to our investment in solidifying the network," he added.

On the other hand, Robi Axiata and Teletalk lost 70,000 and 20,000 customers respectively in April from that a month earlier.

On a year-on-year basis, Robi Axiata, the second-largest operator with more than 5 crore subscribers as of September last year, grew by 4.70 per cent in April to reach 5.40 crore customers.

State-owned Teletalk, which lags behind all private operators by a big margin, added about 11 lakh customers in the past 12 months till April.

Its subscriber base grew by 19 per cent year-on-year in April to 68 lakh.

Telecommunications Minister Mustafa Jabbar attributed the growth to Teletalk's network expansion and infrastructural development through an ongoing project.

"In one year, by the time Teletalk completes its network expansion, the operator's service will improve significantly and number of customers will increase accordingly," Jabbar recently told The Daily Star.

INTERNET USAGE DROPS

The number of internet subscribers dropped by 6.5 lakh in April from that a month earlier as telecom operators lost data customers while the growth of broadband users stalled. As such, the total number of internet users now stands at 12.42 crore.

Of the 6.5 lakh customers lost, all were by telecom operators, leaving the number of mobile internet subscribers at 11.32 crore as of April.

However, mobile internet subscribers grew 7.19 per cent year-on-year in April while the number of broadband users remained the same as it was in March at 1.09 crore.

Broadband internet subscribers grew 12 per cent in April. During pandemic, internet usage surged to new heights as peoples' reliance on the internet soared.

Stocks stretch gaining streak to third day

STAR BUSINESS REPORT

Stocks in Bangladesh continued rising for a third consecutive trading session yesterday despite a last-minute selling spree that prevented a high jump in the market indices.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), rose 19 points, or 0.30 per cent, to close the day at 6,388.

The index was around 60 points higher than its previous total by 1:00pm yesterday but huge selling pressure at the end of the trading session dragged its gains down to 19 points.

As the DSE, 163 stocks advanced, 179 declined and 35 remained unchanged.

Both the DS30, the blue-chip index, and DSES, the shariah-based index, advanced 3 points respectively. Domestic stocks posted modest gains after choppy trading as some investors followed a cautious stance, International Leasing Securities said in its daily market review.

Investors are concerned about Bangladesh Bank's recent decision to increase the repo rate by 25 basis points.

"Increased interest rate can hamper money flow to the capital market," it added.

Among the sectors, bank rose 1.8 per cent, general insurance advanced 1 per cent and mutual fund increased 0.9 per cent.

Investor activity was mostly concentrated on pharmaceuticals (15.5 per cent), miscellaneous (13.2 per cent), and financial institution (12.1 per cent).

Turnover of the DSE also rose to Tk 836 crore from the previous day's Tk 833 crore.

Western Marine Shipyard topped the gainers' list, rising 9.57 per cent, while South Bangla Agriculture & Commerce Bank, Tamijuddin Textile Mills, Karnaphuli Insurance and Ratanpur Steel Re-rolling Mills followed suit.

Sonali Paper & Board Mills shed the most, dropping 2 per cent, while BD Lamps, Prime Insurance, Bangladesh Shipping Corporation, and JMI Hospital were among companies included in the loser tally.

Toyota misses target for global production

REUTERS, *Tokyo*

Japan's Toyota Motor Corp on Monday said it missed its global production target for April as covid-19 outbreaks and a parts shortage slowed its post-pandemic recovery.

The world's largest automaker by sales produced 692,259 vehicles last month, a 9.1 per cent drop from the same month last year, and falling short of an earlier plan of making about 750,000 vehicles worldwide.

The numbers raise questions over the severity of the pandemic-hit supply chains and how the disruption will affect production in the coming months.

Financial market liberalisation

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"There are many reasons for the imperfection. A lack of good governance is one of them."

It is expected that when market players don't play by the book, regulators will step in.

Sometimes, people have a lack of awareness and major players or vested quarters use the market to their advantage and it is mostly seen in the capital market.

This prompted the BSEC to impose a floor price on all stocks in March 2020 to stop the index from falling after the coronavirus pandemic hit the country. It even kept the exchanges shut for two months, a usual move and also almost unprecedented.

The BSEC removed the floor price amid huge criticism from big investors and analysts.

For many years, the commission has maintained a circuit breaker to prevent shares from advancing or declining by 10 per cent on a single day.

It lowered the circuit breaker limit to 2 per cent on March 8 this year to stop the freefall of the key index. This means a stock can't slip more than 2 per cent on a day.

A month later, it was raised to 5 per cent. But the circuit breaker was brought down to 2 per cent last week to skirt a massive fall as uncertainties owing to the raging Russian-Ukraine war, the dragging coronavirus pandemic, supply chain disruptions and higher price pressures have kept weighing on investors' minds.

In April 2020, the BB fixed the maximum deposit rate at 6 per cent and the lending rate at 9 per cent.

In August last year, it asked lenders not to set the deposit rates on fixed-term deposits at below the inflation rate, as higher consumer prices have turned the actual return on such savings negative.

According to Raihan, a professor of economics at the University of Dhaka, banks are charging higher interest rates on new borrowers to compensate for the higher non-performing loans (NPLs) in the banking sector.

Bankers are realising higher fees for many other services, so ultimately the real cost of funds has remained double-digit for entrepreneurs.

"So, dictating the interest rate is not the solution. The government should solve the real problem. Otherwise, the government will keep intervening but people will not benefit from the moves. If NPL is reduced, the interest rate may lower automatically," said Raihan.

There are only a few countries where a free-market economy exists in a pure sense.

"But most countries rarely intervene in the markets, whereas our regulators step in frequently and without any empirical analysis," said Raihan.

Sometimes, regulators take steps under pressure.

"In Bangladesh, the government intervenes in a reactive manner. But it should be proactive and there should have proper reasons and objectives," said Prof Raihan.

Zahid Hussain says when the interest rate rises, the government moves to cut it without addressing the main problem which is the higher NPLs.

> **"In Bangladesh, the government intervenes in a reactive manner. But it should be proactive and there should have proper reasons and objectives," said an economist**

The intervention takes place in the markets in many countries, including Bangladesh, but it should not continue for long, said Monzur Hossain, research director of the Bangladesh Institute of Development Studies.

"The government steps in because a market imperfection prevails and there is also a lack of competitiveness," he said, adding that a lack of governance and strong institutions also leads to market imperfection.

Due to the imperfection, the market does not function smoothly, so the government should focus on liberalisation, Monzur added.

BUT CONTROL DOES NOT WORK ALL THE TIME

The government is desperately trying to control the exchange rate of the taka against the US dollar through the fixation of an interbank exchange rate amid fast-depleting foreign currency reserves, driven by higher imports against moderate exports and lower remittance flows.

But the demand has dwarfed the supply, sending the exchange rate to a record level. As a result, the BB is struggling to ensure discipline in the money market.

The local currency trades at Tk 97 to a dollar in the case of importers. It is more than Tk 100 for travellers, whereas the interbank exchange rate is Tk 87.90 a dollar.

The situation has compelled the central bank to raise its key interest rate for the first time in a decade on Sunday.

THEN WHY KEEP REGULATING

There is a question of why such intervention takes place and whether it is for the ignorance of regulators or aims at serving the interest of vested groups.

"I believe a lack of knowledge can't be the reason," said Zahid Hussain.

"Fuel and power prices are also set by the government. The government takes the decision on an ad hoc basis and is not following any formula."

Case for lifting

FROM PAGE B1

borrow at a higher rate from the BB and lend to clients at 9 per cent.

Mashrur Arefin, managing director of City Bank, says Bangladesh has increased the policy rate like in most other countries.

"This is now the highest repo rate in recent years. It indicates that the call money rate will go up soon. The liquidity condition is already under pressure. If the lending rate cap isn't lifted, I hope the central bank will bring some flexibility."

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, also urged the central bank to reconsider the lending cap.

Md Habibur Rahman, chief economist of the central bank, said: "We are not thinking about the lending rate cap at the moment. We are now observing the market."

"We will take measures to this effect if required."

Convert export

FROM PAGE B1

Many exporters sell their export proceeds to banks that offer the higher rate. Yesterday's instruction will put an end to the practice.

This has created a scenario of indiscipline in the foreign exchange market.

Many banks have recently offered Tk 95 to Tk 97 per dollar to exporters. Against the backdrop, they have opted for the lenders that have offered a higher price.

The move will bring stability in the market, said a BB official.

Md Nurul Afser, deputy managing director of Electro Mart Ltd, recently inaugurated the company's new sales and display centre in Rajshahi city. Mohammed Sazzed Un Newaz, director, Mahmudun Nabi Chowdhury, general manager (sales and marketing), and Md Julhak Hossain, senior manager for retail sales, were present.

PHOTO: ELECTRO MART

FOREIGN EUROBOND PAYMENTS

Russia eyes gas-for-roubles template

REUTERS

Russia is considering settling pressing Eurobond obligations by applying the mechanism being used to process payments for its gas in roubles, the Kremlin and the finance minister said, as Moscow edges towards a default triggered by Western sanctions.

US authorities pushed Russia closer to a historic debt default on Wednesday by not extending a licence allowing it to pay bondholders, as Washington ramps up pressure following the military intervention in Ukraine.

Foreign Eurobond holders are awaiting two coupon payments in dollars and euros due last week but with a 30-day grace period.

Russia says it has cash and is willing to pay, refusing to acknowledge talk of a possible default.

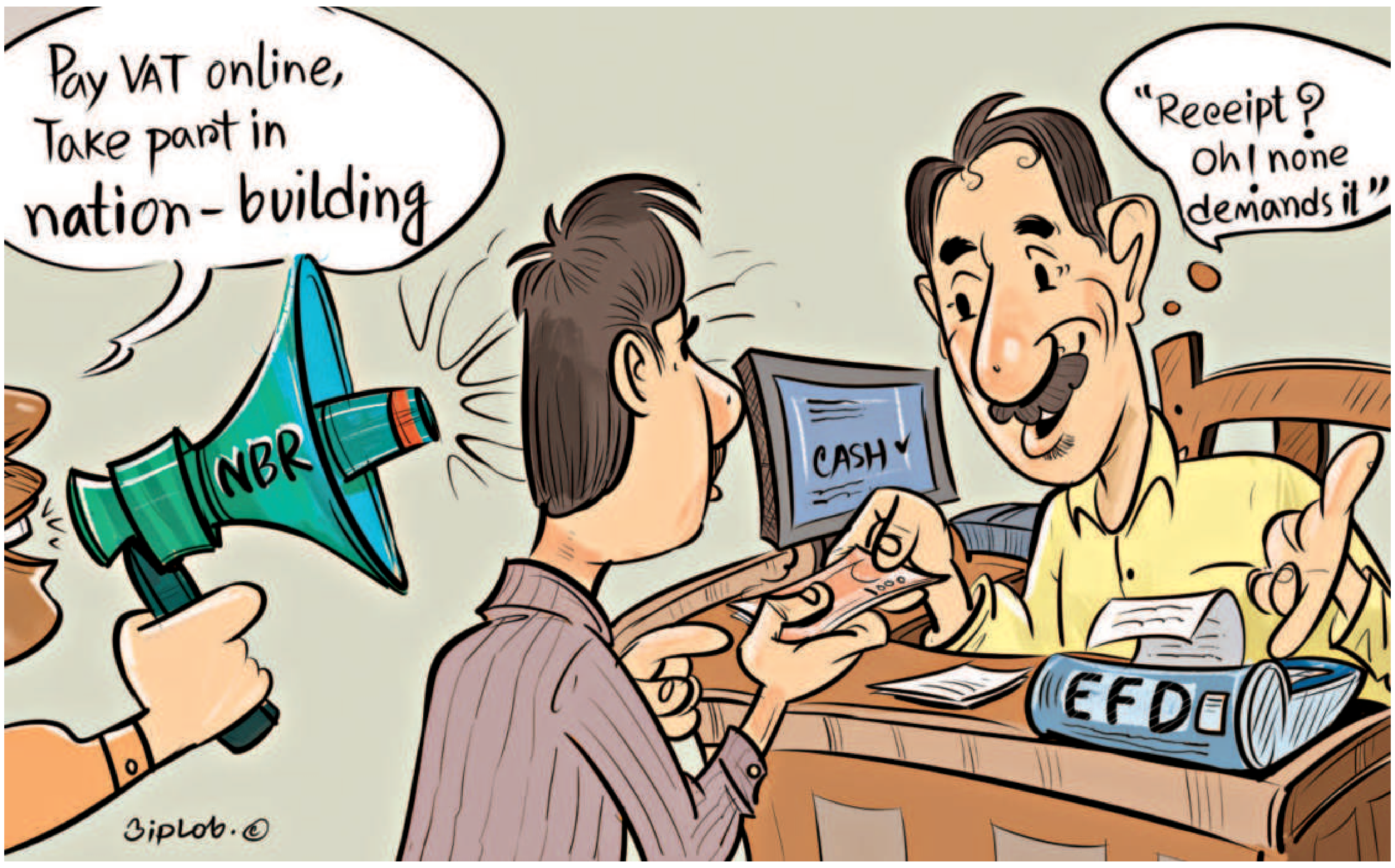
Finance Minister Anton Siluanov said on Monday that Moscow will continue to service its external debts in roubles.

But for foreign Eurobond holders to receive payments in foreign currencies as per Russia's obligations, they would have to open rouble and forex accounts at a Russian bank, he told Vedomosti newspaper.

"As happens with paying for gas in roubles: we are credited with foreign currency, here it is exchanged for roubles on behalf of (the gas buyer), and this is how the payment takes place," he said.

"The Eurobond settlement mechanism will operate in the same manner, only in the other direction." This system would allow Russia to bypass the Western payment infrastructure via Russia's National Settlement Depository (NSD), Siluanov told Vedomosti.

Unlike many Russian financial institutions, the NSD is not under western sanctions. There will be no limit on rouble conversion into forex and the scheme will be reviewed by the government soon, he said.



From electronic cash registers to electronic fiscal devices

NBR's struggle to collect VAT from retail level

SUKANTA HALDER, MOHAMMAD SUMAN *and* SOHEL PARVEZ

On April 5, the revenue authorities held a draw of the lottery of sales receipts issued by the stores using electronic fiscal devices (EFDs).

It was the 15th draw since the National Board of Revenue (NBR) introduced the lottery system to encourage consumers to ask for receipts of their purchases from salespersons. Until now, it got more than 1,500 winners through draws.

Yet it did not get all of the winners of the lottery that has Tk 100,000 as the first prize and Tk 50,000 as the second prize. Just around 100 people have claimed prizes so far.

The rest did not claim the awards although, at the time of the introduction of the lottery, officials had expected that the launch of the lottery and prizes would generate interest among customers and they would demand receipts after purchases from stores or dining at restaurants, helping curb the scope of evasion of the indirect tax.

The NBR launched the lottery after it started installing EFDs at 24 types of businesses, including shops, hotels, restaurants, sweet stores, clothing, furniture and electronics outlets and jewellers to ensure a proper collection of the value-added tax (VAT) from the retail level.

The idea was that the use of EFDs by businesses would enable revenue officials to see real sales data as the technologies would be connected with the EFD management systems at the NBR.

This was the second attempt by the revenue administration to boost VAT collection, after its first initiative to popularise the electronic cash register (ECR) in 2007-08 failed to generate enough interest among users.

The efforts died down a couple of years after its introduction because of a lack of enforcement and unholy nexus between revenue officials and traders.

Nearly two years down the line, the NBR has been able to install only 4,000 machines at stores mainly in Dhaka and Chattogram amid a lack of interest among revenue officials and high-ups at the NBR

Another problem was that there was no scope to monitor whether traders were showing actual transactions as the ECRs were not connected to any central system of the NBR.

So, the revenue authorities took the initiative to replace ECRs with EFDs in 2017. It floated a tender in December 2018 to buy the machines and systems.

It placed an order to buy 10,000 EFDs initially out of a planned 100,000 from a consortium of China-based SZZT and Synesis IT of Bangladesh.

The purchase price of each EFD was Tk 32,000.

In August 2020, the revenue authorities launched EFDs on an experimental basis in five commissionerates of VAT in Dhaka and Chattogram with a target to install 10,000 EFDs at stores by June 2021.

The plan was the consortium would be given further orders for the rest 90,000 EFDs upon successful installation and operation of the devices.

The level of excitement among the top officials of the finance ministry was such that they were planning to roll out the EFDs across the country to bring most retail outlets under the tax net.

WHAT IS HAPPENING AT FIELD LEVEL

Nearly two years down the line, the NBR has been able to install only 4,000 machines at stores mainly in Dhaka and Chattogram amid a lack of interest among revenue officials and high-ups at the NBR, although insiders say the installation of the devices and their use is bringing an increased amount of revenue from many shops.

Insiders say the drive from the NBR slowed as it began to discuss whether it was right to provide the machines to businesses free of cost.

Traders were also unwilling to accept the device and use them to record sales and it was evident from the disabling of the EFDs at some stores.

In repeat visits to shops and restaurants, The Daily Star correspondents also saw little interest among businesses to issue EFD-generated sales receipts to customers.

Take the case of Shawarma House located at the Bashundhara City Shopping Mall in Dhaka. On April 17, one of the correspondents visited the restaurant where the NBR installed the devices.

After the payment of the bill for snacks, the salesman gave the change and no receipt was given. Inquired, the salesman said no customer had demanded receipts since the beginning of the day.

Later two customers paid bills and the salesman accepted but did not issue any receipts. This was the second visit to the same food court since January 10 this year when the correspondent had a similar experience.

At that time, one of the correspondents also visited other shops at the mall, where EFDs have been installed. None was found issuing the sales receipts from the EFDs.

A number of shops in other parts of Dhaka and in the port city of Chattogram that have installed EFDs follow suit: they carry out transactions without giving inputs to the devices.

The examples speak volumes about the lack of compliance on the part of shops and the vigilance and enforcement on the part of the field offices of the revenue administration.

Shop operators say many customers don't want to pay VAT, so they don't use the EFDs.

READ MORE ON B2

Accelerate use of EFDs, ramp up monitoring

Former NBR chiefs, economists urge tax administration

SUKANTA HALDER, MOHAMMAD SUMAN *and* SOHEL PARVEZ

The National Board of Revenue should accelerate the use of electronic fiscal devices (EFDs) and ramp up monitoring to eliminate non-compliance with a view to raising more value-added taxes using technologies, said former top taxmen and economists.

Their comments came as the use of much-hyped EFDs failed to meet expectations, thus depriving the government of the indirect tax shops collect from the consumers and raising the tax-to-GDP ratio.

"There is inertia among many traders toward automation or recording transactions in machines," said Muhammad Abul Mazid, a former chairman of the NBR.

"There is inertia among many traders toward automation or recording transactions in machines," said Muhammad Abul Mazid, a former chairman of the NBR

"There is fear among traders that if machines are used, the devices will store all transaction data. In a country, where the use of two registers is quite common, who will be interested in using the devices?" he questioned.

Mazid was at the helm of the NBR when the tax administration introduced the electronic cash register (ECR), the predecessor of the EFDs, in 2007-08.

"There is also apprehension among the dishonest traders that all of their transactions will be transparent if they use the devices. Instead of doing that, many of them are trying to shift the blame onto customers," he said.

According to Nasiruddin Ahmed, another former chairman of the NBR, the main reason behind the failure is the absence of constant monitoring at retail levels.

"This is the job of the NBR. It appears that there is a gap when it comes to commitment."

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, thinks businesses will not interested in collecting and depositing VAT properly if an effective refund or credit system is not put in place.

"Input tax credit system does not function properly."

An input tax credit is deducting or adjusting the VAT paid during the purchase by a customer from the VAT realised from the buyer during the supply of the inputs.

Hussain also blamed the loopholes and distortion in the VAT policy. "Businesses see VAT as a burden."

The second issue is governance and the lack of monitoring, the economist alleged.

"Corruption has a role. Businesses are getting benefits from not using EFDs. Dishonest officials are also getting a part of the pie."

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, thinks officials at the field level of the NBR do not want the initiative to be successful.

"Monitoring and enforcement must be separated. The official who will monitor the

READ MORE ON B2

Rouble rallies

Reverses last week's heavy losses

REUTERS

The rouble firmed sharply in volatile trade on the Moscow Exchange on Monday, reversing some of last week's heavy losses as it retained support from capital controls and Russia's strong trade account.

The rouble plunged last week as the central bank slashed interest rates, signalling more cuts. The prospect of an easing of capital controls and a possible sovereign default added to downside pressure.

At 0807 GMT, the rouble was nearly 5 per cent stronger at 63.47 to the dollar. Last Wednesday it had hit 55.80 to the dollar, its strongest level since February 2018.

Against the euro, the rouble rose 6 per cent to 65.40, having last Wednesday hit a seven-year high of 57.10, at the peak of month-end tax payments that usually prompt export-focused companies to convert foreign currency to meet liabilities.

"The overall fundamental picture for the rouble is not changing much ... We're not ruling out a return to levels of 60-63 to the dollar," said Dmitry Polevoy, head of investment at LockoInvest firm.

Boosted by capital controls, the rouble had risen to become the world's best-performing currency so far this year until last week's slide. New gas payment terms for EU consumers that require conversion of foreign currency into roubles and a fall in imports have also supported the rouble.

Market eyes are focused on Russia's ability to service its foreign debt after the United States pushed it to the brink of a historic debt default by not extending its licence to pay bondholders, as Washington ramps up pressure following what Russia calls a "special military operation" in Ukraine.

READ MORE ON B2

A Russian rouble banknote is placed on euro banknotes in this illustration. New gas payment terms for EU consumers that require conversion of foreign currency into roubles and a fall in imports have supported the Russian currency.

PHOTO: REUTERS/FILE

Iran's energy export revenue up 60pc in March-May

REUTERS, *Dubai*

Iran's energy export revenue is 60 per cent higher in the first two months of the Iranian year (March 21 to May 21) compared to the same period a year ago, an official from the Iranian oil ministry told the ministry's SHANA news agency on Sunday.

The official did not give a reason for the jump in revenue which comes as oil prices have nearly doubled from a year ago because of the war in Ukraine and the global post-pandemic economic recovery.

The Iranian government says it continues to export oil despite US sanctions re-imposed in 2018 after former US President Donald Trump withdrew from an agreement to restrain Iran's nuclear programme. Talks to revive the 2015 accord, and allow US sanctions to be removed, have been on hold since March, chiefly over Tehran's insistence.