

INTEREST INCOME

**NBR clears confusion about tax deduction**

STAR BUSINESS REPORT

The National Board of Revenue (NBR) has issued a clarification related to the deductions of withholding tax on interest earning deposits that companies keep in banks and other financial institutions.

The tax authority has imposed 20 per cent tax at source on the interest generated by deposits maintained by companies in banks for the current fiscal year.

It also slapped 10 per cent withholding tax on entities other than companies such as public universities and educational institutions whose teachers get salaries under monthly payment orders, and professional institutes established under any law.

In addition, the NBR imposed 5 per cent tax at source on the interest income from deposits kept in the name of a provident fund recognised by the revenue authority, approved gratuity fund, approved superannuation fund or pension fund.

After the new provision came into effect in July this year, bankers found it difficult to differentiate between companies, firms, and other entities while deducting tax on the interest on deposits of taxpayers other than individuals.

Officials said bankers fell in a dilemma over whether they, at the time of crediting interest to the accounts of depositors after deducting the source tax on behalf of the state, would follow the definition of a company given in the company law or the definition provided in the income tax law.

As per the clarification issued on October 20, state agencies, semi-government organisations, state corporations, and state banks such as the Bangladesh Power Development Board, Export Promotion Board, Unnayan Corporation, and regional development authorities, NGOs, and trade bodies will be treated as companies.



Locally manufactured restaurant and fast food shop equipment such as burners, blenders, sandwich makers and display refrigerators put on sale at a shop on Kazi Nazrul Islam Avenue in Dhaka. The photo was taken recently.

PHOTO: PALASH KHAN

**Open platform needed to tackle unfair practices of big ecommerce**

Experts tell BASIS roundtable

STAR BUSINESS REPORT

Bangladesh needs to establish a platform like India's Open Network for Digital Commerce (ONDC) to help small and medium enterprises sell products through online platforms without having to give in to the dominance of a few big players, said experts yesterday.

"The ONDC received tremendous response among the small and medium-sized Indian e-commerce sellers," said AKM Fahim Mashroor, chief executive officer of Bdjobs.com and AikerDeal.com.

He was speaking at a roundtable titled "ONDC: the new future of digital commerce" organised by the Bangladesh Association of Software and Information Services (BASIS) at its conference room in Dhaka.

The ONDC is a private non-profit company backed by the Department for Promotion of Industry and Internal Trade under the Ministry of Commerce and Industry of India to promote open networks for all aspects of the exchange of goods and services over a digital network.

It was launched on a pilot basis in five cities on April 2022 and then expanded to over 85 others. Later it was officially launched in Bengaluru on September 30.

The ONDC will empower e-commerce

merchants as they will not have to accept unilateral terms of top e-commerce platforms, said Mashroor.

"Although the internet was founded on the principles of openness and decentralisation, global commerce is facing the challenge of market concentration," said Thampy Koshy, chief executive officer of the ONDC, who joined the roundtable virtually.

Some 42 per cent of global ecommerce is owned by four Chinese companies and two large international companies control 63 per cent of the ecommerce market in India. This has led to digital monopolies, he said.

"This is leading to market concentration, with many adverse effects, creating high entry barriers for new players and limiting innovation," he said.

The ONDC is enabling local commerce across segments, such as mobility, grocery, food order and delivery, hotel booking and travel, among others, to be discovered and engaged by any network-enabled application, reports Indian newspaper Business Standard.

Through the ONDC, merchants will be able to save their data to build credit history and reach consumers.

The network aims to create a level playing field for e-commerce behemoths such as Amazon and Flipkart and offline traders

who have been crying foul at the unfair trade practices of these e-tailers.

The ONDC is not a platform, rather a network or system through which all the partners involved in digital commerce communicate with each other through a common protocol, said Koshy.

"The government should work together with the private sector to implement this new network in Bangladesh like India," Russell T Ahmed, president of the BASIS.

"In this regard, the BASIS is ready to provide all kinds of technical assistance to all, including the Ministry of Commerce and Bangladesh Bank," he said.

The ONDC can act as a shield against large foreign platforms who end up driving many small traders out of the market, said Hafizur Rahman, additional secretary to the Ministry of Commerce.

"The Ministry of Commerce will use the experience of other countries in this regard and will soon start the work of creating an open network policy suitable for digital commerce in Bangladesh. This policy will be developed in consultation with stakeholders," he added.

Md Mezbahul Haque, director of Payment Systems Department of Bangladesh Bank, also spoke at the programme.

FMCG INDUSTRY

**SCB, Transcom Beverages to launch collection solution**

STAR BUSINESS DESK

Transcom Beverages Ltd has signed a memorandum of understanding with Standard Chartered Bangladesh (SCB) to launch the first-ever digital collection solution with real-time reconciliation via Application Programming Interface (API) integration for the fast-moving consumer goods (FMCG) industry.

Luthful Arefin Khan, head of transaction banking of Standard Chartered Bangladesh, and Mohammed Ismail, chief financial officer of Transcom Beverages Ltd, inked the MoU at the bank's head office in Dhaka, a press release said.

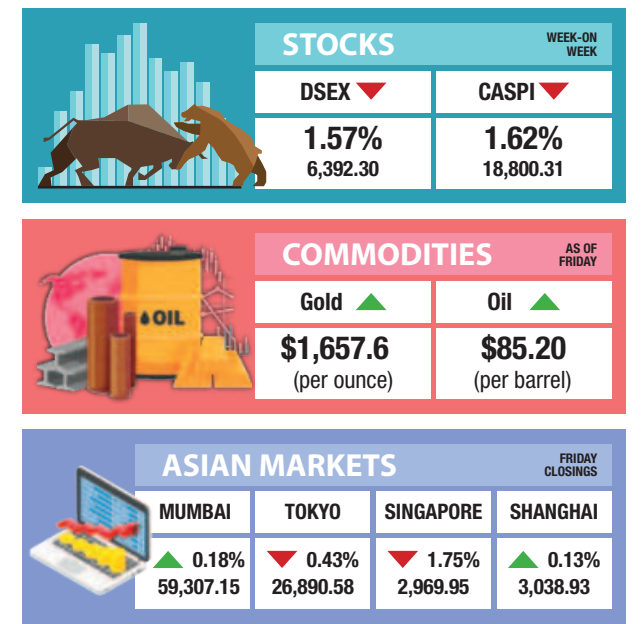
The digital platform will enable manufacturers to conveniently collect and reconcile funds from distributors with ease. The solution will also ensure a shorter turnaround time for distributors.

By leveraging the bank's virtual account for collection solution with API connectivity, Transcom Beverages can now access detailed information about payments made by its distributors and use the data to automatically complete the reconciliation process.

The real-time solution eliminates manual data entry delays and errors. With the solution, the beverage company will also experience enhanced data security, better operational risk management, and a major efficiency boost, said the press release.

"Our virtual account for collection solution with API connectivity has had a notable impact across various industries, and we are happy to help bring new benefits to the FMCG industry," said Enamul Huque, head of client coverage, corporate, commercial and institutional banking at Standard Chartered Bangladesh.

"The solution has simplified our process, ensured error-free and real-time reflection of customer ledger, enabled faster customer service, and minimised human effort. With this digitalisation, we are now able to serve our customers four to five hours earlier than before," said Kamrul Hassan, group chief financial officer of Transcom Group.



Emranul Huq, managing director of Dhaka Bank, inaugurates "Tayyebah Dhaka Islamic Banking Brand" and "Tayyebah Islamic Credit Card" with Murtaza Hasan Fayezi Masum, khatib of Gulshan Society Jame Mosque and principal of Markazu Foyzil Quran Al-Islami, Mirpur in Dhaka, for providing Islamic banking services under the guidance of Shariah Supervisory Committee, at the bank's head office in Dhaka recently. Mohammad Abu Jafar, additional managing director, Mostaque Ahmed, AKM Shah Nawaj and AMM Moyeen Uddin, deputy managing directors, and Tipu Sultan, executive vice-president, were present.

PHOTO: DHAKA BANK

**Broadband internet user growth hits**

connected to broadband internet in the last two and a half years since they have had to rely on internet to work, communicate, study and get entertained for the deadly virus.

In February 2020, there were only 57 lakh broadband customers in Bangladesh. The number rocketed to around 1 crore in December in the same year. But the growth began slowing down at the beginning of 2022.

It came as users have been compelled to spend less on internet since the cost of living has gone up for the higher inflation, which rose to a multi-year high of 9.5 per cent in August before decelerating to 9.1 per cent in September.

According to Hoque, there is demand from customers in remote areas, but ISPs can't connect them

due to a lack of transmission lines.

He alleged that owing to the inability of national telecommunication transmission network (NTTN) service providers, which transport international bandwidth to and from domestic wholesale outlets called international internet gateways through optical fibre, ISPs can't expand their services to the remote parts of the country.

NTTN companies rent out capacities of fibre optic cables to voice, internet and data service providers. Currently, six companies have the licence.

Fiber@Home Limited and Summit Communications, the two private NTTN operators that received licence in 2009, dominate the market, with nearly 50,000 kilometres of cables each.

Three public entities - Bangladesh Telecommunications Company Ltd, Power Grid Company of Bangladesh, and Bangladesh Railway - got licence in 2012 but are barely visible.

Bahon secured NTTN licence in 2019 to become the sixth operator. Its network deployment has been in the early phase.

NTTN operators, however, refuted the claim of the ISPAB chief vehemently.

"How are they connecting their remote clients now? It might be true for a specific place for a specific NTTN. But such generalised comment has no merit," said Sumon Ahmed Sabir, chief technology officer at Fiber@Home.

According to Sabir, NTTNs are present in almost every corner of the country, covering most of the unions.

**Life insurance penetration halves**

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"A key reason for the low penetration is the discontinuation of policies," said SM Ibrahim Hossain, director of the Bangladesh Insurance Academy.

The number of policyholders has been hovering around 1.75 crore for the last few years. A 2017 World Bank document put the number at 1.71 crore for 2014, citing data from the International Monetary Fund.

This is because the number of new policies purchased every year usually equals the number of policies discontinued, Ibrahim said.

"Some policyholders do not continue premium payments after a few months or years owing to a lack of awareness and lower attention from agents after a year. So, premium income grows at a pace lower than the GDP growth rate."

The first-year lapse rate for private insurers was 60-70 per cent a few years back, according to the IDRA.

Ibrahim also blamed the low investment return in the insurance

sector and a lack of product diversification as major reasons for the lower penetration.

Ala Ahmad, chief executive officer of MetLife Bangladesh, the only foreign insurance company in the country, says the penetration of life insurance is declining as many policyholders do not continue paying premiums after buying policies.

"This can be improved by better need-based selling, informing people of the benefits of insurance, and making premium payment, claims or maturity settlement simple, hassle-free, timely and transparent."

In 2020, life insurance premiums dropped by more than 1 per cent to Tk 9,501 crore compared to the previous year. It rose around 8 per cent to Tk 10,260 crore in 2021, IDRA data showed.

Life insurance maintained more than two-thirds of the total gross premium and approximately three-fourths of total assets in the insurance sector, according to the central bank's Financial Stability Report 2021.

"There is a lack of confidence among the common people about insurance companies because many insurers do not settle claims properly," said Jalalul Azim, managing director of Pragati Life Insurance.

Overall, life insurance companies' claims settlement ratio decreased to 68.79 per cent in 2021 from 88.32 per cent in 2020, which would not be encouraging for life insurance policyholders, the BB said.

There has not been much product diversification in the sector, said Azim, adding that the coverage of life insurance needs to go up.

"Had the government made insurance compulsory for all, the scenario of penetration would have been different."

The World Bank document also cited that most insurance products that were available in Bangladesh suffered a lack of quality with regard to price and coverage.

Azim adds that many government

companies are still out of insurance coverage and the government has many properties that are not insured as well.

Nasir Uddin Ahmed, first vice-president of the Bangladesh Insurance Association, says the people of Bangladesh still consider life insurance as a savings tool.

"But the savings tendency has slowed in the last few years. As a result, premium income did not rise at a faster clip."

The insurance density ratio, which refers to the average per capita spending on gross insurance premiums, however, increased to Tk 885 in 2021 from Tk 600 in 2013, the BB report showed.

Bangladesh's life insurance penetration is well behind the emerging market average of 3.3 per cent. In 2020, India's life insurance penetration was 3.2 per cent while it was 2.4 per cent in China.

Joy Shaha, a Bangladeshi who lives in Canada, says a resident in the North American country can't think of passing a day without having an insurance policy.

"It gives me mental peace because I don't have to worry about myself or my family if I face any disaster," said the 35-year-old.

"Actually, none can live a day without an insurance policy in Canada and insurance-related documents are required for every sphere of our lives."

IDRA Chairman Mohammad Jainul Bari says some insurers lag behind claim settlements so people's confidence in the sector has remained low.

"We are working on it. We have already sat with insurers that are struggling to maintain good governance, settle claims and maintain financial strength."

"We are working so that the public's trust level in the insurance sector grows. We are focusing on raising awareness," he said, adding that the IDRA has set up a hotline where customers can lodge complaints.