

Stock floor price keeping buyers at bay

STAR BUSINESS REPORT

There was a dearth of buyers in the stock market of Bangladesh yesterday amidst the prevalence of a floor price for every stock set by the regulator to halt the free fall of the market indices amidst global economic uncertainties.

The DSEX, the benchmark index of Dhaka Stock Exchange (DSE), rose 39 points, or 0.63 per cent, to 6,230.

The DS30, the blue chip index, increased 0.58 per cent to 2,190 points while the DSES, the index that represents Shariah-based companies, 0.93 per cent to 1,355.

Most of the investors were apprehending that the share prices of listed companies would fall further but were currently being unable to for the floor price, so they are not buying shares, said a stockbroker.

In July, the stock market regulator set the floor price, meaning the lowest price at which a stock can be traded.

Most of the investors were apprehending that the share prices of listed companies would fall further but were currently being unable to for the floor price

The floor price was fixed on the basis of the average of the closing prices on July 28 and the preceding four days.

If the floor price is withdrawn, the price will fall further, so investors shied away from pouring fund into stocks, said the stockbroker.

On the other hand, the performances of listed companies dropped in the last quarter, for which their stock prices deserve to fall but got stuck at the floor price, he added.

The stock market was nearly devoid of fresh investments due to the floor price, said a top official of a merchant bank.

If the floor price had not been there, the stocks may have gone down to their lowest levels and then could rise again for some new buyers, he said.

Now, the artificial prices of the stocks were only giving mental support to the investors. If they needed to sell shares for any reason, they would not be able to do so due to the dearth of buyers, he added.

At the DSE, 78 securities advanced, six declined, and 229 did not see any price movement.

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Factories at the BSCIC industrial estate in Jhenaidah have overcome the fallout of Covid-19 and are now enjoying better business. For example, this unit that makes jute thread, sacks and cloth is witnessing handsome earnings by shipping its products abroad. PHOTO: AZIBOR RAHMAN

BSCIC ESTATE IN JHENAIDAH

Industries starting to flourish following Covid-19

AZIBOR RAHMAN, Jhenaidah

Factories at the industrial estate of the Bangladesh Small and Cottage Industries Corporation (BSCIC) in Jhenaidah are starting to flourish after being under threat of closure amid the pandemic years from 2019 to 2021.

The industrial estate was established in 1988 on 15.70 acres of land alongside the Jhenaidah-Dhaka highway in Dhanbaria village, according to BSCIC officials.

With all 101 plots in the BSCIC estate already allocated for various industries, just five units in the area are currently inoperative as their owners will soon be changed.

Total investments in the industrial area amount to Tk 207.67 lakh while some 97 per cent of the service charge levied on factories is realised each month.

There are 61 A-category plots that have an area of 4,500 square feet while the 25 B-category plots are 300 square feet. In addition, there are 14 C-category plots that have different sizes.

During a recent visit to the BSCIC area, this correspondent found that most businesses inside the complex have been passing a good time as of late.



However, plot owners said they would feel more secured if there were protective entry and exit gates at the estate while a canal that runs through it should be renovated.

Businesses in the BSCIC area provide a number of valuable services and products in the region and beyond.

Md Hasanuzzaman, senior executive of Metal, said they import agro-machinery from India and sell it to farmers in Bangladesh.

"We are doing good business," he added.

Md Sahabuddin, manager of Serf Agro Industry, said they produce various fertilisers.

"We produce sulphur, gypsum, zinc fertilisers and all types of pesticides, which are provided to farmers in different districts across Bangladesh as well as some countries abroad," he added.

The factory employs around 100 workers.

Md Abdul Mozid, manager of Smart Cables Industry, said they have been operating in the industrial estate for 12 years now.

"We produce cables and market them in different districts of the country. Now, we are heading towards good profit," he told The Daily Star.

Ashaduzzaman, director of Zaman Jute Diversify, said they produce jute thread and export it to countries in the EU.

The company has three units in the BSCIC area that employ 1,000 people in total.

"We also collect jute from different markets to make sacks and cloths," he added.

Selina Rahman, deputy manager of the Jhenaidah BSCIC, said these industries were hit by multiple crises amid the Covid-19 pandemic.

"Some 10-12 influential people had taken plots but and they did not run any business. Exercising their authority, they kept the plot in vain," she added.

Rahman went on to say that she had submitted an estimate for constructing two gates, but the authority has only agreed to set up one.

"The rest will be constructed by turns," she said.

Rahman then informed that an issue with the area's drainage system has already been dealt with while undisturbed electricity and water supply are being provided smoothly.

Stagnancy in mutual fund sector

KAZI AHSAN MARUF

All over the world, mutual funds are very popular investment options, which translate long term savings into long term investments.

By looking at the development of the sector in India, one can understand its contribution: India's mutual fund size is \$468 billion in 2022 compared to \$1.3 billion in Bangladesh.

One can also understand the demand for mutual funds in Asia by comparing the asset under management to the GDP ratio across various nations. In 2019, the ratio was 54 per cent in Malaysia, 14 per cent in India, 13 per cent in China, 2 per cent in Pakistan, and 0.5 per cent in Bangladesh.

The higher the development of a country, the higher the size of the mutual fund industry.

Sustainable and impactful development requires long-term investment. Mutual funds provide longer-term financing that banks can't provide.

The Bangladesh Securities and Exchange Commission (BSEC) has brought in significant changes, including in the areas of corporate governance and fairness of audited reports of mutual funds, which are positive for the long term. Despite the efforts, it has remained a dwarf industry.

People invest in mutual funds because they do not prefer investing in the capital market directly. There may be many reasons for that. They might not have adequate time and skill. They expect professionally managed funds to provide a better return while managing risks.

If there were no incentives offered by mutual funds, investors will shy away from them.

One of the major obstacles is tax inefficiency. For example, a Tk 1 income by an investor thanks to an investment in mutual funds is taxed at five levels, while direct investing is taxed at three levels.

There is no parity and no economic sense for investing in mutual funds for a rational being. Mutual funds by default have become an inefficient savings tool.

In 2022, mutual funds are taxed in the following manner: corporates pay respective tax and pay dividends; dividend income is taxed at 20 per cent when a mutual fund receives it; and if a mutual fund invests in fixed-income securities, interest income is taxed at 10 per cent at the fund level.

If a mutual fund invests in shares, it realises capital gain that is not taxed at the fund level. Because of the mandatory provision of the BSEC Mutual Fund Rules 2001, a mutual fund has to pay a cash dividend. At the time of dividend payment from mutual funds, the entire capital gain is at taxed 10 per cent for individuals.

Lastly, if the same person has a certain level of taxable income, they must pay additional tax at the time of assessment on this capital gain. If the individual had invested directly in the share market, he would not have to pay the tax on capital gains.

But in India, mutual funds are treated as pass-through vehicles for income tax and therefore, they do not pay long-term capital gains tax or short-term capital gain tax on any stock or bond that they buy or sell. It is fully tax exempted at the fund level. The income from mutual funds is taxed once which is only at investor's hand.

So, without establishing a level-playing field, the mutual fund sector will not grow. The consequence will be a lack of efficiency in financial intermediation.

The bigger the mutual fund sector becomes, the bigger the investment activity will be. Hence, the contribution of the sector to the economy will lead to the achievement of our future aspirations significantly.

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Summit of women entrepreneurs kicks off in Dhaka today

STAR BUSINESS REPORT

The first ever two-day International Women Entrepreneurs' Summit will begin in Dhaka today with the aim of encouraging businesswomen in Bangladesh.

Around 4,000 female entrepreneurs, professionals, corporate icons and policy makers from all over the world are expected to join the hybrid event either in-person or virtually.

The Bangladesh-India Business Council (BIBC) will host the event with the support of the Bangladesh Investment Development Authority (BIDA) at Radisson Blu Dhaka Water Garden in the capital.

Shirin Sharmin Chaudhury, speaker of parliament, will inaugurate the summit, where senior government officials and industry pioneers will also attend.

The announcement came at a joint press conference of the BIBC and BIDA, held yesterday at the BIDA office in Dhaka.

The organisers said this event will help connect women entrepreneurs in the country with those abroad.

Lokman Hossain Miah, executive chairman of BIDA, said this event will boost the confidence of women entrepreneurs and encourage them more.

Echoing the same, BIBC President Mantasha Ahmed said a strong network of women entrepreneurs – both domestic and foreign – will be created through the event.

Women entrepreneurs from a total of eight sectors, including agro and food processing, health, ICT and more, will also attend, the organisers say.

At least six women entrepreneurs from six countries, namely China, Japan, India, Greece, Malaysia and Maldives, have already come to Bangladesh to participate the event, they added.



The organisers of the International Women Entrepreneurs' Summit said the event will help connect women entrepreneurs in the country with those abroad. PHOTO: STAR/FILE

Bangladesh's investment roadshow in Europe from February 25

STAR BUSINESS REPORT

The Dutch-Bangla Chamber of Commerce and Industry (DBCCI) is going to organise a weeklong roadshow in three European Union (EU) countries from February 25 next year to attract foreign investment.

The three countries are the Netherlands, Luxemburg and Belgium and the event is titled "Bangladesh Investment Road Show in the BENELUX-2023".

The DBCCI will jointly organise the event with Bangladesh Investment Development Authority (Bida) for the first time, said DBCCI President Md Anwar Shawkat Afser.

He made the announcement at a ceremony over the signing of a memorandum of

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