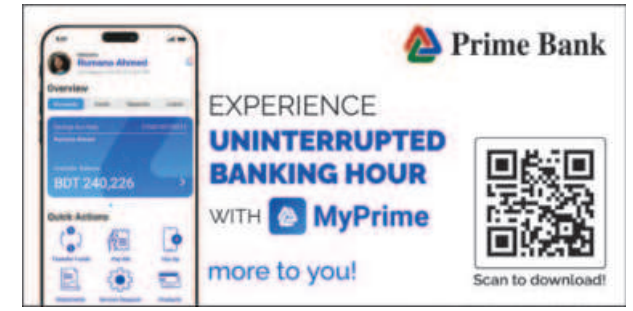


Star BUSINESS



Explore avenues to tax digital economy: CPD

STAR BUSINESS REPORT

Bangladesh should explore avenues on how to tax the country's growing digital economy so that it can increase spending on urgent development needs and allocate more resources for priority sectors such as health and education, according to the Centre for Policy Dialogue (CPD).

In a paper, styled "Taxing the Digital Economy: Trade-offs and Opportunities", the private think-tank said Bangladesh should take advantage of digitalisation to enhance its opportunities for fiscal mobilisation.

In addition, the government should bring an increasingly larger part of the digital economy under the tax net for higher domestic resource mobilisation.

"But it should not be done in a way that kills the expanding sector through heavy taxation," said Professor Mustafizur Rahman, a distinguished fellow of the CPD.

"We should definitely keep giving tax exemptions and incentives to certain segments of the digital sector."

READ MORE ON B3

WHAT EXPERTS SAY

Short-term Moving Average Rate (SMART) may not become a market-based interest rate

Administered interest rates like 9pc ceiling on loans may continue

There may not be major change in financial sector due to SMART

PURCHASE OF SECURITIES

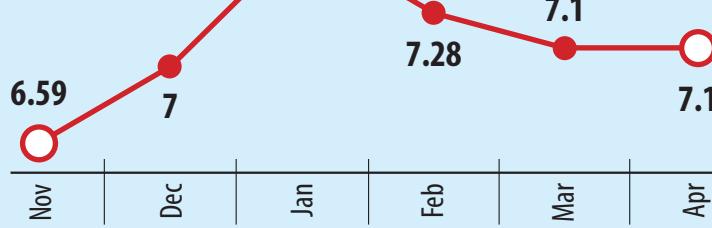
(Jul 1 to Mar 2 of FY23)

BB purchased T-bills worth Tk **22,063cr**

BB bought T-bonds worth Tk **30,672cr**

INTEREST RATE ON 182-DAY T-BILLS

In %; SOURCE: BB



WHAT SHOULD BE DONE TO MAKE SMART EFFECTIVE?



BB should not intervene in auctions of T-bills and bonds



The central bank should avoid purchasing securities from auctions frequently



Banks should be allowed to purchase securities

Will BB's lending rate-setting formula yield expected results?

AKM ZAMIR UDDIN and MD FAZLUR RAHMAN

The Bangladesh Bank has decided to implement a market-based interest rate from July, moving away from the 9 per cent interest rate cap on loans, an initiative that may help the central bank uses its policy rates effectively in its fight against higher inflation.

Bankers have welcomed the move in their initial reactions but analysts are doubtful whether the upcoming rate-setting method will give a market determined lending rate in a true sense.

Earlier this month, the central bank said the market-based interest rate will be set by calculating the yield rates of treasury bills, the securities through which the government borrows from both commercial banks and the BB to meet its budget deficit.

The interest rates of both Treasury bills and bonds are controlled by the central bank. The BB frequently purchases the securities by bidding at a lower rate compared to commercial banks, said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

"If the central bank continues to intervene in the

auctions in the same way in the coming days, the interest rate will not be market-based at all."

Banks have been following the interest rate ceiling since April 2020 in line with the government's instruction, which aims to keep the cost of

central bank has recently taken the initiative to change it. But its stance may not help change the situation as the new one may be administered as well," said Mansur, also a former official of the IMF.

On April 2, Md Mezbaul Haque, the spokesperson

month reference rate of 6.98 per cent.

The rate will be called the Short-term Moving Average Rate (SMART). It will be adjusted every month considering the interest rates of treasury bills.

"We have initially thought of keeping a range of 3 per cent that can be added to the weighted average rate," Haque said earlier this month.

"We are examining the issue. Banks will be allowed to set interest rates on loans within the SMART."

A BB official yesterday said that they had almost prepared the method of SMART and a notice would be issued to this end soon.

He says that the SMART will be calculated as per the interest rates of 182-day treasury bills.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, welcomed the central bank's initiative to get out of the present fixed rate regime.

"However, the economy will reap the real benefits if we can ensure the real interest rates in our treasury bills. Let's see how it goes," he said.

Selim RHF Hussain, chairman of the Association of Bankers, Bangladesh, a platform for managing directors of banks

READ MORE ON B3

Foreign funds in stocks on the wane

AHSAN HABIB

Foreign investments in the Dhaka Stock Exchange have maintained a downward trend since 2018 despite the regulator's efforts to retain existing investors and attract new ones.

Global investors are distancing themselves owing to their long-held fear of a massive depreciation of the local currency against US dollars and repeated changes in policies that hurt listed firms. The worry related to the currency deepened first by the coronavirus pandemic and then by the Russian war in Ukraine.

Since 2020, the Bangladesh Securities and Exchange Commission (BSEC) has organised roadshows in the United Arab Emirates, the United States, Switzerland, the United Kingdom and Japan in a bid to attract more foreign investments. The initiatives are yet to bring about any major visible positive impacts.

Amid the lower participation of international investors, the turnover of foreign investors plunged to Tk 87 crore in March, the lowest since August 2012 when it stood at Tk 68 crore, BSEC data showed.

Global investors are distancing themselves owing to their long-held fear of a massive depreciation of the local currency against US dollars and repeated changes in policies that hurt listed firms

In March, foreign beneficiary owner account-holders bought shares worth Tk 45 crore and sold securities involving Tk 42 crore, giving a net investment of Tk 3 crore.

In February, foreign investors traded shares worth Tk 192 crore while their net investment was a negative Tk 12 crore.

The turnover was Tk 174 crore in January while the net foreign investment was Tk 114 crore.

"Foreign investors will not flock to our stock market even if the regulator invites them through roadshows," said a top official of a brokerage firm, preferring not to be named.

"Rather, they will look at the potential and problems of the market. The regulator should fix the problems first."

One of the challenges, the broker said, is foreign investors face a confidence crisis.

"Changes in policies were a major obstacle that spooked the confidence of external investors. Policy continuity is necessary."

In recent years, regulators have brought in

READ MORE ON B3



WEEKLY INTERVIEW



'Compensation for workers' deaths below per capita income'

MD ASADUZZAMAN

The compensation for worker deaths due to factory accidents in Bangladesh is still lower than the per capita income of its nationals, according to the leader of a workers' rights body.

At present, the family of a worker would be entitled to just Tk 200,000 as compensation in case of their death owing to any factory incident.

The amount of compensation would be around \$2,000 in terms of US dollars, which is far below the per capita income estimated at \$2,793 in fiscal year 2021-22 by the Bangladesh Bureau of Statistics (BBS).

"The Rana Plaza incident showed us how insecure the life of a worker is. It also showed the meagre worth their lives," said Razequzzaman Ratan, president of

READ MORE ON B3



funds for entrepreneurs low.

The ceiling has already created a major distortion in the financial sector as interest rates should be determined by the market on the basis of demand and supply, according to analysts.

As per the reform actions attached to the \$4.7 billion loan programme, the International Monetary Fund also suggested the government put in place a market-based interest rate mechanism by July this year.

"We have been calling for the withdrawal of the interest rate ceiling for long. The

of the central bank, told reporters that the BB had already fixed a structure to set a market-based interest rate, and it would be unveiled in the next monetary policy due in June.

As per plans, the central bank will initially set a monthly reference rate based on the weighted average rate, which is calculated on the basis of the interest rates of the short-term treasury bills.

The BB will also set another weighted average rate every six months based on the monthly weighted average rates. The BB primarily calculated a six-



Although travel costs have risen amid the ongoing inflationary pressure, tourism in Bangladesh reached the expected level during this year's Eid-ul-Fitr. Here, tourists are seen frolicking on the Kuakata beach in Patuakhali during the holiday.

PHOTO: TITU DAS

Eid tourism undaunted by higher costs, heatwave

SUKANTA HALDER, MD ABU TALHA SARKER and SAJJAD HOSSAIN

Travellers were undeterred by the ongoing heatwave or higher accommodation and transport costs as tourist destinations across Bangladesh were bustling with activity during the recent holiday centring Eid-ul-Fitr.

Occupancy rates at hotels, motels and resorts tend to exceed 90 per cent during the holiday season, which typically begins two days before Eid and lasts for seven days after, according to industry people.

Tourism in Bangladesh usually peaks during the cold months from November to mid-April each year.

The sector accounted for 3 per cent of the country's gross domestic product in fiscal 2018-19, according to the Tourism Satellite Account 2020 of the Bangladesh Bureau of Statistics.

Additionally, the sector accounted for 8 per cent of the total employment that year.

Cox's Bazar is the top vacation spot with about 500 hotels, motels and resorts as well as more than 2,000 eateries.

READ MORE ON B2

স্মরণ

এনসিসি ব্যাংক লিঃ এর অন্যতম উদ্যোক্তা ও সাবেক পরিচালক দিন এম রানা-এর ৯৯ তম মৃত্যুবর্ষিকী আজ।

আমরা তাঁকে গভীর শ্রদ্ধায় স্মরণ করছি এবং তাঁর বিদেহী আত্মার মাগফেরাত কামনা করছি।

পরিচালনা পর্ষদ এক যব্ব্বাপনা কর্তৃপক্ষ

এনসিসি ব্যাংক

Sri Lanka's inflation dips as IMF bailout kicks in

AFP, Colombo, Sri Lanka

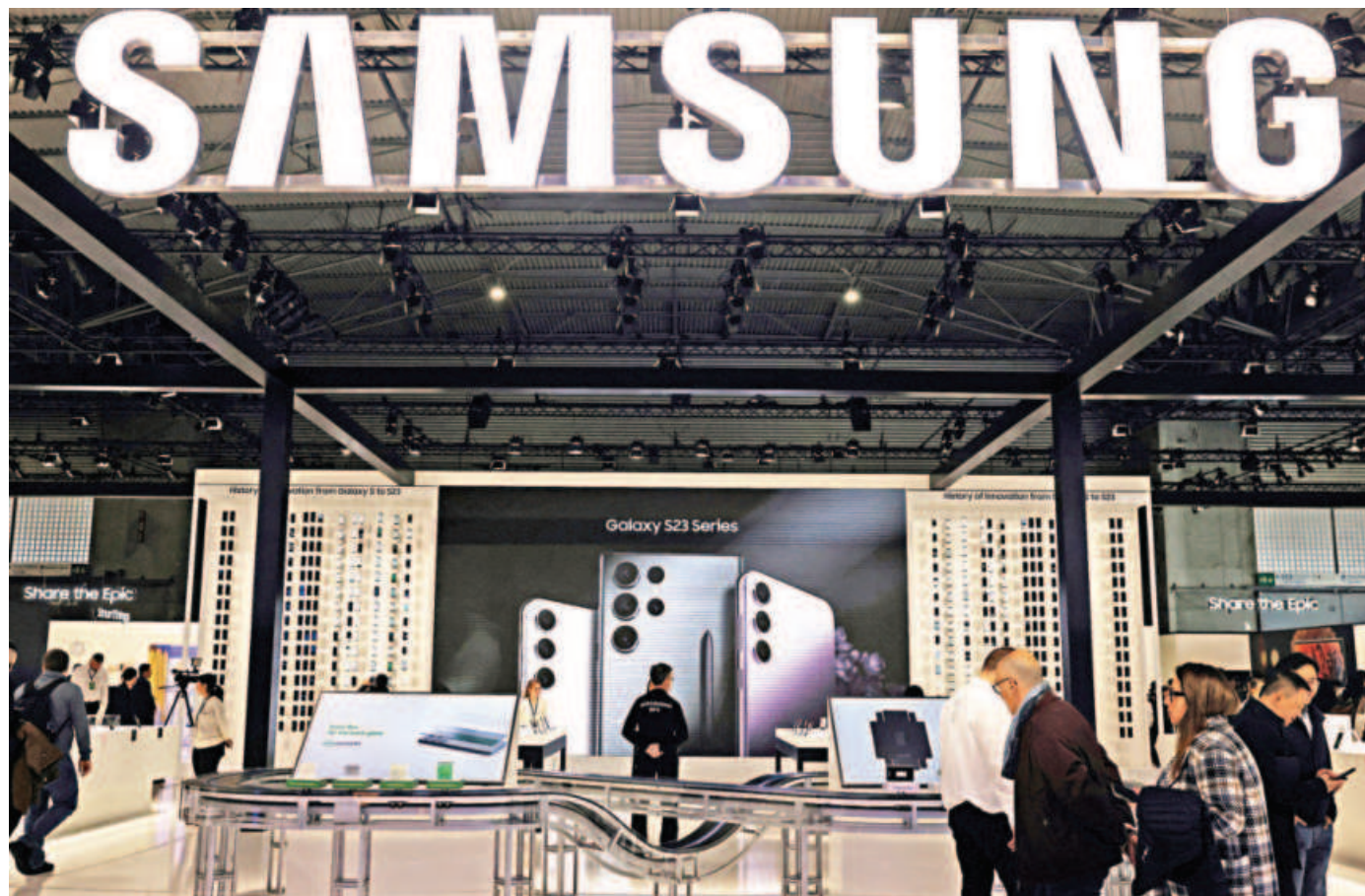
Cash-strapped Sri Lanka's inflation eased to 35.3 per cent, the lowest in a year, the statistics office said Friday as the country pressed ahead with austerity measures under an IMF bailout.

Fuel and food prices coming off their record highs helped inflation moderate in April, the Department of Census and Statistics said.

April is the first full month since the International Monetary Fund released the first instalment of a \$3 billion loan spread over four years.

The rate of price increases peaked at 69.8 per cent in September as Sri Lanka struggled to finance imports of essential goods after declaring a sovereign default on its \$46 billion foreign debt in April last year.

April's inflation of 35.3 per cent is the lowest since the 29.8 per cent recorded a year earlier. President Ranil Wickremesinghe warned his 22 million people soon after the IMF bailout in late March that they may have to endure more hardships due to austerity measures.



Visitors walk past South Korean multinational conglomerate Samsung stand at the Mobile World Congress, the telecom industry's biggest annual gathering, in Barcelona in February this year. Samsung Electronics' chip division reported 4.58 trillion won (\$746 million) in losses, its first operating loss since 2009 -- when the world was emerging from the 2008 financial crisis. PHOTO: AFP

Intel, Samsung hammered as chips demand plummets

AFP, San Francisco

The crucial semiconductor industry, that powers everything from personal computers, smartphones to fighter jets, suffered a dismal first quarter as demand plummeted for chips.

Intel on Thursday posted a massive fall in sales for the first quarter of 2023 because of a steep drop in the demand for semiconductors, especially those for PCs.

Rising prices, a global chip glut and poor demand for hardware also punished Intel's rival Samsung Electronics, which earlier on Thursday reported its worst quarterly profits in 14 years.

Intel's revenue fell 36 per cent to \$11.7 billion in the three-month period and the semiconductor giant posted a loss of \$2.8 billion, its biggest ever for a quarter.

The loss and sales collapse were slightly less catastrophic than expectations, and the stock rallied three percent in post-session trading.

"Intel is heavily dependent on the PC market and as we still seem to be seeing a slowdown in the PC market, consumer PCs especially, I would expect Intel to be having challenges," said Alan Priestley, an analyst at Gartner.

Intel is one of the world's leading semiconductor makers that makes a wide range of products, including the latest generation chips along with Taiwan's TSMC and South Korea's Samsung.

It was also affected by falling demand for chips that power data centers and is struggling to compete with Nvidia for the semiconductors that undergird ChatGPT-style generative AI, a major new and chip-hungry sector for the industry.

In South Korea, Samsung Electronics' chip division reported 4.58 trillion won (\$746 million) in losses, its first operating loss since 2009 -- when the world was emerging from the 2008 financial crisis.

The chips industry -- which also serves the military or increasingly connected household appliances -- is well known for its volatility, with demand and supply see-sawing with the dips and rises in the world economy.

Its central role in the global supply chain became clear during the height of the Covid pandemic.

Lockdowns and health restrictions diminished production out of Asia, leaving surging demand for chips unmet just as everyone turned online for work, shopping and entertainment.

Semiconductors have also become a political pawn between the US and China, with Washington urging allies to stop supplying China with cutting edge chips or other supplies, further destabilising the sector.

The chips industry is well-known for its volatility, with demand and supply see-sawing with the dips and rises in the world economy

The materials required for making chips are often difficult to obtain and China is furious at Washington's effort to thwart its ability to compete in the sector.

Worry is also swirling around Taiwan, home to TSMC, the world's most important chipmaker, with China taking a more bullish attitude toward the island that it does not recognize politically.

"If, God forbid, China all of a sudden attacked Taiwan, about three-quarters of the world's chip supply could stop," said analyst Jack Gold of J.Gold Associates, LLC. Taiwan Semiconductor Manufacturing

Company (TSMC) operates the world's largest silicon wafer factories and produces some of the most advanced microchips used in everything from smartphones and cars to missiles.

Its sales in the first quarter largely held up against the economic gloom, managing to keep profits steady, though it warned sales would take a hit later in the year.

TSMC is more shielded from a downturn in part because it produces some of the most advanced and smallest chips, which are still highly sought after and in short supply.

To respond to the China threat, and in response to the pandemic supply crunch that caught them off guard, the US and EU have planned to shell out \$100 billion combined to become more self-sufficient in semiconductors production, a process that could take years.

According to Deloitte, more than 80 per cent of semiconductor manufacturing happens in Asia and the best scenario will see that share reduced to 50 per cent by 2030.

"It's a very intense, competitive ecosystem out there and it'll just get more complicated as more of these chips come to marketplace," said Gold.

Saidul elected Jamuna Bank's chairman

STAR BUSINESS DESK



Md Saidul Islam has been elected as the chairman of Jamuna Bank Limited for a one-year term.

Islam started his business career with his family business at the Fabian Group in 2010.

He is now the director of Fabian Industries Ltd, Fabian Thread Ltd, Fabian Multiplex Industries Ltd, Fabitex Industries Ltd and the managing director of Frox Media

Limited. He is also the chairman of Eco Advanced Construction Materials Company Ltd.

He obtained a Bachelor of Science (honour's) degree from Coventry University in the United Kingdom.

Eurozone GDP grows 0.1% in Q1

AFP, Brussels

The eurozone economy lumbered forward in the first quarter, official data showed Friday, expanding just 0.1 per cent over the previous quarter as high inflation and interest rates weigh on activity.

Germany, the EU's biggest economy, saw growth stagnate at zero per cent over the previous quarter. Year-on-year, Germany was the only country in the single-currency zone to record a contraction, of 0.1 per cent.

For the European Union overall, GDP expanded 0.3 per cent over the previous quarter, according to the figures from Eurostat, the EU's statistics office.

EU economy commissioner Paolo Gentiloni said the first-quarter data "is encouraging news, which shows a European economy that continues to show resilience against a challenging global backdrop".

PRICES OF KEY ESSENTIALS IN DHAKA CITY			
	PRICE (APR 29, 2023)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 75	0	5.47 ↑
Coarse rice (kg)	Tk 45-Tk 50	-1.04 ↓	2.15 ↑
Loose flour (kg)	Tk 55-Tk 58	0	54.79 ↑
Lentil (kg)	Tk 95-Tk 100	-2.56 ↓	-5 ↓
Soybean (litre)	Tk 168-Tk 175	-0.58 ↓	-7.3 ↓
Potato (kg)	Tk 32-Tk 35	42.55 ↑	86.11 ↑
Onion (kg)	Tk 45-Tk 55	25 ↑	72.41 ↑
Egg (4 pcs)	Tk 43-Tk 45	-4.35 ↓	27.54 ↑

SOURCE: TCB



Sohail RK Hussain, managing director of Meghna Bank, and Tanjiba Rahman, president of Bangladesh Freelancer Development Society, exchanged signed documents of a memorandum of understanding on freelancer account service pack at the bank's head office in Gulshan, Dhaka recently. PHOTO: MEGHNA BANK

Meghna Bank, BFDS launch services for freelancers

STAR BUSINESS DESK

Meghna Bank recently partnered with Bangladesh Freelancer Development Society (BFDS) to launch its new product "Freelancer Account Service Pack".

To this end, both the organisations signed a memorandum of understanding (MoU) at the bank's head office in Gulshan Dhaka, said a

press release.

Tanjiba Rahman, president of the BFDS, and Sohail RK Hussain, managing director and CEO of Meghna Bank, inked the MoU.

Under the MoU, freelancer account holders will receive inclusive banking benefits like remittance services, foreign currency deposit in ERQ account and digital remittance certificate as an express service.

The bank has already established a dedicated desk at its head office, and branches will be the exclusive contact point for freelancers across the country.

"The Meghna freelancer account pack is indeed an excellent addition aimed to serve more than 650,000 freelancing professionals who expect to enjoy hassle-free banking experience," said Hussain.

Japan maintains monetary easing

AFP, Tokyo

The Bank of Japan announced a review of its longstanding monetary easing measures on Friday but said it would maintain them for the time being in the first policy decision under new governor Kazuo Ueda.

Analysts say the central bank's stimulus measures, which were supposed to deliver a vital boost to the Japanese economy, are looking increasingly unsustainable.

"The bank has decided to conduct a broad-perspective review of monetary policy, with a planned time frame of around one to one and a half years," a BoJ statement issued after a two-day meeting said.

In the immediate term, the institution left its negative interest rate in place and did not adjust the band in which rates for 10-year government bonds fluctuate, as expected.

Former economics professor Ueda took over this month from Haruhiko Kuroda, the architect of the bank's signature ultra-loose strategy over the past decade.

On Friday, Ueda said the BoJ could still make tweaks to its easing policies during the review period.

"Necessary policy changes will be debated during each of the policy board meetings and if necessary, they will be implemented. That's our stance," he told reporters.

Eid tourism undaunted by higher costs

FROM PAGE B1

Abdul Awal, director for sales and marketing at Sea Pearl Beach Resort, said business was better this Eid compared to that of 2022.

"We are happy with the current situation," he added.

Md Jahirul Islam, general manager of Mermaid Beach Resort, said they achieved 80 per cent of their expected bookings as some tourists lost their interest in travelling due to high inflation and rising temperatures.

However, Prasenjit Guha Thakurta, group general manager of Seagull Hotel, said occupancy was 10 to 12 per cent lower than the 85 per cent registered in 2022.

"We had to face this situation due to the ongoing heatwave and equivalent examinations," he added.

Thakurta went on to say that the current economic situation and subsequently high travel costs are another reason for the decline in occupancy.

The Palace Luxury Resort, built on 150 acres of land with 107 rooms and 22 villas in a remote village of

Habiganj, was almost fully booked during the Eid holiday.

Joseph Gomes, general manager of the resort, said business was quite good this time around compared to the Eid-ul-Fitr season of 2022.

"The occupancy rate was 100 per cent at our resort," he added.

Pradip Sanyal, executive director of Bhawal Resort and Spa in Gazipur, said this year's Eid season went well as occupancy stood at 100 per cent from April 22 to 30 while it was 90 per cent during the same period of 2022.

"We received a better response from tourists this year due to the development of the Gazipur-Mymensingh road," Sanyal added.

Md Abdullah Al Kafi, managing director of the Meghmati Village Resort in Mymensingh, said their occupancy rate was almost 80 per cent with travellers even coming from Finland, Italy, and Germany.

Rumman Intiaz Tushar, owner of the Ilish Park Eco Resort in Kuakata, said this Eid season has gone quite well as all 10 of their cottages were booked.

The number of tourists going abroad is increasing day by day as well, said Imranul Alam, managing director of Tour Group Bangladesh, which conducted trips to Kashmir, Meghalaya, Sikkim, Darjeeling, Maldives and Nepal during the Eid season.

Some 100 people went abroad through the company in 2022 while about 120 went this year.

Abu Tahir Muhammad Zaber, chief executive officer of the Bangladesh Tourism Board, said there were around 2 crore domestic travellers last year.

Abu Masum, a maintenance manager of Interlink Apparel Limited in Gazipur, went to Cox's Bazar with his family during Eid vacation.

"It was a pre-planned tour for us. And I took the tour's preparation in that way," said Masum.

"I booked a room at Hotel Ashish for which I had to count Tk 2,000 as an additional cost. On normal days, I would have spent Tk 12,000 as room rent for a four-day trip, whereas I had to count Tk 20,000 besides other expenses," he added.

Pubali Bank aims to be a lifelong partner

FROM PAGE B4

performing loans in check for the higher profit.

In the last calendar year, the NPL fell to 2.62 per cent, the lowest since 2012 and much lower than the industry average of 8.16 per cent.

"We select borrowers meticulously before the disbursement of depositors' money. We ensure a two-layer visit to see the potential of a borrower's capacity to repay: one is done by our branch office and the other is by the head office," said Ali.

"Besides, we assess the balance sheets of loan-seekers and corporate governance and look at their buyers and work orders. We also see whether their factories are operational."

So, fraudulent companies don't come to the bank, he said, adding that the loans that have been sanctioned in the last five years have not become classified.

Although Pubali Bank selects borrowers through a rigorous process, it ensures the quickest disbursement of loans so that customers can reap benefits.

"Regular meetings of the board allow us to approve loans without delays," the CEO said.

In order to ensure balanced growth, the private bank looks to focus equally on retail, cottage, micro, small and medium enterprises and continue to serve corporate clients.

Pubali Bank is establishing a

card division and aims to expand its business in consumer credit and lease finance in the coming days.

"At the same time, we will keep our focus on green and environment-friendly lending," Ali said.

The bank has financed the establishment of solar power plants, effluent treatment plants, recycling plants and green buildings.

In order to keep the morale of the employees high, it has set up a retired employees welfare fund so that they benefit after their retirement.

In the case of the death of an employee, it provides employment opportunities to the spouse of the departed.

"We want to be a socially responsible bank," added Ali.

StanChart wins International Business Magazine awards

STAR BUSINESS DESK

Standard Chartered Bangladesh recently won the "Best CSR Bank" and "Most Innovative Digital Bank" awards of the UAE-based International Business Magazine.

To win the award of the "Best CSR Bank" in Bangladesh, Standard Chartered has implemented a variety of sustainability and community engagement efforts that complement Bangladesh's evolving social, developmental, environmental, and economic needs, said a press release.

The bank claimed the award for "Most Innovative Digital Bank" for continuously exploring trends and new technologies in order to deliver best-in-class experiences, achieve transformative growth, and champion going cashless.

"Being recognised by International Business Magazine is a strong signal in the trust and confidence placed in our bank to provide cutting edge solutions. We are committed to remain a valuable partner to the development of the nation and the people of Bangladesh in areas far beyond only banking," said Bitopi Das Chowdhury, head of corporate affairs, brand and marketing at Standard Chartered Bangladesh.



The five-year project styled "Expansion of Artificial Reproductive Technology and Implementation of Embryo Transfer Technology" was taken to expand artificial insemination programmes at the union level, implement cattle embryo transfer technology and increase cattle semen production to ensure increased availability of meat and milk in the country. PHOTO: STAR/FILE

Project for expanding artificial insemination of livestock delayed again

MD ASADUZ ZAMAN

A project for expanding artificial reproduction and implementing embryo transfer technology in livestock farming has been delayed once again due to slow implementation.

The five-year project, styled "Expansion of Artificial Reproductive Technology and Implementation of Embryo Transfer Technology", will now take an estimated eight and a half years to complete.

And although seven years have already passed, some of its salient components remain unachieved, according to documents of the Planning Commission.

Planning Minister MA Mannan approved the project's second revision, which was placed before a meeting of the Executive Committee of the National Economic Council on April 18.

The meeting was chaired by Prime Minister Sheikh Hasina.

The fisheries and livestock ministry initially took up the Tk 265 crore project in January 2016 with the completion date

set for December 2020.

But the Department of Livestock Services (DLS), as the implementing agency, failed to complete the project within this deadline and subsequently sought its first revision.

The project cost was then increased by about 78 per cent, or Tk 206 crore, while its completion date was extended by two years. But following the second revision, the project cost was reduced by 8.20 per cent to Tk 433 crore.

The project was taken to expand artificial insemination programmes at the union level, implement cattle embryo transfer technology at Savar Dairy Farm and increase cattle semen production to ensure increased availability of meat and milk in the country.

Under the project, the DLS aims to provide six months of training on artificial insemination to 2,000 volunteer technicians.

Some 1,530 people have received the training as of December 2022 but the project will have to be extended by

The fisheries and livestock ministry initially took up the Tk 265 crore project in January 2016 with the completion date set for December 2020

another year and a half till June 2024 for the remainder, the DLS said while seeking its revision. The DLS also said it is necessary to increase the allocation for artificial breeding materials through the second amendment of the project.

Besides, the two bull stations and artificial insemination labs in Chattogram and Faridpur are not still operational as the water supply, drainage system, dung pit, straw warehouse and other infrastructure works remain incomplete.

In addition, the Project Evaluation Committee (PEC) of the Planning Commission asked to cancel the

component for creating a database on the different breeds of cattle in the country.

"The DLS authority will have remove this element of the project as it has failed to spend even a penny in this regard," the documents said.

Project Director Md Jasim Uddin said they have already completed around 60 per cent of the works with physical progress at around 70 per cent.

"The project duration has been extended due to some issues related to unpaid bills of contractors," he added.

Uddin then said the ongoing US dollar crisis has affected the import of required machinery and foreign bulls.

Md Jahangir Alam Khan, an agriculture economist, thinks that while the project may take more time to complete, its costs should remain the same.

"This is a very important project for genetic development in cattle and so, it should be implemented very carefully," said Khan, also a former director general of the Bangladesh Livestock Research Institute.

Renata posts strong sales, but profits fall

STAR BUSINESS REPORT

Renata witnessed strong growth in sales in between July 2022 and March 2023 although the pharmaceutical company posted a fall in profits in the period thanks to higher inflation, rising cost for energy and borrowing and foreign exchange losses.

The major pharmaceutical company's sales grew 8.7 per cent year-on-year to Tk 2,439 crore in the first nine months period of the current financial year of 2022-23, according to its quarterly financial reports.

Renata witnessed good growth in pharma (6.7 per cent), animal health (11.1 per cent) and export (60.3 per cent).

In the same period, its profits fell 33 per cent year-on-year to Tk 269 crore from Tk 405 crore.

"We have observed more encouraging sales growth for Q3 FY22-23 of 14.3 per cent indicating increased momentum predominantly by volume growth as we have taken a very cautious approach on pricing," said Md Jubayer Alam, company secretary of Renata.

Renata continues to boast a strong financial position with assets of Tk 4,859 crore and only Tk 241 crore of long term debt, he said.

In addition to the company's existing Tk 1,436 crore of fixed assets, it has Tk 1,536 crore of capital work in progress relating to expansion projects which will place Renata in a strong position to boost manufacturing capacity supporting future sales growth, said Alam.

The drug maker's earnings per share stood at Tk 23.47 in the July 2022 to March 2023 period while it was Tk 35.35 in the same period of the previous financial year, data shows.

The company's net asset value per share was Tk 266.8 as on March 31 of 2023 while it was Tk 256.44 as on June 30 of 2022.

Gold heads for 2nd monthly rise

REUTERS

Gold bounced back on Friday on a dip in yields and renewed concerns over the US banking turmoil, putting the safe haven on course for its second monthly rise even as steady US inflation reinforced bets for an interest rate hike next week.

Spot gold was 0.1 per cent higher at \$1,989.91 per ounce by 1:45 pm EDT (1745 GMT), up about 1.1 per cent for the month. US gold futures settled unchanged at \$1,999.10.

The Federal Reserve issued a detailed and scathing assessment of its failure to identify problems and push for fixes at Silicon Valley Bank before the lender's collapse, promising tougher supervision and stricter rules.

The Fed's report culminated around the same time as a decline in 10-year Treasury yields, turning gold positive, "but everything hinges on what (Fed Chair Jerome) Powell's going to say next week," said Daniel Pavilonis, senior market strategist at RJO Futures.

Foreign funds in stocks

FROM PAGE B1

a number of policy changes that were most unexpected.

In 2018, the BSEC approved the extension of the tenure of closed end mutual funds from 10 years to 20 years and handed over the power to asset managers, much to the dismay of investors because many of them had been waiting for the liquidation of the funds and booking profits.

Closed end mutual funds are investment funds that gather a fixed pool of money for 10 years from investors and re-invest them into stocks, bonds and other assets.

In 2015, the energy regulator - Bangladesh Energy Regulatory Commission - slashed the distribution charges of Titas Gas. As a result, the market value of the state-run gas utility fell more than Tk 3,000 crore in the five months to February in 2016.

In 2019, the telecom regulator declared Grameenphone as a significant market power, dampening the confidence of foreign investors.

As an SMP, higher charges are applied to GP, which might squeeze the business growth of the leading mobile phone operator in Bangladesh.

The Bangladesh Telecommunication Regulatory Commission also banned Grameenphone from selling SIMs in June last year. The restriction was lifted in January this year.

"When regulators take any abrupt decision and it goes against listed companies, their profits take a hit. As a result, companies' capacity to invest is squeezed. Investors don't like to be in such a situation," said the broker.

The fear of a drastic depreciation of the local currency had always been in the minds of investors as the central bank had kept the taka stronger against foreign currencies for long through artificial support.

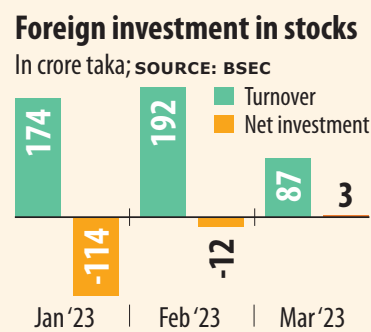
However, the central bank finally allowed the taka to fluctuate late last year after the foreign currency reserves started to fall fast owing to an escalation of import bills against moderate export and remittance earnings.

The taka has lost its value by about 25 per cent against the American greenback in the past one year.

"The depreciation of the taka was one of the drivers behind the continuous sell-off by foreign investors," said the broker, adding the central bank should introduce a market-based exchange rate so that investors should not worry much about any currency swing.

The last nail in the coffin was the imposition of the floor price by the BSEC twice to stop the free-fall of stocks, said the chief executive officer of a merchant bank.

"As a result, we don't know about the direction of the market. Not only foreign investors, but local institutional investors are also reluctant to invest in the market."



Reasons of confidence crisis among foreign investors

- Dollar crisis and depreciation of taka
- Frequent policy changes regarding stock market
- Illiquid stocks amid floor price

In March 2020, the stock market regulator introduced the floor price on all stocks to stop the index from sliding after the coronavirus pandemic struck the country.

In order to prevent a freefall of stocks, the floor price, the lowest price at which a share can be traded, was brought back on July 29.

On December 21, the stock market regulator lifted the artificial support measure for 169 companies, only to bring back the regulatory measure in March this year.

The floor price disheartened foreign investors as they always prefer a liquid market, the CEO said.

"Investors don't want to invest because of the exchange rate volatility."

Speaking to The Daily Star, Mohammad Rezaul Karim, spokesperson of the BSEC, said: "Roadshows are organised jointly with other regulators to attract foreign portfolio investments as well as foreign direct investment. The initiatives will pay off in the long run."

"Roadshows boost foreign investors' confidence as they highlight the potential of the country and allow us to know the problems investors face."

According to Karim, regulators have already resolved many problems. For example, the central bank eased the process of opening non-resident investors' taka accounts.

Compensation

FROM PAGE B1

the Socialist Labour Front, a left-leaning labour rights body.

Some 10 years ago on April 24, more than 1,130 workers died and thousands more were injured when the Rana Plaza building that housed a number of factories caved in.

He then said that in the amended labour law, the amount of compensation for the death of a worker for workplace accidents has been fixed at Tk 200,000.

"The worth of life of a person is much lower than the per capita income," he said in an interview with The Daily Star.

Ratan also said the provision for compensation equal to the whole working life of a departed worker has not been addressed in the labour law.

There are provisions for small amounts of compensation for injury but if a worker becomes physically challenged after sustaining injury for workplace accident, there is a provision of only Tk 250,000 compensation.

Besides, there is no provision for the rehabilitation of injured workers.

Explore avenues

FROM PAGE B1

However, our expectation is that these benefits, which would help generate income and employment, will prepare the ground for increased taxes after a certain period," he added.

Rahman then suggested the National Board of Revenue (NBR) could think of introducing sunset clauses with respect to existing tax-exempted digital sectors and also in case of implementing new exemptions.

He was speaking while presenting the paper during a dialogue at the Bangabandhu International Conference Centre in Dhaka. The event was organised by the CPD in partnership with the European Union.

The paper outlined some points on why taxation of the digital economy is becoming increasingly important for Bangladesh.

As is well-known, Bangladesh has the lowest revenue-GDP ratio and tax-GDP ratio in South Asia as well as among other countries of the developing world.

Consequently, the public-expenditure-GDP ratio has also remained at low levels, underpinning

Bangladesh's low capacity to spend money for urgent development needs and sectors such as education and health.

Besides, as part of an IMF programme, Bangladesh will be required to raise the tax-GDP ratio from the current 7.8 per cent to 9.4 per cent over the next three years (requiring an additional tax mobilisation of about Tk 234,000 crore by FY 2026).

This will demand an energetic search for new avenues of taxation.

In Bangladesh, over 28 types of IT enabled services (ITES) have been exempted from paying direct tax on any type of income derived from the ITES business of a person being a resident or non-resident Bangladeshi. This is to be in place till June 30, 2024.

However, there is a lack of clear-cut and precise definitions in regards to ITES and the 28 exempted businesses. As a result, there are instances of misuse by companies disguised as ITES to evade taxes such as VAT, the paper said.

Before granting tax exemption, the following factors should be considered: development status of the specific sector, maturity of the industry,

number of years the exemption has been in effect, the rationale for the protection and justification of extension of exemptions or new exemptions.

"A detailed assessment of tax expenditures, including an appropriate definition and a methodology for measuring tax expenditure, needs to be developed in view of restructuring existing tax expenditure measures," it added.

The CPD also urged the NBR to bring non-resident tech giants such as Facebook, Google, and Netflix under taxation.

"Legal provisions will need to be put in place for non-resident businesses to get taxpayer identification numbers in order for them to submit tax returns," Rahman said.

This should be addressed by taking the required initiative in the upcoming finance act for fiscal year 2023-24, he added.

Rahman went on to say that at present, non-resident digital service providers are not under the tax net and hence are not liable to submit tax returns in Bangladesh.

Will BB's lending rate-setting formula

FROM PAGE B1

in Bangladesh, described the BB move as a positive development.

"But we will understand fully about the matter after the central bank rolls out the SMART," he said.

Mansur says that if the central bank does not intervene in the auction of government securities, the SMART may be considered a "partial" market-based interest rate.

"If the central bank controls the interest rates of T-bills in the days ahead like it is doing now, the SMART will be considered as a fully administered interest rate."

"We know that the ceiling of the interest rate has already put an adverse impact on the country's foreign exchange market."

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, says that the SMART may not bring about any major change in the

financial sector as it may be controlled by the central bank as well.

"If the central bank fixes the interest of the government securities, there will be no scope to set a market-based interest rate."

Recently, the World Bank said the continued use of a lending interest rate cap introduced in April 2020 has impaired the effectiveness of policy rates. The central bank has raised its benchmark lending rate, also known as the policy rate, four times since May last year to rein in runaway consumer prices, fuelled by a surge in global commodity prices.

But the inflationary pressures have not cooled down to the expected level as the hikes in the policy rates did not have much impact owing to the availability of cheap funds for the cap in the lending rates.

The external factors behind the higher inflation in Bangladesh have

also remained almost unchanged as the Russian war in Ukraine persists and the impacts of the coronavirus pandemic have not receded fully.

"The introduction of a benchmark lending rate or reference rate for commercial banks could provide a transition path from rate caps toward market-determined rates. This policy could see a shift from reserve money-based monetary policy transmission towards a policy rate-based transmission mechanism," said the WB.

"The reference rate could be anchored on the treasury rates of government securities or interbank rates."

The WB said monetary policy needs to be fully dedicated to reining in inflation through the interest rate channels. "Enhancing monetary policy would enable inflation targeting and support financial stability."

Taiwan slips into recession

REUTERS, Taipei

Taiwan's export-dependent economy contracted more than expected in the first quarter and slipped into recession as exports were hit by slowing global tech demand and broader economic woes, but should hit a 2 per cent growth target this year.

Gross domestic product (GDP) shrank 3.02 per cent in January-March from a year earlier, following a contraction of 0.41 per cent in the previous quarter, preliminary data from the statistics agency showed on Friday.

That marked the economy's worst performance since 2009 and lagged a fall of 1.25 per cent predicted in a Reuters poll.

"The first-quarter GDP was the worst since the financial crisis," Wu Pei-hsuan from the Directorate General of Budget, Accounting and Statistics told reporters, referring to the 2008-2009 global crisis.

"This quarter's external demand was weak, but private consumption was strong."

There is still a chance, though, for the 2023 full-year GDP to hit 2 per cent growth, the statistics department said.

Taiwan's exports fell year-on-year for a seventh consecutive month in March, with the government predicting the downturn may continue until at least the fourth quarter.

Economy Minister Wang Mei-hua told reporters there were no "obvious signs of recovery" for the global economy due to high inflation and high interest rates, and Taiwanese companies were still seeing high levels of inventory. "Everyone hopes things improve in the second half," she said.

Taiwan's first-quarter exports dropped 19.17 per cent from a year earlier in U.S. dollar terms, the agency said.

Quarter-on-quarter, the economy contracted 6.37 per cent on a seasonally adjusted annual rate.

The economy in China, Taiwan's largest export market, grew 4.5 per cent in the first quarter on the year, faster than expected as the end of strict COVID-19 curbs freed businesses and consumers from crippling disruptions.

ExxonMobil, Chevron report higher profits despite oil price dip

AFP, New York

US oil giants ExxonMobil and Chevron reported another quarter of heady profits Friday as both companies continued to direct large cash payments to shareholders.

Strong refining results offset the effect of lower crude prices in the first quarter compared with the year-ago period, lifting profits and enabling ExxonMobil to return \$8.1 billion to shareholders and Chevron \$6.6 billion in dividends and share repurchases.

"We're delivering strong financial results and increasing cash return to shareholders," said Chevron Executive Mike Wirth, pointing to a 65 per cent jump in shareholder repayments compared with the year-ago period.

The results extend a bountiful period for the US oil giants in the wake of a global energy market roiled by Russia's invasion of Ukraine. Both companies pointed to a hit from recent windfall profit taxes that deprived them of even bigger earnings.

Results in the 2022 period were lifted by spiking oil prices following Russia's invasion of Ukraine.

In the most recent period, crude prices traded in the \$70-a-barrel range for most of the quarter.

While that's down from the spike in the 2022 period after Russia's invasion of Ukraine, crude prices remain at a fairly high level. At ExxonMobil, first-quarter profits more than doubled to \$11.4 billion, while revenues declined 4.3 per cent to \$86.6 billion.

Results in the year-ago period were dented by \$3.4 billion in one-time costs connected to ExxonMobil's withdrawal from the Sakhalin offshore oilfield following the invasion of Ukraine.

But while crude prices were down 23 per cent compared with the 2022 quarter, production volumes of oil and natural gas rose 4.1 per cent.

The oil giant's integrated model -- which makes it a consumer of crude at its network of petroleum refineries -- meant it also benefited from lower oil prices in ExxonMobil's energy products division.

Chief Executive Darren Woods said the company "is growing value by increasing production from our advantaged assets to meet global demand."

Germany dodges recession

But flat growth disappoints

AFP, Frankfurt

Germany narrowly dodged a recession in the first quarter but growth stagnated contrary to expectations for a slight rebound, preliminary data showed Friday, as the energy crisis weighed on Europe's top economy.

Gross domestic product came in flat from January to March, federal statistics agency Destatis said. If the economy had shrunk again -- after a 0.5 per cent contraction in the final quarter of 2022 -- it would have entered a "technical recession".

The industrial powerhouse, which had long been heavily reliant on Russian energy, was hit hard after Moscow's invasion of Ukraine sent gas prices surging.

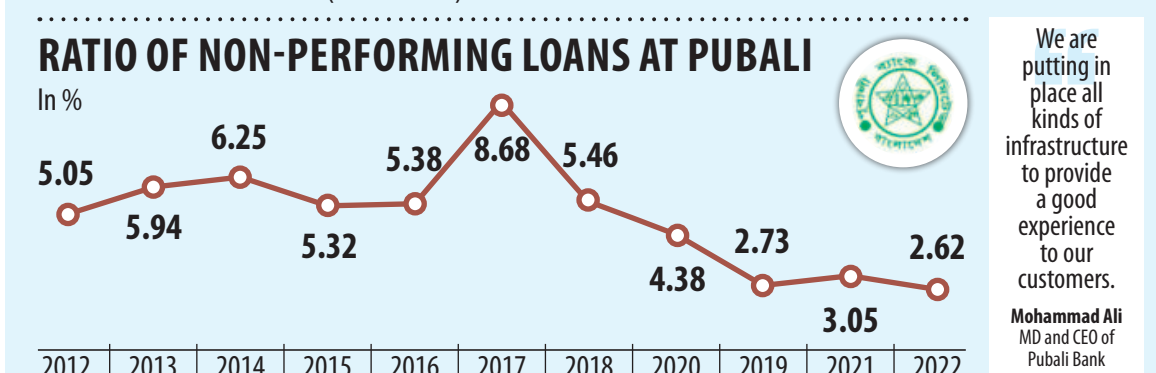
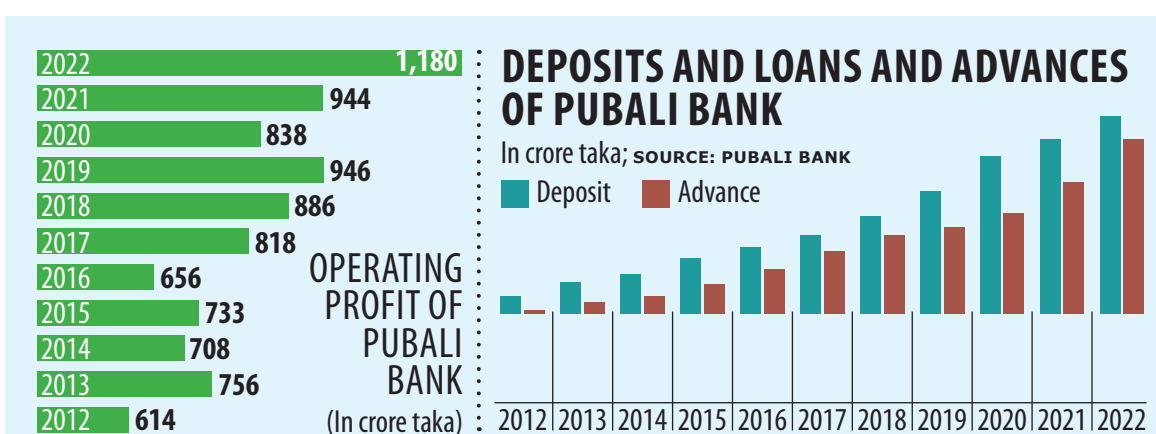
Analysts and the government predicted for months that surging prices, particularly of energy, would push the economy into a sharp winter recession.

But expectations changed in recent weeks as Germany's vast industrial sector rebounded, on the back of falling energy prices and the reopening of China, a key market for German manufacturers, after long Covid lockdowns.

While the economy appears to have avoided the worst, the first quarter reading was below expectations from analysts surveyed by financial data firm FactSet for an expansion of 0.2 per cent.

There is also a possibility that the reading could be revised down when the final figures are published in a few weeks.

LBBW bank economist Jens-Oliver Niklasch said the figures highlighted the economy was still experiencing a "dry spell".



Pubali Bank aims to be a lifelong partner of clients

SOHEL PARVEZ

Riding on the reputation it has earned over the decades, Pubali Bank Ltd, one of the oldest banks in Bangladesh, is investing to build a robust digital infrastructure with a view to providing all financial services at the fingertips of customers and their doorsteps.

The private commercial bank also plans to expand its physical network through the establishment of sub-branches across the country to onboard more customers.

In doing so, it wants to be the lifelong partner of every customer, said its top executive.

"We are putting in place all kinds of infrastructures to provide a good experience to our customers," said Mohammad Ali, managing director and chief executive officer of Pubali Bank, in an interview with The Daily Star recently.

"Usually, a customer does not leave us once they become a client. Now, we want to provide a life-long experience to them."

The top executive, a computer science graduate from Bangladesh University of Engineering and Technology, shared this as it restructures its human resources and invests in building digital infrastructure to get today's tech-savvy customers on board.

"We are embracing modern technologies so that we can satisfy all the digital needs of customers. We also want to create a perception among people that the capacity and integrity of our employees is unparalleled."

Established as Eastern Mercantile Bank Ltd in 1959 in then East Pakistan, it was

renamed Pubali Bank after the independence of Bangladesh.

Today, it is one of the largest private banks in terms of branches. It has 500 branches, 151 sub-branches and 17 Islamic banking windows.

It has the largest real-time centralised online banking network.



MOHAMMAD ALI
MD and CEO of Pubali Bank

"We are trying to create an environment so that customers do not have to come to us. Rather, we will meet them where they are. They can open letters of credit in the comfort of their offices," Ali said.

Speaking about the expansion of fintech such as mobile financial services, the Pubali Bank CEO said one of the limitations of MFS providers is that they charge customers high.

"But the fees for the money transferred through banks and other services are minimal. We are integrating all these into our platform to meet the requirement of customers."

The bank is developing a mobile app to provide banking services digitally.

Despite an increased focus on boosting the digital infrastructure, Pubali Bank will

expand its footprints through the setting up of sub-branches, particularly in suburban areas.

Ali thinks there are about 10,000 bazaars in Bangladesh and people will have more confidence if there is a sub-branch in these bustling business centres.

Since its inception, Pubali Bank has garnered goodwill through its services. And it continues to see growth in deposits whereas many of its competitors struggle to attract savers.

At the end of 2022, the private bank posted a 10 per cent year-on-year growth in deposits, touching Tk 50,935 crore. It was Tk 46,240 crore a year ago.

"An elevated level of public trust has contributed to the increased flow of deposits," said Ali, who holds a master's degree in development studies and an executive MBA from the Institute of Business Administration, both at the University of Dhaka.

"Our customers continue to enjoy our services and share their positive experiences with others. The brand value has spread by word of mouth. Providing and ensuring a beautiful environment is one of our core competencies."

Pubali Bank also recorded an increase in the growth of loans and advances: in 2022, loans and advances jumped 23 per cent to Tk 46,275 crore from Tk 37,665 crore a year ago.

"We made a record profit in 2022," Ali said.

The operating profit was Tk 1,180 crore last year and the profit after tax grew to Tk 564.8 crore from Tk 435 crore.

Ali credited the bank's performance in keeping non-

READ MORE ON B2

Local CEOs in global corporations

MAMUN RASHID

In our international business course, we were taught to differentiate between truly global, multinational, foreign and regional companies. Every foreign company may not be a multinational or global company. Hence, their organisational culture, operating model and risk management modalities are also likely to be different.

I was only 40, quite young to become the CEO of a global bank here in Bangladesh. According to the Bank Company Act, one must have at least 15 years of relevant experience to become the CEO of a bank in Bangladesh. Credit goes to my seniors at Citigroup -- they wanted a local to be at the helm of affairs in the local entity to drive growth.

I didn't have much clue about what to do and what not to do as the head of an entity in an emerging market like Bangladesh. Client booking, client relationship management, trade finance or project finance were not much of a problem, but maintaining global compliance standards, a world-class management style and being able to stay away from controversies were very difficult, especially in a US company here in Bangladesh after 9/11.

My risk senior in London, who himself was a former country manager in one of the Southeast Asian countries, whispered into my ears: "As a local CEO in a global corporation, you should first stay away from any recruitment. Let HR and the functional heads do their jobs. Second, stay away from recommending any clients for credit facilities despite knowing them well. Third, stay away from making any procurement decisions or recommending any supply vendors."

Throughout my nine years, I remembered those words and was able to stay away from anything odious. Many seniors in the South Asia office, as well as the Asia headquarters, literally coached me and taught me "the City way" of doing things.

I also received a lot of guidance from my peers and a few other local CEOs in European pharmaceuticals and in one or two FMCG giants. They were, of course, a few. We didn't have many to consult or follow.

Knowing the local corporate ecosystem, business culture and regulatory set-up, I am much happier today seeing many local CEOs in regional or multinational foreign companies here. This must have been very tough for each one of them to occupy the top role, especially in companies known and respected across the world.

The Bangladesh market has been very tough for locally-grown CEOs. Pressure from the government, hostility from peers and the inefficiency of juniors are among the challenges that can drive one crazy.

The regional office would doubt you, HR would suspect you of recruiting your friends and kin, finance would doubt you for nepotism, and the regional office would curse you for failing to implement the "Foreign Corrupt Practice Acts."

Though it is changing gradually, the local market even seemed to be ready to accept a high-school graduate European CEO over a North American business-school graduate from Bangladesh.

Most of your bosses may apprehend how a local CEO may "succumb to undue pressures" from the local authority, especially political or politicised regimes.

There are challenges, and you can rest assured that there will be even more once this market becomes more attractive and less of a trouble to govern or commute. Yet, our men and women will be occupying larger, increasingly senior roles locally and regionally, if not globally.

For that, they must be groomed well, think globally, and accept the best global practices as their way of life. More importantly, they must stay away from nepotism, incompetence and wrongdoing.

The author is a former banker and economic analyst



Customers buy medicine from a medical supply store in Karachi. Pakistan's annual inflation rate hit 35 per cent in March, fuelled by a depreciating currency, a rollback in subsidies and the imposition of higher tariffs to secure a bailout package of \$1.1 billion from the International Monetary Fund.

PHOTO: REUTERS/FILE

Pakistan hikes drug prices by 20%

REUTERS, Islamabad

Inflation-hit Pakistan on Friday approved a rise of up to 20 per cent in retail prices of general medicines and 14 per cent for essential ones, prompting immediate criticism from drug manufacturers who said the increases were too small.

The government decision followed a months-long stand-off with importers and manufacturers, whose associations have been demanding an across-the-board 39 per cent rise, warning that the industry could otherwise collapse.

Pakistan's annual inflation rate hit 35 per cent in March, fuelled by a depreciating currency, a rollback in subsidies and the imposition of higher tariffs to secure a bailout package of \$1.1 billion from the International Monetary Fund. Food inflation has soared to 47 per cent.