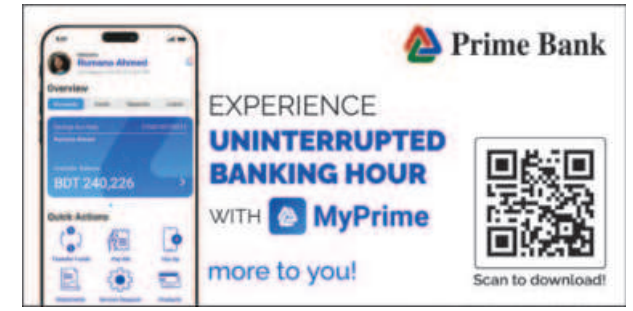


Star BUSINESS



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

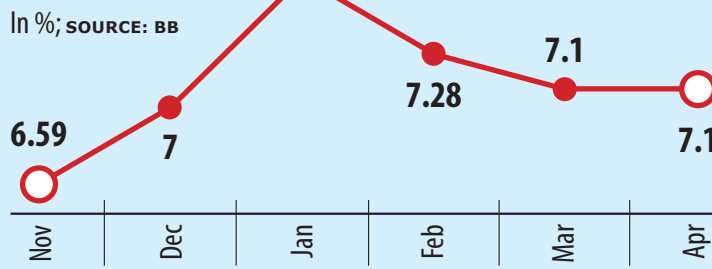
PURCHASE OF SECURITIES

(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



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



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-

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



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

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

STOCKS		WEEK-ON WEEK
DSEX ▲	CASPI ▲	
0.73%	0.61%	
6,274.06	18,466.89	

COMMODITIES		AS OF FRIDAY
Gold ▲	Oil ▲	
\$1,989.78	\$76.67	
(per ounce)	(per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▲ 0.76%	▲ 1.40%	▼ 0.35%	▲ 1.14%	
61,112.44	28,856.44	3,270.51	3,323.27	

স্মরণ

এনসিসি ব্যাংক লিঃ এর অন্যতম উদ্যোক্তা ও সাবেক পরিচালক দীন 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