

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.

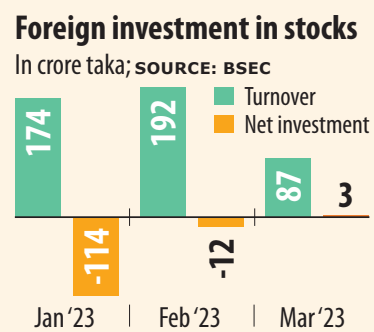
However, the central bank finally allowed the taka to fluctuate late last year after the foreign currency reserves started to fall fast owing to an escalation of import bills against moderate export and remittance earnings.

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."