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A worker brings out a sack of potatoes from Himadri Limited, a cold storage in Gaibandha's Gobindaganj upazila, yesterday. According to Bangladesh Cold Storage Association, around 5 lakh tonnes of potatoes have been stored this year. However, owners of the facilities alongside farmers have expressed apprehension over their preservation for repeated power cuts the country is having to deal with.

PHOTO: MOSTAFA SHABUJ

Cold storages struggling to preserve potatoes for power cuts

MOSTAFA SHABUJ and SAJJAD HOSSAIN

Around 400 cold storages across Bangladesh are struggling to preserve and maintain the quality of vast quantities of potatoes for power cuts over the past two weeks.

Cold storage owners and farmers are apprehensive of significant damages should power cuts persist.

Furthermore, they are deeply concerned over extra costs associated with running these facilities with generators. This not only impacts profitability but also further burdens traders and farmers.

Also, whenever potatoes get spoiled, it causes price hikes

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Moody's rating downgrade to impact foreign investment

AHSAN HABIB

Corporate and foreign investors may further lose interest in the stock market of Bangladesh as the country has dropped a notch in the Moody's Investors Service rating system.

As the domestic stock market already lacks investment from corporate and foreign investors, this downgrade will further add to its woes, according to market analysts.

Whenever a country slips in Moody's rating system, then the stock market of that country also falls.

However, the trend is reverse in Bangladesh mainly because local investors' lack knowledge on the financial implications of global developments, according to Prof Mohammad Musa, dean of the business faculty at United International University.

On May 30, US-based global credit rating agency Moody's Investors Service downgraded Bangladesh's sovereign rating by one notch to B1 from Ba3.

After that, the DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), rose by 7 points in as many trading days to reach 6,352 points.

"But actually, the index is already at a low level, so how can it fall further?" he said.

Still, the downgrade will impact the portfolios of foreign investors as they feel shaky about investing in a country when its credit rating falls, Musa added.

He went on to say that the correlation between the country's financial sector and the credit rating system should be improved so that any changes in the latter will immediately impact the local market, as is the case in developed nations.

For example, a country that drops a level in Moody's rating would likely see its financial sector increase interest rates in a bid to lower the risk of lending amid decreased liquidity.

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DRAFT BANK COMPANY ACT Family's grip to loosen, willful defaulters to face music

STAR BUSINESS REPORT

A maximum of three persons from a single family would be able to become directors of a commercial bank from the existing four, according to the Bank Company (Amendment) Bill 2023.

The draft act has also defined habitual defaulters and set punitive measures against delinquent borrowers, the first such measure in the country's history.

Finance Minister AHM Mustafa Kamal placed the bill in parliament yesterday. It was sent to the parliamentary standing committee on the finance ministry for further scrutiny.

The committee was asked to submit its report before the House within seven working days.

The reduction in the number of directors from a single family has been a long demand from analysts and experts in order to strengthen corporate governance and bring back stability in the banking sector where default loans have gone through the roof owing to poor enforcement of laws.

There are allegations that a few



families are controlling a number of banks in the country.

The draft act, which has been in the works since 2019, has been a longstanding demand of the multilateral lenders such as the World Bank and the International Monetary Fund.

The IMF has stipulated submitting the draft law before the parliament by September as a part of its \$4.7 billion loan.

An official, who was part of a committee involved in drawing up the draft, said that the committee had initially proposed allowing two persons from a family to sit on a bank board. But the finance ministry set the number at three.

As per the bill, directors of a bank will not be allowed to become members of the board of another bank, non-bank financial institution,

insurance company, and their subsidiaries and associated companies.

It also proposed some strict measures applicable to directors, making it mandatory for them to put up collateral before borrowing from their own banks.

According to the draft law, an individual will be considered a willful defaulter if he or she does not repay a loan, secured by them or their companies, to banks despite being able to pay it back.

The draft act said, "If anyone takes loans from a bank or financial institution in their name or in the name of family members providing false information, the individuals will be considered a willful defaulter."

If borrowers divert funds to areas not mentioned in the credit proposal, they will also be treated as habitual defaulters as well.

Banks in Bangladesh witnessed an accumulation of default loans by Tk 10,964 crore in the first three months of 2023, which highlighted the worsening financial health of the banking sector.

Non-performing loans stood at Tk 131,621 crore as of March 31, up 9

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Benefit extension for consumer electronics 'encouraging'

Says Walton Hi-Tech Industries chief

JAGARAN CHAKMA

The extension of existing benefits for local consumer electronics industries through the proposed national budget is very encouraging, said Golam Murshed, managing director and chief executive officer of Walton Hi-Tech Industries, yesterday.

This will help the industry develop its capacity and ensure quality products, he said in an interview with The Daily Star while sharing his thoughts on the proposed budget for fiscal year 2023-24.

In the proposed budget, the government sought to continue providing tax incentives, subsidies, and grants for manufacturing, research and development of local consumer electronics industries.

Currently, local consumer electronics industries try to use anywhere from 70 per cent to 100 per cent locally-made components and spare parts depending on the product, said Murshed.

However, the proposed budget will be more challenging to implement compared to previous years as the world is going through a very tough time due to the global economic crisis, he said.

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Golam Murshed



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Imports keep falling amid lingering dollar crisis

MD FAZLUR RAHMAN

Bangladesh's imports dropped 14.40 per cent year-on-year to \$58.78 billion in July-April of the ongoing financial year, which might be seen as a relief for the volatile foreign exchange regime but it could also deal a blow to the economy, official figures showed yesterday.

Compared to July-March 2022-23 when it stood at \$53.94 billion, import bills declined nearly 9 per cent in the first 10 months of the financial year, according to the data from the central bank.

Purchases of intermediate goods dipped 17.7 per cent to \$37.48 billion, driven by a 21.7per cent fall in crude petroleum products amid the forex crisis.

Bangladesh bought 4.5 per cent lower food grains, which comprise rice and wheat, at \$22.03 billion in July-April. Rice imports were up 35.4 per cent but wheat procurement from international markets was down 13.4 per cent.

The imports of the raw materials -- raw cotton, yarn, textile and articles, staple fibre and dyeing and tanning materials -- used by the readymade garment industry, the biggest export earner, all declined.

Manufacturers have already said orders have fallen in the key markets such as Europe owing to a fall in demand caused by higher inflation stemming from the global energy crisis.

Capital goods worth \$11.28 billion were imported in July-April, a decrease of 18.8 per cent from the same period a year ago. Capital machinery import fell 13.8 per cent and the purchase of other capital goods dipped 21.4 per cent, BB data showed.

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The three-day Rosa 2nd Kitchen, Bath & Living Expo-2023 began at the International Convention City Bashundhara in Dhaka's Kuril yesterday. Some 70 domestic and foreign brands are showcasing their products at the expo, which is open from 10:00am to 7:00pm daily. The expo also features a student design competition, buyer-seller meetings, innovation exchange, raffle draw and other events.

PHOTO: PALASH KHAN

NEW INCOME TAX BILL 2023

Who needs to file statement on living expenses?

AHSAN HABIB

The proposed income tax law has sought to make it mandatory for taxpayers in specific cases to add the statement of their living expenses with their tax returns.

Finance Minister AHM Mustafa Kamal placed the Income Tax Bill 2023 in parliament yesterday. Once passed, the new law will replace the existing Income Tax Ordinance 1984.

As per the bill, taxpayers who have more than Tk 500,000 in annual income will have to file a statement of living expenses.

If a taxpayer owns a vehicle, has income from businesses and becomes a shareholder-director of a company, he or she will have to furnish the return with information regarding living expenditures.

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