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Star BUSINESS

Boon for savers as interest rate cap is scrapped

STAR BUSINESS REPORT

The new interest rate-setting method introduced by the central bank is going to benefit depositors as well as people who take consumer loans.

On the other hand, loans in the industrial and home loan categories are likely to get costlier from next month when the new monetary policy for 2023-24 comes into effect.

Under the new arrangement, the Bangladesh Bank will introduce a market-driven reference lending rate for all types of bank loans, replacing the previously imposed lending rate cap. This move aims to enhance competitiveness in the banking sector and foster a favourable lending environment for businesses and individuals.

The interest rate on the consumer loans will decrease to 11.10 per cent from 12 per cent, according to a BB notice issued yesterday.

In January, the central bank increased the lending rate cap for consumer credit to 12 per cent and removed caps on credit card loans. Personal and auto loans are considered consumer loans.

The lending rate on the loans disbursed to cottage, micro, small, and medium enterprises will go up to 11.10 per cent from the existing 9 per cent.

The lending activities for CMSMEs and consumer loans may be subject to an additional fee of up to 1 per cent to cover supervision costs.

The reference lending rate, known as the SMART (six-month moving average rate of Treasury bill), will be announced monthly through the BB website, with a margin applied for banks and non-bank financial institutions (NBFIs).

In practice, SMART plus a margin of up to 3 per cent will be applicable for banks, and SMART plus a margin of up to 5 per cent will be applicable for NBFIs.

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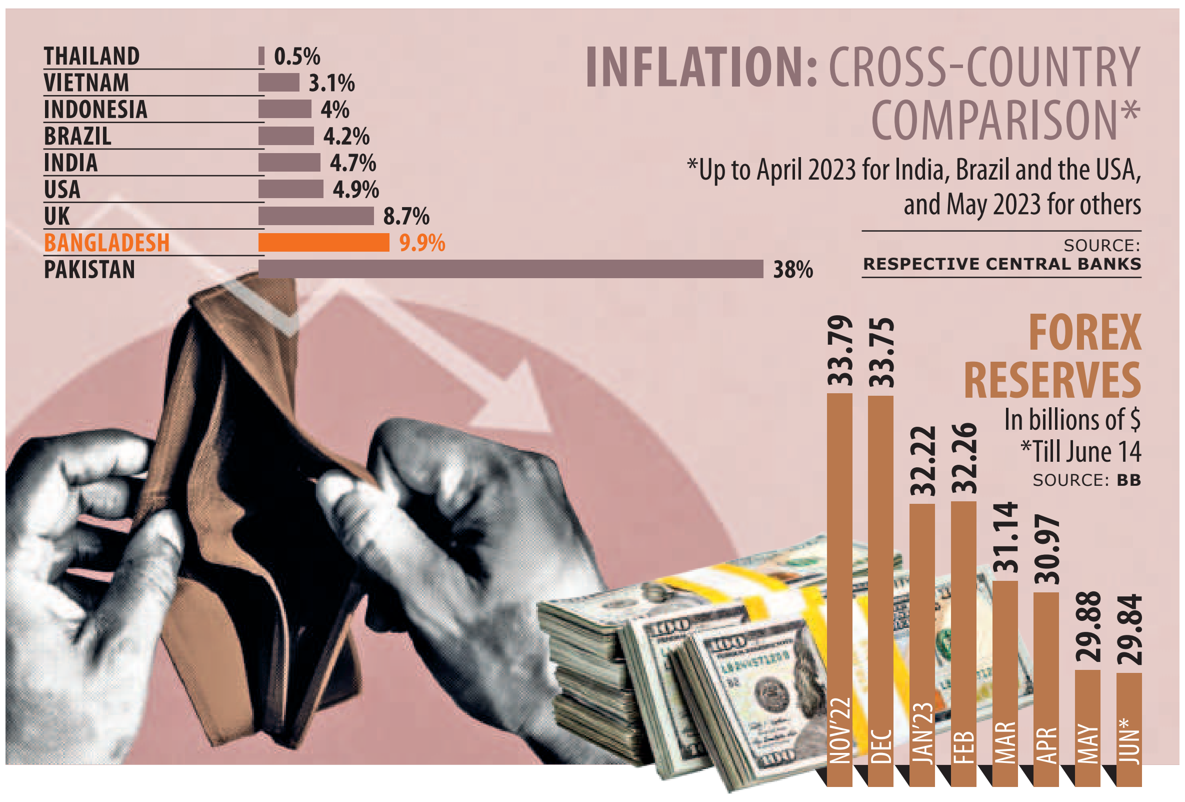

Inflationary pains for common people to persist

Achieving inflation target for FY24 may be challenging: BB

MD FAZLUR RAHMAN

Like in the outgoing financial year, the common people in Bangladesh will continue to suffer from higher consumer prices in 2023-24 as the factors behind the elevated level of inflation are unlikely to change dramatically.

Inflation rates around the world have declined from their recent peaks in line with the fall in global commodity prices. But Bangladesh has not benefited from the development. Rather, inflation in the country shows no sign of slowing down.

Under such a bleak scenario, the central bank on Sunday unveiled its monetary policy for the first half of 2023-24 with a view to reining in inflation and giving a boost to the foreign currency reserve level.

The BB has set an inflation target of 6 per cent for FY24. But the point-to-point inflation rate surged to 9.94 per cent in May, compared to 7.42 per cent in the same month last year.

The average headline inflation stood at 8.84 per cent last month, surpassing the government's revised target ceiling of 7.50 per cent set for June 2023.

And the central bank itself thinks that achieving the 6 per cent target in FY24 may prove to be challenging.

"The rigid nature of internal price adjustment, combined with a significant depreciation of the domestic currency, could impede the downward adjustment of domestic inflation, despite the recent decline in international market prices," it said on Sunday.

"Consequently, uncertainties may persist in the inflation outlook during the first half of FY24. The inflationary pressure experienced in FY23 may also contribute to elevated inflation expectations throughout FY24."

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MFIs, NGOs to face greater scrutiny from taxmen

SAR BUSINESS REPORT

Microfinance institutions (MFIs) will have to pay taxes from fiscal year 2023-24 if they do not keep their income from service charges in a revolving fund.

The provision has been brought under a new income tax law 2023 passed in parliament on Sunday.

The National Board of Revenue (NBR) has also incorporated a definition informing that non-governmental organisations (NGOs) would be considered companies in line with a clarification it issued in October last year.

There was no clarity at the field level and field offices used to collect taxes based on their own judgement, explained the NBR officials.

Taxmen, however, said NGOs will not face tax equal to the tax rate of companies as the NBR

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STOCKS

DSEX ▲	CASPI ▲
0.52% 6,314.14	0.43% 18,635.27

COMMODITIES

Gold ▼	Oil ▲
$1,951.86 (per ounce)	$72.09 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.34% 63,168.30	▼ 1.00% 33,370.42	▼ 0.58% 3,241.17	▼ 0.54% 3,255.81

Pubali Bank signs MoU with Bproperty

STAR BUSINESS DESK

Pubali Bank Limited has recently signed a memorandum of understanding (MoU) with Bproperty at the bank's head office in Dhaka.

Md Malequl Islam, deputy general manager and head of consumers credit division of the bank, and Mark Nosworthy, chief executive officer of Bproperty, signed the MoU, said a press release.

Under the MoU, customers of Bproperty will be able to take home loans from the bank on fast and easy terms.

Mohammad Esha, Md Shahnewaz Khan and Mohammad Anisuzzaman, deputy managing directors of the bank, Md Rabiul Alam and NM Firoz Kamal, deputy general managers, and Khan Tanjeel Ahmed, general manager of Bproperty, along with other high officials from both organisations were present.

Md Malequl Islam, deputy general manager of Pubali Bank, and Mark Nosworthy, chief executive officer of Bproperty, exchanged signed documents of a memorandum of understanding on home loan at the former's head office in Dhaka recently. PHOTO: PUBALI BANK

StanChart, UCEP training to empower 2,000 youths

STAR BUSINESS DESK

UCEP Bangladesh in collaboration with Standard Chartered has launched an entrepreneurship development initiative with a view to empowering 2,000 vulnerable youths with employable skills and entrepreneurship training.

Spanning from May 2023 to April 2025, the initiative will be implemented in the Gazipur district, focusing on creating sustainable change within the local community.

Md Zahid Ahsan Russel, state minister for youth and sports, inaugurated the "Giving Wings to Dreams for Youth Empowerment Programme", which was under Futuremakers by Standard Chartered, the bank's flagship global community initiative, at the UCEP TVET Institute in Gazipur on Sunday.

Under this collaboration, they will provide skills training, mid-level management, and entrepreneurship development opportunities to 2,000 beneficiaries through various training programmes, said a press release.

The programme prioritises inclusivity with a target of 50 per cent female representation and 2 per cent representation of persons with disabilities among the beneficiaries.

By equipping underprivileged youth and adults with essential skills, the project aims to transform them into skilled human resources, improve their socio-economic status, and contribute to the overall growth of Bangladesh.

Md Abdul Karim, executive director of UCEP Bangladesh and former principal secretary to the prime minister, in a welcome address highlighted the impact the partnership has had in uplifting underprivileged youth and communities, promoting skills-based education, and fostering socio-economic development in Bangladesh.

"The training programmes, designed in close consultation with the public and private sectors and based on our own gap analysis, will empower the youth and at the same time increase the supply of skilled workforce for the industries of Gazipur, helping catalyse the next chapter of growth," said Naser Ezaz Bijoy, chief executive officer of Standard Chartered Bangladesh.

Nuruddin Md Sadeque Hussain, managing director of Southeast Bank, virtually inaugurates 7 agent banking outlets in Tangail, Jhenaidah, Jashore, Faridpur and Brahmanbaria from the bank's head office in Dhaka yesterday. PHOTO: SOUTHEAST BANK

Md Zahid Ahsan Russel, state minister for youth and sports, inaugurates an entrepreneurship development initiative "Giving Wings to Dreams for Youth Empowerment Programme" jointly organised by Standard Chartered and UCEP Bangladesh at the UCEP TVET Institute in Gazipur on Sunday. Md Abdul Karim, executive director of UCEP Bangladesh, Zahida Ispahani, vice-chairperson, Ubaidur Rob, former chairperson, and Naser Ezaz Bijoy, CEO of Standard Chartered Bangladesh, were present. PHOTO: STANDARD CHARTERED BANGLADESH

Abdul Kadir Molla, chairman of the South Bangla Agriculture and Commerce (SBAC) Bank, presides over its 10th annual general meeting which was virtually held on Sunday. Shareholders approved 3.5 per cent cash dividend for the year that ended on December 31, 2022. Mohammed Ayub, vice-chairman of the bank, Habibur Rahman, managing director, and Md Mokaddess Ali, company secretary, along with directors and independent directors were present. PHOTO: SBAC BANK

NRBC Bank's assets rise 29%

STAR BUSINESS DESK

NRBC Bank's assets have increased by 29 per cent to Tk 16,115 crore by the end of December 2022, compared to the previous year's Tk 12,462 crore.

The loan portfolio of the bank has also grown by 30 per cent, reaching Tk 13,617 crore from Tk 10,489 crore.

The information was revealed at the bank's 10th annual general meeting which was virtually presided over by SM Parvez Tamal, the chairman of the bank, yesterday.

The bank's operating profit at the end of the year was Tk 403 crore, and net profit was Tk 173 crore, whereas earnings per share increased to Tk 2.19.

However, the bank facilitated imports worth Tk 3,602 crore, exports worth Tk 3,373 crore, and remittances of Tk 1,333 crore last year. The shareholders approved 7.50 per cent cash and 4.50 per cent stock dividends for 2022.

Rafiqul Islam Mia Arzoo, vice-chairman, Mohammed Adnan Imam, AM Saidur Rahman, Mohammed Oliur Rahman, Loquit Ullah, Mohammed Nazim, AKM Mostafizur Rahman, directors, Chief Air Marshal (retd) Abu Esrar, Khan Mohammad Abdul Mannan, Raad Mozib Lalon, independent directors, Golam Awlia, managing director, and Harunur Rashid, deputy managing director, attended the meeting.

SM Parvez Tamal, chairman of NRBC Bank, presides over its 10th annual general meeting which was virtually held yesterday. Rafiqul Islam Mia Arzoo, vice-chairman, Golam Awlia, managing director, Harunur Rashid, deputy managing director, and Mohammad Ahsan Habib, company secretary, joined the meeting. PHOTO: NRBC BANK

bKash app introduces Auto Pay

STAR BUSINESS DESK

A new feature styled "Auto Pay" has recently been added to bKash app's Send Money service to make it more convenient for users.

The customers, who are using the Send Money feature on a regular basis, will no longer need to follow the same process every time.

The selected recipient will automatically receive the money on time. This will facilitate the users to avoid the hassle of going through all the steps every time and there is no chance of forgetting or delaying the date.

Customers need to go to bKash app's "My bKash" segment or select "Auto Pay" from bKash menu and tap on the enable new "Auto Pay" option to avail the service.

They then need to select "Send Money" and "bKash Number" and enter the amount and frequency such as every 15 days, every month or every week.

A customer can enable "Auto Pay" to multiple numbers and can disable it anytime.

Besides, customers will also find the option to enable auto pay on the screen after sending money to anyone. They can send money up to the fixed daily/monthly limit using this service.

Not only Send Money, but customers can also enjoy "Auto Pay" service in paying utility bills automatically.

China growth forecast cut on property woes

REUTERS, *Singapore*

Goldman Sachs analysts have cut forecasts for China's economic growth, citing persistently weak confidence and the cloud over the property market as stronger-than-expected headwinds.

The US investment bank lowered its full-year real gross domestic product growth forecast for the world's second biggest economy from 6 percent to 5.4 percent, according to a note published late on Sunday. It also lowered its 2024 growth forecast from 4.6 percent to 4.5 percent.

The cut follows similar moves by global peers, though still leaves Goldman among the most optimistic, as data shows China's post-pandemic recovery faltering. The bank had also lately, like others, cut its outlook for China's currency.

"No reopening boosts have faded as quickly as in China," said the analysts, headed by economist Hui Shan, citing the property downturn and its flow-on effects as the main reason.

"We judge that growth headwinds are likely persistent while policymakers are constrained by economic and political considerations in delivering meaningful stimulus."

China's government has set a modest GDP growth target of about 5 percent for this year after badly missing its 2022 goal and state media reported the cabinet met on Friday to discuss measures to spur growth.

It has lowered several key interest rates slightly in recent days, seen as paving the way for a cut in benchmark loan prime rates on Tuesday.

People visit a shoe store at a shopping mall in Beijing on June 15. PHOTO: AFP

Stocks rise

FROM PAGE B4

"This adjustment will make it more expensive for businesses and individuals to access funds for investments and consumption."

The central bank will allow banks to add a maximum of 3 per cent. Currently, the interest rate of the six-month T-bill is 7.10 per cent. This means the interest rate on loans will be a maximum of 10.10 per cent.

"As the interest rate will go up by around 1 percentage point, it would not be a big deal," said Moniruzzaman, adding that some listed companies that have kept funds with banks will benefit from the new interest rate setting.

Turnover, a key indicator of the DSE, surged 27 per cent to Tk 533 crore.

Of the securities traded, 146 advanced, 29 declined and 180 did not show any price movement.

Among the top gainers, the life insurance sector rose 4.9 per cent, the general insurance sector advanced 4.4 per cent and the cement sector increased 2.1 per cent. The jute sector shed 0.3 per cent.

Investors' attention was mostly centred on the life insurance, pharmaceuticals and food sectors.

Meghna Insurance posted the highest gain with an increase of 9.97 per cent. Crystal Insurance, Progressive Life Insurance, Trust Islami Life Insurance, and Prime Islami Life Insurance were among the top gainers as well.

Khulna Printing & Packaging was the biggest loser, shedding 4.72 per cent.

Apex Tannery, Midland Bank, Khan Brothers PP Woven Bag Industries, and Metro Spinning were also on the list of significant losers.

Meghna Life Insurance was the most traded stock with issues worth Tk 28 crore transacted. Navana Pharmaceuticals, Sonali Life Insurance, Rupali Life Insurance, and City General Insurance also saw significant turnover.

The Caspi, the all-share price index of the Chittagong Stock Exchange, added 80 points, or 0.43 per cent, to close at 18,635 points.

Of the issues traded, 99 rose, 20 retreated and 99 did not see any price swing. Turnover of the port city bourse slipped 5 per cent to Tk 12.9 crore.

Refiners want 20% hike

FROM PAGE B4

It also cut the regulatory duty to 25 per cent from the earlier 30 per cent.

The reduced duty benefit expired on May 30.

Reuters reported a week ago that India, the world's second biggest sugar exporter, is not considering allowing sugar exports until at least the first half of the next season, as the government was worried that the El Nino weather pattern could reduce rainfall and dent production.

The BSRA said the present import cost of raw sugar is \$640 to \$650. These are released and are marketed after processing.

In March, sugar price was \$0.45 per kilogramme in the world market. The rate rose to \$0.56 in May, according to the World Bank.

Dubai chases long-term growth

FROM PAGE B4

A 10-year economic plan known as D33 aims to double the economy's size and make Dubai one of the top four global financial centres in a decade.

It also wants to increase the length of its public beaches to 105 km from 21 km by 2040 and revive the dusty Palm Jebel Ali island abandoned in the wake of the 2008 financial crisis.

Tourist numbers in 2023 are almost back to levels of 2019, and last year Dubai was the world's fourth busiest ultra-prime property market, with 219 home sales over \$10 million, according to Knight Frank research.

At the same time, the property price surge and demand for the ultra-high-end segment is stirring memories of old excesses.

In 2008, the global financial crisis hit Dubai hard, leading to a flight of capital and people, a crash in property prices and highly leveraged flagship companies known as government-related entities (GREs) struggling to repay debts.

Abu Dhabi, the UAE's oil-rich capital, eventually stepped in with a \$20 billion lifeline, widely expected to be rolled over for a third time.

Nasser Al Shaikh, head of Dubai's finance department until 2009, told Reuters there is a risk Dubai will become too expensive to live in, and new developments need to ensure ample supply to meet demand for mid-income property as the population grows.

"If private developers cannot provide that, then the government and GREs could play a bigger role to do that and keep prices reasonable," Shaikh said, referring to the leading companies that have spearheaded Dubai's breakneck growth.

Dubai's population grew to over 3.55 million in 2022, official statistics show, up 2.1 percent from 2021, and 4 percent since 2020; S&P estimates it to surpass 4 million by 2026.

"There is always the risk of a major new round of borrowing (by GRE developers) on unrealistic expectations for real estate sales; however, I am hopeful that learning from previous cycles will mitigate this risk," said Justin Alexander, director at Khalij Economics and Gulf analyst at GlobalSource Partners.

Pran Agro to raise Tk 262cr thru bonds

STAR BUSINESS REPORT

Pran Agro is going to raise funds of Tk 262.5 crore form institutional investors and high-net worth people by issuing bonds.

The Bangladesh Securities and Exchange Commission (BSEC) approved the bond yesterday at a commission meeting, said a press release.

The bond would be guaranteed, unsecured, transferrable, redeemable, and non-convertible. Coupon rate of the bond is 8.88 per cent.

This is the second bond of Pran Agro, which raised Tk 210 crore by issuing its first bond in 2021.

Face value of each unit of the bond is Tk 10 lakh. The company will spend the bond proceeds on office and factory building, buying machineries and repayment of loans.

Green Delta Capital is the trustee of the bond and Riverstone Capital is its arranger.

The BSEC gave a condition to get the bond listed in the alternative trading board.

Md Nurul Islam tends to his small-fruited pepper plants of the nightshade family which produce "Bombay morich" as they are called in Bangla. Also known as "ghost pepper" or Naga chilli, it is one of the hottest chili peppers in the world, reaching an average of 1 million Scoville units, which measures a chilli's pungency. Investing Tk 70,000 in planting 800 saplings on raised beds from May to July, he hopes to get Tk 7 lakh to Tk 8 lakh worth of the produce at the end of July. On an average, 80 pieces of the chili sell for Tk 300. The photo was taken at Birshena village in Jhalakathi yesterday. PHOTO: TITU DAS

Ahsanul becomes Islami Bank's new chairman

STAR BUSINESS REPORT

The board of Islami Bank Bangladesh Ltd (IBBL) yesterday elected Ahsanul Alam as the chairman of the shariah-based lender.

Ahsanul was the chairman of Union Bank Limited prior to this new appointment, according to a press release issued by the bank.

He is the chairman of Hasan Abasan (Pvt) Limited and managing director of Artsy Holdings Limited, Shining Assets Limited, Affinity Assets Limited, Wesco Limited, Marina Assets Limited, and Kraft Holding Company Limited.

He is the director of SS Power-I Limited, the country's largest coal-fired power plant.

Ahsanul is a director of Chattogram-based S Alam Group which came to public discussion by the end of last year over allegation of loan concentration. He is a son of S Alam Group Chairman Mohammed Saiful Alam.

In 2017, S Alam Group took over IBBL, the country's largest private bank in terms of deposits and loans.

The IBBL's press release said that young industrial entrepreneur Ahsanul is a prominent businessman in textile, garment and trading sector for his dynamic leadership.

He has been awarded as the highest taxpayer by the National Board of Revenue for two times.

He obtained a bachelor degree from the University of Bradford and an MBA from Edinburgh Napier University in the United Kingdom.

'Nurul Islam's contribution remarkable in nation building'

STAR BUSINESS REPORT

Noted economist Prof Nurul Islam's contribution to the independence of Bangladesh and nation building after independence was remarkable as he played a role in diagnosing the disparity between the then East Pakistan and West Pakistan, launch the first five-year plan and enlist Bangladesh as a least developed country (LDC), said economists.

"Prof Islam along with me were both involved in highlighting the disparities between East and West Pakistan which contributed to the preparation of the Six-Point Program presented to the people by Bangabandhu Sheikh Mujibur Rahman," said Prof Rehman Sobhan, a noted economist.

The Six-Point Demand ultimately led to the movement for independence of the country. Prof Nurul Islam's unique quality as a professional economist originated in common sense and pragmatism which influenced his great faith in empirical work, he said.

He was willing to listen and willing to argue, Sobhan added.

His comments came in a discussion titled "Thoughts of Professor Nurul Islam and Contemporary Bangladesh Economy" organized by the Centre for Policy Dialogue (CPD) yesterday.

AB Mirza Azizul Islam, former adviser to a caretaker government, said Prof Nurul Islam supported availing foreign aid as it had the potential to enable development.

Quoting Nurul Islam, he said the then East Pakistan was deprived of getting its fair share of foreign aid compared to West Pakistan, which created inequality in the development of the two regions.

To improve effectiveness of foreign aid, Prof Nurul Islam suggested in a book to improve good governance and prevent corruption. These are still applicable in today's Bangladesh, he added.

Prof Azizul Islam said International Monetary Fund suggests devaluating the currency in order to tame the imbalance in balance of payments. However, if the currency is devalued, inflation may increase, he said.

If the inflationary pressure come from the outside world, devaluation may further fuel it, he said.

So, abiding by Prof Nurul Islam's view, an economy should allow devaluation gradually so that it does not have a drastic impact, he added.

Prof Mohammed Farashuddin, former governor of Bangladesh Bank, said Nurul Islam was an economist who aimed for the welfare of the people.

He abled to convince the then President Bangabandhu Sheikh Mujibur Rahman to enlist the country in the category of LDCs to get some facilities that ultimately benefitted the country, he said.

Prof Mohammed Farashuddin, former governor of Bangladesh Bank, said Nurul Islam was an economist who aimed for the welfare of the people.

Quazi Shahabuddin, former director general of the Bangladesh Institute of Development Studies (BIDS), said Prof Nurul Islam contributed to the nation-building process of Bangladesh.

He rigorously modernised the syllabus of the economics department of the University of Dhaka so that contemporary issues were studied, he said.

Applauding Prof Nurul's contribution to enlisting the country as an LDC, Prof Mustafizur Rahman, a distinguished fellow of the CPD, said Zimbabwe did not enlist as an LDC believing they were in a better position.

The country is paying the price for it and its inflation rate is making world records. But Bangladesh entered in the category and is reaping its fruits even up to this day, he added.

Rushidan Islam Rahman, former research director of the BIDS, said Prof Nurul Islam's views on the two economies prior to Bangladesh achieving independence shows how inequality rises and how it works in the subsector level.

Such works of his give economists a new branch of thought to analyse the inequality, she said, adding that he suggested launching non-farm activities in rural areas to reduce inequality.

Debapriya Bhattacharya, a distinguished fellow of the CPD, moderated the event, held at the CPD office in the capital.

Toufiq Ali, former permanent representative of Bangladesh to World Trade Organization and UN agencies, and Roumeen Islam, senior economic advisor at International Finance Corporation and Prof Nurul Islam's daughter, also virtually spoke at the event.

Time to diversify exports to UK

FBCCI president says

STAR BUSINESS REPORT

Bangladesh considers the United Kingdom (UK) as an important export destination and it is time for diversifying the export basket, as the bilateral trade is currently concentrated on a few specific items, FBCCI President Md Jashim Uddin said today.

The policymakers and business leaders of the two countries should collaborate in a focused manner to improve and diversify this trade relationship, said the chief of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

He made the comments at an event styled "Bangladesh-UK Business Corridor: Legacy and the Future" jointly organised by the HSBC in partnership with the FBCCI at the Westin Dhaka.

"Our bilateral trade currently stands at \$5.46 billion. Bangladesh exported goods worth \$4.83 billion in 2021-22 fiscal year while import was \$0.63 billion," Jashim Uddin said.

Boon for depositors

FROM PAGE B1

Currently, the interest rate of the six-month T-bill is 7.10 per cent. This means the interest rate on the majority types of loans will be a maximum of 10.10 per cent, up from the 9 per cent ceiling that the BB has maintained since April 2020.

The lending rate on industrial and home loans will increase to 10.10 per cent.

Sadrul Hasan, an employee of an insurance company, says that he took a home loan of Tk 55 lakh at an interest of 9 per cent a year ago.

"But because of the new rule, the bank will charge me more than 10 per cent in interest for the rest of my loan installments."

The central bank said that the new rate-setting method would also be applicable to the loans that have already been disbursed.

"We are now facing higher inflation. So, the rate hike of loans will create an additional burden for us at a time when we are experiencing a difficult period," said Hasan.

The central bank, however, has almost kept unchanged the interest rate on farm loans: growers will have to pay an interest rate of 8.20 per cent compared to 8 per cent now.

The reference rate for agriculture loans is 2 per cent.

No changes have been brought for the interest rates applicable to credit card loans, which impose a lending rate of 20 per cent.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, welcomes the new rate-setting method.

"We had demanded the removal of the 9 per cent interest rate cap on loans. And the central bank has taken the issue positively by introducing the SMART and the reference rate," he said.

He, however, admits that the new method will create a bit burden for borrowers.

Currently, a majority of banks offer a deposit rate of 8 per cent to 8.50 per cent on savings and the rate may go up to 9 per cent thanks to the BB's new interest rate formula.

An increase of the deposit rate might bring more depositors to banks after they started to move away from the financial sector last year when the inflation rate exceeded the savings rate, rendering the real interest rate negative.

The weighted average deposit rate was 4.38 per cent in April whereas the average inflation stood at 8.64 per cent, still providing a negative interest rate to savers.

MFIs, NGOs to face greater scrutiny

FROM PAGE B1

has not withdrawn tax exemptions on the income from micro-credit operations and donations obtained by the organisations to do social welfare and development activities.

In the new law, it imposed a condition that income from microcredit operations must be kept in a revolving fund to avail the tax exemptions.

And if any MFI diverts microcredit income to other businesses, it will have to pay tax.

Donations obtained by the NGOs to do social welfare and development activities are also not taxable, they said.

Rasheda K Choudhury, convenor of CSO Alliance, a top-level coalition of nearly 300 NGO/CSO organisations, said they were surprised to see that NGOs were defined as companies in the income tax law.

"To understand the issue, we contacted authorities and officials concerned and got clarification that there will be no tax on donations received by NGOs from the government, development partners or any other source," she said.

Rasheda K Choudhury, convenor of CSO Alliance, a top-level coalition of nearly 300 NGO/CSO organisations, said they were surprised to see that NGOs were defined as companies in the income tax law.

"But we think the income tax department should take steps to clarify the confusion that has been created among stakeholders following the change," she said.

"This will protect small and grassroot level NGOs from unnecessary bureaucratic hassles and rent seeking," said Rasheda, also executive director of the Campaign for Popular Education and a former caretaker government adviser.

There is no need to add the provision as the MFIs pay income tax and value added tax during the acquisition of assets, said NGOs in a recent recommendation to the NBR.

They also opposed a move to collect a 0.60 per cent tax on gross receipts or on turnover even after losses, as applied to companies.

"As a brand-new Act, it is normal that some provisions require greater clarity," said KAM Morshed, senior director of BRAC, yesterday.

"The assurance by the Chairman of NBR that donations, both internal and external sources, will not considered as taxable receipt and will not be subject to flat-rate 0.6% tax is one such clarification that we have received today," he said.

Inflationary pains for common people

FROM PAGE B1

The central bank also acknowledged the lack of a competitive environment, along with market syndication for the current level of inflation.

Other factors pushing the inflation to at least a decade high include cheap funds made available through the 9 per cent interest rate cap for the past three years.

In an encouraging move, the central bank has removed the ceiling and raised the policy rates for the sixth time in the past one year. The ceiling has rendered the multiple hikes in policy rates ineffective so far.

The BB thinks the hike in the policy rate and the withdrawal of the cap is expected to elevate the borrowing costs for financial institutions, which will subsequently influence interest rates across the economy. This adjustment will make it more expensive for businesses and individuals to access funds for investments and consumption.

This shift intends to curtail excessive monetary expansion, thereby aiding inflation control.

In another major development, the central bank has decided to adopt a unified and market-driven single exchange rate regime, allowing the exchange rate to be determined by market forces. If a uniform exchange rate could be implemented, there might be some improvement in the reserve scenario.

A multiple exchange rate regime with separate rates for exporters, remitters and importers has been blamed for the erosion of the reserve.

A wide gap in formal and informal exchange rates has been one of the factors behind the sharp fall in the foreign exchange reserves as it shifts remittances from official channels to unofficial routes and impedes repatriation of export proceeds, said the World Bank recently.

In Bangladesh, a one-per cent deviation between the formal and informal exchange rate shifts 3.6 per cent of remittances from the formal to the informal financial sector, it said.

Because of the gap between the exchange rates for imports and remittances, importers have incentives to over-invoice imports to buy more US dollars from banks and send the profits back as remittances. This rate arbitrage leads to a further decline in US dollar liquidity in banks and parallel exchange rates discouraged the inflow of foreign currencies, said the WB.

The BB projects that the reserve would rise to \$31.5 billion in 2023-24 from about \$30 billion currently. It was much lower than the \$41.44 billion seen in June last year.

Global ratings agency Moody's has already said gross foreign exchange reserves to remain below \$30 billion for the next two to three years.

A 29 per cent fall in the reserve level in the past one year, led by higher-than-usual imports and a spike in the global commodity prices, has forced the government to limit procurements from the external source, which contributed to the tightening of supplies and thus acceleration of the prices in the local market.

The government may need to maintain its import control measures until the reserve level goes up, meaning lingering struggles for businesses and industries looking to open letters of credit to import inputs, raw materials and equipment.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said: "Inflation will only come down to the targeted level if the central bank allows the interest rate to go up to the required level."

"Nobody knows how much the interest rate should increase. The contractionary monetary policy has to be implemented effectively."

He said the inflation rate has been allowed to go up. "So, a strong dose of medicine will have to be applied because the disease is serious. But the money supply will not be tightened if the interest rate is allowed to increase by a merely 1 to 2 percentage points from the current level."

The former official of the IMF pointed out that the 43 per cent growth target in government borrowing in July-December of FY24 contradicts the goal on inflation.

"A higher borrowing from the central bank as seen in recent years will stoke inflationary pressures. Then it does not remain a contractionary monetary policy. The borrowing from the central bank by the government will have to be minimal."

Under the new method, the central bank would initially set a monthly reference rate based on the weighted average rate to be calculated on the basis of the interest rates of the six-month short-term treasury bill.

The central bank controls the interest rates of T-bills and T-bonds. Since the central bank offers lower rates during the auctions of government securities, commercial banks do not get the opportunity to buy them.

"It seems that the interest rate will not be market-based," said Selim Raihan, executive director of the South Asian Network on Economic Modeling.

"If that is the case, then it will not help narrow the money supply and rein in inflation."

He urged the government to set up a coordination cell on inflation, if necessary, in order to step up monitoring and remove market imperfections.

Mansur called for ensuring a market-based exchange and interest rates as well as bringing the financial account of the balance of payments into positive territory by activating the line of credits from external financial institutions in a bid to reverse the downward trend of the forex reserve.

A view of an effluent treatment plant inside the Savar Tannery Industrial Estate. The progress in construction of a modern central ETP at the tannery estate is still slow and the taskforce formed to monitor the progress needs to expedite it, said people concerned.

PHOTO: STAR/FILE

Allow more private ETPs in Savar tannery estate

Tanners' association urges govt

STAR BUSINESS REPORT

The government should allow more private companies to build effluent treatment plants (ETPs) inside Savar Tannery Industrial Estate (STIE), said Shaheen Ahmed, chairman of Bangladesh Tanners Association (BTA), yesterday.

This will not only develop the leather and leather goods industry but also brighten its image across the world, he said.

Local exporters are being deprived of standard international prices for not obtaining certifications of Leather Working Group (LWG), a global body for compliance and environmental certification in the leather and leather goods sector.

Local tanners have been selling tanned skins of cows, goats and buffalos at almost half the standard international prices to non-compliant buyers, especially Chinese ones, as they could not obtain the LWG certifications for poor compliance to workplace standards.

Local tanners have not been obtaining the LWG certifications as the construction of the central ETP at the STIE could not be completed although over Tk 500 crore has been spent so far.

So far, the government allowed only two private companies to construct their own ETPs at the STIE, enabling availing the LWG certifications, as a central ETP is yet to become functional.

"The government should allow at least 30 private ETPs now for obtaining the LWG certifications so that we can get better prices from the international retailers and brands," Ahmed told a seminar on "action for sustainable development of leather industry".

Currently the second largest export item, leather and leather goods export from the country fetched $1.12 billion in the July-May period of the current fiscal year registering a 0.42 per cent year-on-year growth, according to data from the Export Promotion Bureau (EPB).

In fiscal year 2021-22, earnings of the leather and leather goods sector amounted to $1.24 billion.

Bangladesh has a target to export tanned hide, leather and leather goods worth $12.50 billion at the end of 2030 as the demand for the locally made leather goods has been increasing worldwide.

Over Tk 10,000 crore has been invested in tanneries in Bangladesh after their relocation from Dhaka's Hazaribagh to their current location at Savar.

"So, we need more local tanners to obtain the LWG certification so that we can make good business with strong reputation," said Ahmed.

The BTA, The Asia Foundation and Economic Reporters' Forum (ERF) jointly organised the seminar at the ERF office in Dhaka to disseminate knowledge on the rawhide, leather and leather goods industries ahead of Eid-ul-Azha which is scheduled to be celebrated at the end of this month.

Almost every year in the recent past the rawhide traders and growers have faced a crisis for lowering prices. More than 50 per cent of rawhide sourced annually is collected during Eid-ul-Azha.

This year too, it is expected that a total 85 lakh animals will be sacrificed during the Eid. Of the number, some 45 lakh are cows and 40 lakh goats, buffalos and lambs, Ahmed said.

Abul Kalam Azad, president of Tannery Workers Union, said the relocation of the tanners from Hazaribagh to Savar did not happen properly as the main component, the central ETP, was yet to be functional although a few hundred crore taka has already been spent.

The progress in construction of a modern central ETP at the tannery estate is still slow and the taskforce formed to monitor the progress needs to expedite it, Azad said.

Closure of the tannery estate is not a solution, he added.

Ferdous Ara Begum, chief executive officer of Business Initiative Leading Development (BUILD), said branding of the sector was very important and obtaining LWG certification in bronze category may not work for the better.

She also suggested that the government provide assistance in the sector and allow foreign direct investment.

Kazi Faisal Bin Seraj, country representative of The Asia Foundation, spoke on the role of the media for the sector.

BTA Chairman Ahmed and Rehana Akter Ruma, head of project and programme of the BTA, presented a keynote paper. Tamim Ahmed, a senior research associate at the Centre for Policy Dialogue (CPD), presented another paper.

Md Sadat Sadruddin Shibli, a director at The Asia Foundation, moderated the seminar. Mohammad Refayet Ullah Mirdha, president of the ERF, and Abul Kashem, general secretary to the ERF, also spoke.

Refiners want 20% hike in retail sugar price

STAR BUSINESS REPORT

The refiners yesterday urged the government to hike retail prices of packaged sugar by 20 per cent to Tk 150 a kilogramme citing spiral in import costs due to a rise in the sweetener's international rates and higher spending for US dollar.

They want to sell sugar at this rate to the consumers from June 22, just over a week before the Eid-ul-Azha, the second biggest festival of Muslims.

The Bangladesh Sugar Refiners Association (BSRA) made the call through a letter to Bangladesh Trade and Tariff Commission more than one a month after the commerce ministry hiked packaged sugar prices to Tk 125 a kg.

The expiry of the reduced duty benefit for purchasing raw and refined sugar from abroad has also increased the burden on the import cost, said Taslim Shahriar, deputy general manager of Meghna Group of Industries (MGI).

Currently, the importers pay duty and tax equivalent to almost Tk 40 per kg, which was earlier Tk 31 per kg, he said.

Businesses retailed sugar at Tk 120 to Tk 140 a kg in Dhaka yesterday.

On February 26 this year, the customs authority withdrew Tk 3,000 specific duty on the import of a tonne of raw sugar and Tk 6,000 on refined sugar with immediate effect.

READ MORE ON B2

How business-friendly new income tax law is

JASIM UDDIN RASEL

It's been long since we had been following the Income Tax Ordinance 1984 and the most important issue is that the International Monetary Fund (IMF) has imposed a condition at the time of approval of the loan to the government to introduce a new tax act.

The Income Tax Bill 2023 was passed in parliament on Sunday, replacing the Ordinance.

What are the significant changes that may affect businesses?

Financial statement audit by a chartered accountant irrespective of the size of the companies, valuation from a professional valuer on the transfer of shares of no-listed companies, tax on trade licence issue, or renewal based on location will increase the cost of doing business.

The new inclusion is that turnover exceeding Tk 3 crore of partnership firms, associations of persons, funds and long-term agreements shall also submit the audited financial statements following the accounting standards.

In Australia, where this author lives, if the turnover is below AUD 50 million or the number of employees is less than 50, there is no need to obtain audited financial statements.

If any of the conditions are met, audited financial statements will have to be required. However, if the lender or director of a company wishes, they may also obtain audited statements.

In Bangladesh, a significant number of companies are incorporated by family members and friends and their turnover or employees is very small. Sometimes, they can't meet their operational expenses during the initial period after incorporation. So, like the cap set for partnership firms, associations of persons and funds, the government may relax the audit binding to relieve the cost of doing business.

Tk 7,000 to Tk 10,000, including tax at Tk 3,000 in Dhaka and Chattogram city corporations, will be required to obtain a trade licence or renew a sole trader business. But in Australia, AUD 39, which is equivalent to about Tk 3,000, is required to obtain a trade licence online.

If anyone wants to get the licence or renewal for three years, the total cost will be AUD 92, or Tk 6,900, meaning about Tk 2,300 annually.

We had been hearing for the last couple of years that a new tax law would be introduced, but finally, it was introduced to fulfil the condition of the IMF.

As the tax law has been changed after a long time, the expectation was high, but it has failed to meet the expectation.

The author is a tax expert and a fellow chartered accountant. He can be reached at jasim.uddin@taxpertbd.com

Oil prices fall

REUTERS, *London*

Oil prices fell on Monday as questions over China's economy outweighed Opec+ output cuts and the seventh straight drop in the number of oil and gas rigs operating in the United States.

Brent crude fell 17 cents, or 0.2 per cent, to $76.44 a barrel by 0944 GMT while US West Texas Intermediate (WTI) crude lost 31 cents, or 0.4 per cent, to $71.47.

Both contracts ended last week with gains of more than 2 per cent.

"(China's) economy is navigating through powerful headwinds," said PVM oil analyst Tamas Varga. "The property market has not healed from last year's slump, and in May both retail sales and industrial output came in below expectation."

Stocks rise despite contractionary monetary policy

STAR BUSINESS REPORT

The key indexes of the Dhaka and Chittagong stock exchanges rose yesterday despite the central bank unveiling a contractionary monetary policy a day earlier and scrapping the interest rate cap on loans.

The DSEX, the benchmark index of the Dhaka and Stock Exchange, rose 33 points, or 0.52 per cent, to 6,314.

The DS30, which represents blue-chip stocks, increased 0.24 per cent to 2,188 points while the DSES, an index comprised of shariah-compliant companies, edged up 0.47 per cent to 1,369 points.

Md Moniruzzaman, managing director of Prime Bank Securities, said the impact of the monetary policy would be little on the stock market as investors knew about the central bank move on the Six-months Moving Average Rate of Treasury bills (SMART), which will be used to fix the lending rate from the coming fiscal year.

The central bank rolled out the monetary statement policy for the first half of the next fiscal year, raising the rate at which cash-strapped banks take short-term loans by 50 basis points to 6.50 per cent.

The BB also increased the rate at which banks keep funds at the BB -- known as the reverse repo--by 25 basis points to 4.50 per cent.

It also scrapped the 9 per cent interest rate ceiling on loans introduced in April of 2020.

The hike in the policy rate and the withdrawal of the cap is expected to elevate the borrowing costs for financial institutions, which will subsequently influence interest rates across the economy, said the central bank.

READ MORE ON B2

Boats sail along the Dubai Creek surrounded by high-rise buildings in the Gulf emirate. Property here is booming once more -- helped by Russian demand amid war in Ukraine and laxer residency rules -- and analysts this time see more guardrails in place against any repeat of the problems that subdued Dubai after the 2008 global credit crunch.

PHOTO: AFP/FILE

Dubai chases long-term growth

REUTERS, *Dubai*

Buoyed by a swift economic rebound post-COVID, Dubai is racing to attract people and capital to drive long-term growth, betting it can avoid past debt crises that dented its global ambitions.

The approach pursued by the glitzy Gulf city-state is a reboot of a flamboyant economic model that for decades focused on property investment, tourism and inflows of foreign capital.

Property is booming once more -- helped by Russian demand amid war in Ukraine and laxer residency rules -- and analysts this time see more guardrails in place against any repeat of the problems that subdued Dubai after the 2008 global credit crunch.

Home to the world's tallest tower and man-made islands, Dubai is chasing lofty new goals:

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