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BUSINESS



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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

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considered consumer loans.

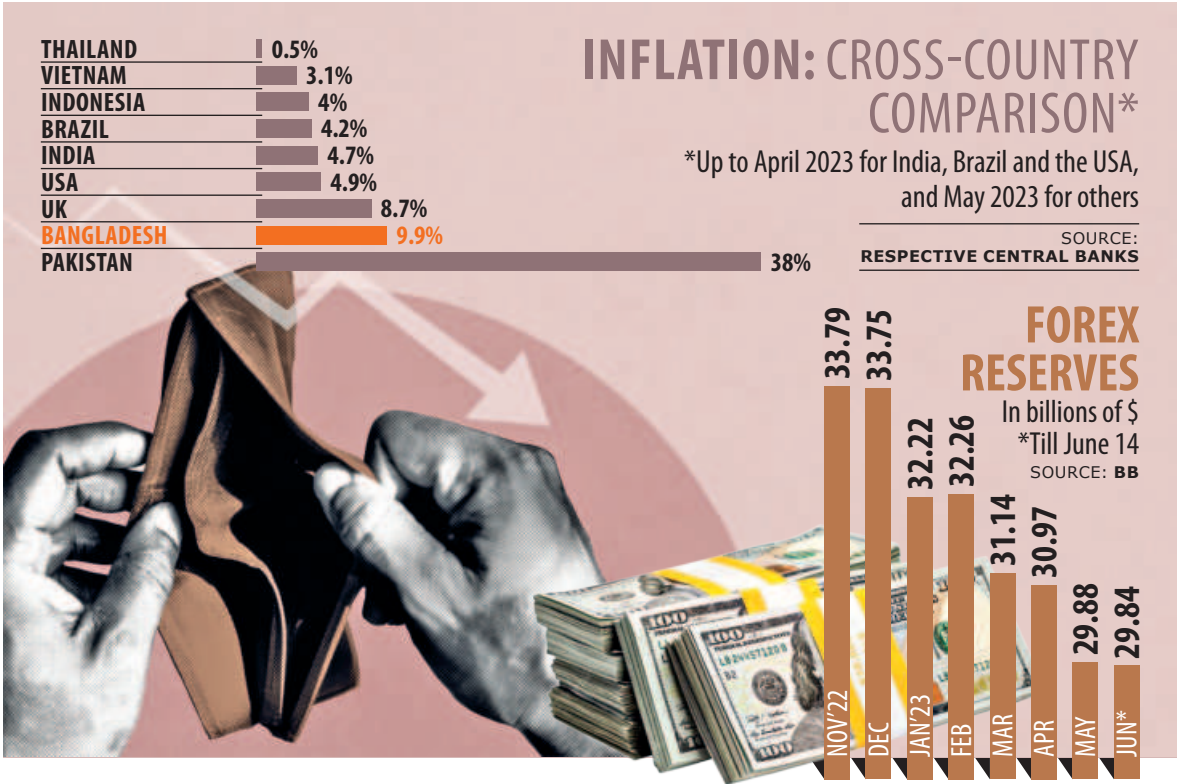
The lending rate on the loans disbursed to cottage, micro, small, and medium enterprises will go up to 11.10 per cent from the existing 9 per cent.

The lending activities for MSMEs 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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6,314.14	18,635.27

COMMODITIES	
Gold ▼	Oil ▲
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(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
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