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

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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

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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

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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.