Govt forms panel to lease out textile mills

STAR BUSINESS REPORT

The government has formed an inter-ministerial committee to lease out to private investors state-run textile mills, which are mostly out of operation, in order for production to resume, said a notification of the textiles and jute ministry.

Headed by the additional secretary (textile) to the ministry, the 10-member committee will advise the government and work to finalise conditions regarding the lease process and applications, said the notification issued last week.

"We want to begin with three mills," said Textiles and Jute Secretary Md Abdur Rauf. The mills are located in Sylhet, Kurigram and Chattogram.

There are 25 textile mills under Bangladesh Textile Mills Association (BTMC), out of which, nine are closed and one is being run on a rental basis.

The BTMC is also in the process of establishing a textile village at Chittaranjan Cotton Mills.

Rauf said the ministry took the lease decision in line with what was done regarding jute mills that had remained closed under Bangladesh Jute Mills Corporation (BJMC).

Up until now, the BJMC has leased out 10 mills out of 19 and is in the process of leasing out the rest.

On the second week of this month, the state corporation, which closed its mills in July 2020, sought expressions of interest from private investors for leasing four mills.

Sri Lanka cuts rates

AFP, *Colombo*

Sri Lanka cut key interest rates Friday for a second time in as many months ahead of a crucial debt restructuring deal with foreign lenders.

The cash-strapped country defaulted on its $46 billion debt in April last year after running out of foreign exchange to finance imports of even the most essential commodities, making life a misery for the island's 22 million people.

At the peak of last year's crisis, months of civil unrest forced the ouster of then-president Gotabaya Rajapaksa when protesters stormed his residence.

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PHOTO: HABIBUR RAHMAN

Earthen pitchers being unloaded at Baniashanta Kheyaghat in Khulna's Dakop upazila on being crafted some 20 kilometres away in Sharafpur of Dumuria upazila. Each sells for anywhere from Tk 40 to Tk 70 at wholesale depending on the size. The photo was taken recently.

Govt services yet to simplify business for SMEs

Entrepreneurs tell DCCI seminar

STAR BUSINESS REPORT

Entrepreneurs yesterday lamented that technology adopted by the government for delivering different services has not been able to simplify businesses of small and medium enterprises (SMEs).

The SMEs still have to pay bribes and face difficulties in ports and delays in different processes that cost them money and competitiveness, they said.

"There is so much talk about smart technology but if you want to get a trade licence, there is no trace of it. But once you give the bribe, you will get it," said Sk Md Waliul Islam, managing director at the Roots Group of Companies.

He was speaking at a seminar on "Technology for Smart CMSMEs" organised by the Dhaka Chamber of Commerce & Industry (DCCI) at its office in Dhaka.

"The SMEs, which account for most of the business in Bangladesh, are facing problems on multiple fronts. To add to their woes, a one percent supervision charge was imposed on SME loans from July of this year. It's a punishing move," he said.

The SMEs are faring badly now, said Muhammad Zamsher Ali, managing director of Aisna Petrochemicals Limited.

"As my business (petrochemicals) depends on imports, we are now unable to open letters of credit. It's been six months I have been trying to open LCs, but banks are not allowing due to a dollar crisis," he said.

Bangladesh Bank initially set the exchange rate of the US dollar against the taka and later it let banks set it and so, some banks now charge anywhere from Tk 120 to Tk 126 per US dollar, he said.

The fear of being penalised by the National Board of Revenue is the main obstacle behind businesses refraining from adopting a digital transformation, said Sharfuddin, proprietor of Ador Enterprises.

"After three months of efforts, I was able to open an LC, depositing 110 percent and with a Tk 122 per dollar," said Ikram Dhali, managing director at Pinnacle Garments.

"When I bought 20 tonnes of melamine powder, customs stated that the imported material should undergo a chemical test. Later, it took 20 days to complete the test," he said.

"After the test, my products received a green light. If my products are good, why should I pay those charges? So, where have the advantages of technology gone, as I had to pay demurrage charges for the container and port, alongside other fees," he said.

He said during the payment of salaries to his employees at a garment's factory, he had to wait for days to get the bank's approval to disburse it.

Although Bangladesh Bank is providing loans to women entrepreneurs at a 4 percent interest rate, the loans are disbursed through different banks that charge 9 percent, said entrepreneur Taslima Siddique Ratna.

Ports are not adopting or utilising any technology, resulting in delays and subsequent cost increases, said Suraiya Alam, proprietor of RS Corporation.

It is high time to support the SMEs and make them digitally equipped to grab future opportunities, said DCCI President Md Sameer Sattar.

"We all are aware that SMEs are instrumental to the success of the economy of Bangladesh, making substantial contributions to employment, GDP and export earnings," he said.

"As a whole, 9 million SMEs with a 24.5 million workforce in diverse sectors from agriculture, manufacturing, trade and services to export-oriented sectors are recognised as the lifeline of the economy of Bangladesh," he said.

Sattar made some suggestions for the development of technologically-enabled smart SMEs to accelerate the development desired by the country.

There include providing subsidies and easy access to finance, low-cost refinancing schemes and rational tariffs for technology transfers and fintech adoption, fiscal incentives like tax cuts and rebates and synchronising relevant policies and laws.

Adequate data of the SME sector is essential for taking data-driven decisions by the government, said Shamsul Arefin, secretary to ICT Division.

The private sector is the engine of growth and the SMEs play a vital role in this regard, said Md Abul Kalam Azad, former principal secretary to the prime minister.

"There should be no fear in embracing technology, rather it is a blessing of time and the more we can adopt technology, the faster we can achieve development," he said.

It is time to implement a digital payment system across the country, said Mezbaul Haque, executive director at Bangladesh Bank. "We have come to an era of digital lifestyle rollout," he said.

"We have a lot of technology in hand but we have limitations in real-time optimum utilisation," he said.

Reforms: Why, where and when?

MAMUN RASHID

Recently news reports stated that a large foreign biopharmaceutical company had decided to abandon its intention to invest thousands of crores in Bangladesh. One of the reasons they cited was the lack of legal framework in Bangladesh to support such a venture. The company also mentioned long delays in getting the required project approvals. This should be an alarming example of how our regulatory system continues to fail us and stop the economy from realising its true potential.

Bangladesh has already reached a stage in its development lifecycle wherein it is essential to look beyond basic human needs and put immediate emphasis on numerous pending reforms necessary to create a system that aligns with its future aspirations. Unfortunately, as of today we are nowhere near such a target even from the perspective of other comparative developing countries. Our existing regulatory framework is barely functional at best, and this is constantly voiced by countless frustrated local and foreign companies wishing to do business in Bangladesh including development partners like World Bank and International Monetary Fund. Past initiatives like "Better Business Forum" and "Regulatory Reforms Commission" were also put on hold by the succeeding government.

Policymakers often speak about all the "ease of doing business" initiatives that have been implemented for fixing existing regulatory roadblocks that discourage investors. However, in reality, the situation is not in line with inspirational words of the country's leaders and policymakers. Rampant corruption, political interference, undue influence, and arbitrary roadblocks created by many public officials in almost every step of the business process has reached intolerable levels and have created hinderances to new investment and expansion.

Immediate and major reforms are required in some of the most fundamental regulatory sectors.

Existing ambiguity and grey areas in the foreign exchange regulations continue to fail to prevent enormous money laundering schemes as well as the highly worrisome rapid depletion of foreign reserves. It appears that the relevant authorities are helpless to stop this either due to a lack of regulations or they may be even involved in aiding such unscrupulous activities. Hence, decisive regulatory reforms are needed in the existing foreign exchange rules.

Bangladesh still follows the Companies Act of 1994 as a fundamental guiding principle for regulations related to businesses. Are we still the same Bangladesh today that we were in 1994? Obviously not. Even India updated its own company law as recently as 2013 vide The Companies Act 2013 with new and more practical features. The same reform is needed here.

In spite of the formulation of Income Tax Act-2023, revenue collection continues to critically require more effective reforms. In recent years we have seen the middle and lower middle class bear the burden of increasing taxation to the point that it has become immensely unfair, and the new act has not really done much to mitigate this. Revenue authorities continue to try and increase the tax burden of those already exhausted. Non-compliance for a certain class is also not properly considered. Efforts to expand the revenue net have not really yielded any sort of substantive results and this continues to keep the tax-GDP ratio at unacceptably low levels.

However, no number of reforms and changes will have any favourable impact unless regulations are strictly enforced without any kind of political or influence related biases. Such political favouritism and undue influence are widespread in the country. It is almost evident that rules do not apply when it comes to certain highly influential individuals and so-called preferred business entities. Therefore, major reforms are also needed in law enforcement and public administration sectors themselves along with overall accountability improvement.

The writer is an economic analyst.

The future of interest rates is more surprises

REUTERS, *London*

Central bankers and market practitioners were clearly wrong-footed by the recent rise in interest rates. "Lower for longer" was the mantra until a few years ago. Then came "higher for longer" and now possibly "lower slightly sooner than expected". Observing these oscillating forecasts, a bystander might conclude that nobody knows anything about the future direction of interest rates. And that's how it is.

Two years ago, the US Federal Reserve's interest-rate setting committee projected that the federal funds rate would be in the range of 1.1 percent to 2.1 percent by 2023. Today the rate is above 5 percent. Central bank models attempt to divine what is known as the natural or equilibrium rate of interest: the level that allows an economy to reach its growth potential without sparking inflation. After the financial crisis of 2008, inflation disappeared and economic growth slowed, so the models concluded that the natural rate had dropped.

The return of inflation caught those models by surprise. Now they have recalibrated. A recent report from Capital Economics suggests that the US equilibrium rate has risen from 0.5 percent before the pandemic to 2 percent today. The London-based research firm believes that artificial intelligence will boost future GDP growth, while increased government borrowing and the energy transition are set to absorb more savings. Some economists argue that the retreat from globalisation will also push up interest rates. Such plausible narratives are ad hoc rationalisations of

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Gold jewellery on display at a shop in Dubai Gold Souk. Spot gold was up 0.5 percent at $2,001.97 per ounce on Friday, and has risen over 1 percent so far this week. US gold futures settled 0.5 percent higher at $2,003.

PHOTO: AFP

Gold leaps above $2,000

REUTERS

Gold rose over the key $2,000 level on Friday, logging its second consecutive weekly gain, see-sawing against a weaker US dollar on bets that the US Federal Reserve is done with its interest rate-hiking cycle.

Spot gold was up 0.5 percent at $2,001.97 per ounce by 2:30 p.m. ET (1930 GMT), and has risen over 1 percent so far this week. US gold futures settled 0.5 percent higher at $2,003.00.

The dollar index has been deteriorating due to the weaker data coming out this week which should shift the Fed to a more dovish pivot and then that could be a tailwind for gold in 2024, said Phillip Streible, chief market strategist at Blue Line Futures, in Chicago.

The dollar index fell 0.4 percent and was on track for a second weekly drop on growing expectations the Fed could start cutting

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