



Zunaid Ahmed Palak, state minister for telecom and ICT, and Russell T Ahmed, president of Bangladesh Association of Software and Information Services (BASIS), pose for photographs with ICT industry people at an event celebrating the 25th anniversary of the trade body in the capital yesterday. PHOTO: COLLECTED

# Software and ITES providers call for extension of tax exemption until 2031

STAR BUSINESS REPORT

Software and IT Enabled Service (ITES) providers yesterday urged the government to extend the income tax exemption applicable to them by six years until 2031 in order to help the nation achieve its vision for a Smart Bangladesh by 2041.

At present, the government offers tax breaks to software and ITES sector entrepreneurs.

But the privilege is going to expire on 30 June this year, Russell T Ahmed, president of the Bangladesh Association of Software and Information Services (BASIS), said during the national trade body's 25th anniversary ceremony held at GreenVill Outdoors in Dhaka.

BASIS began its journey in 1998 with just 18 members. Today, it has nearly 2,500 members who play a role in the development of local software and IT services, expansion of access to international markets, and promotion of digital development.

Ahmed added that BASIS had made great strides towards social and economic development through technology-based innovation, making greater use of the benefits of the digital economy.

"ICT is the nucleus of the Smart Bangladesh vision. From agriculture, manufacturing, trading to education, all

these sectors will have to implement ICT solutions to become smart within 2041," he said.

Ahmed said the current income tax exemption has been instrumental in propelling Bangladesh towards its digital aspirations.

"Exemption until 2031 would significantly facilitate the journey towards a Smart Bangladesh. Furthermore, offering tax incentives and streamlining the enlistment process for prominent IT enterprises in order to lure recent graduates would further incentivise growth and innovation in the sector," he said.

"The competitive edge of the ICT sector, unlike other industries, relies solely on human resources possessing global and future-oriented ICT skills," he stressed.

The BASIS president also said the establishment of an R&D and innovation fund is vital to transitioning from a knowledge process outsourcing (KPO) and business process outsourcing (BPO) model to a product and service-oriented ICT model.

He also suggested a BASIS-led cross-country comparative study financed by government grants to assess the demand for ICT skills, and effective restructuring of the computer science education system.

"Re-evaluate and augment national ICT competencies administered by the National Skills Development Authority to align with dynamic industry requirements," Ahmed said.

BASIS said it was also targeting training initiatives, internship support, and dedicated grant funds to facilitate the transition of participants into industry-ready professionals.

**The global export market for software and ITES is growing and is projected to register \$600 billion by the end of the year. If only 3.4 percent can be captured by readying the nation's human resources and private sector, then Bangladesh can earn more than \$20 billion within a few years**

Additionally, he sought the institution of a supplementary wage policy to incentivise greater female engagement in the ICT sector, alongside recommending the establishment of a dedicated grant fund to support micro and small ICT firms in recruiting fresh graduates.

"Through collaborative efforts and strategic initiatives, the nation is poised to embrace the boundless opportunities that lie ahead, ensuring a bright and prosperous future for generations to come," he said.

He said Bangladesh is embarking on a transformative journey and that the roadmap towards a Smart Bangladesh by 2041 encompasses multifaceted strategies to propel growth in the IT sector.

For example, the global export market for software and ITES is growing and is projected to register \$600 billion by the end of the year.

"If only 3.4 percent can be captured by readying our human resources and private sector, then Bangladesh can earn more than \$20 billion within a few years to come. This can be observed as a milestone achievement, especially when we are facing a crunch in our forex reserve," he said.

Addressing this potential, to ensure our comprehensive growth in exports, the BASIS president suggested a framework termed '3 by 3'.

"This approach involves conducting research to identify target markets and products, promoting products through marketing and sales efforts, and cultivating a skilled workforce to seize growth opportunities," he said.

## Businesses uninterested in surveys for a lack of awareness Says economist

STAR BUSINESS REPORT

Businesses in Bangladesh generally do not respond to surveys as they are reluctant to share information due to a lack of awareness of its benefits, according to an economist.

"In general, of firms approached for surveys in Bangladesh, a significant percentage don't respond to the surveys due to their shyness...and a lack of awareness on how they can benefit from a particular survey-led work," said Masrur Reaz, chairman and CEO of the Policy Exchange of Bangladesh (PEB).

He was addressing a discussion with journalists at the Metropolitan Chamber of Commerce and Industry (MCCI), Dhaka yesterday on the recently launched Purchasing Managers' Index (PMI).

"We are facing challenges relating to the lack of survey culture in conducting the PMI's survey," said Reaz.

Companies often shy away over concerns centring potential misuse of the data, he added.

With support from the UK government's Foreign, Commonwealth, and Development Office (FCDO), the MCCI and PEB launched the PMI on February 5 for the first time to gauge the country's economic situation.

The PMI is a leading economic indicator that helps provide a picture of a nation's economic health. In essence, the index summarises whether market conditions are expanding, staying the same or contracting, as viewed by purchasing managers.

The index is measured within a range of 0 to 100, with a PMI of more than 50 representing expansion compared to the previous month while a reading of under 50 represents contraction.

"The first report is expected to be published in May and will be compiled from monthly surveys of private-sector enterprises," said Reaz.

Although the index was launched in early February this year, there was one and a half years of preparation behind it, he added.

He believed the PMI would be beneficial for businesses in taking decisions and adopting policies.

Hasnat Alam, senior manager of market and policy advisory of the PEB, gave a brief presentation on the fundamentals and practicality of the PMI.

Farooq Ahmed, secretary general and CEO of the MCCI, and Refayet Ullah Mirdha, president of Economic Reporters' Forum, also spoke at the event.

STOCKS		WEEK-ON WEEK
DSEX ▲	CASPI ▼	
0.58%	0.29%	
6,336.25	18,290.68	

COMMODITIES		AS OF FRIDAY
Gold ▲	Oil ▲	
\$2,012.99	\$79.38	
(per ounce)	(per barrel)	

## US dollar dominance not under threat: Fed official

AFP, Washington

The status of the US dollar as the world's reserve currency is likely to continue, despite threats posed by China's rise and the growth of cryptocurrencies, a US Federal Reserve official said Thursday.

The dollar continues to be the most widely used currency for international transactions, and is top among the notes held by foreign investors as a store of value, Fed Governor Christopher Waller told a conference in the Bahamas, according to prepared remarks.

"By standard measures of an international currency's use, there has not been any notable erosion in the dollar's dominance over the past couple of decades," he told the conference in the capital, Nassau.

"Going forward, however, there are potential challenges to the dollar's international status, and some recent developments have the potential to boost the international use of other currencies," he added.

Waller cited risks including the rise of cryptocurrencies, the growing prominence of the euro as an international currency, China's efforts to boost international use of the renminbi, and the effect that Russian sanctions could have in bifurcating the global economy.

But in all of these cases, Waller said the dollar would likely hold on to the top spot.

The prevalence of dollar-linked "stablecoins" as a means of moving money in and out of digital currencies meant that "crypto-assets are de facto traded in US dollars," he said.

Meanwhile, the euro still pales in comparison to the dollar, despite being the world's second-most-used international currency.

## Roadmap for banking

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in the "bad and loss" category for two years while it was three years previously.

The central bank expects that NPLs will be reduced by Tk 43,300 crore because of the policy change.

However, the fact is that when banks write off bad loans, the figure is hidden from the balance sheet but the liabilities still remain, said Ahmed while speaking at the Bangladesh Economics Summit 2024 at the University of Dhaka.

Usually, loans are written off only when they are 100 percent provisioned and there are no realistic prospects of recovery. These loans are transferred to the off-balance sheet records.

And although the practice of writing off loans is accepted worldwide, some analysts call it a "window dressing", Ahmed added.

He criticised the policy change, saying it would not help reduce the volume of defaulted loans.

The banking sector's defaulted loans climbed 20.7 percent to Tk 145,633 crore in 2023.

## Categorise companies

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abides by all norms of corporate governance, it should be kept in a higher stock category even if it refrains from paying dividends, said Rahman.

"To protect general investors in the long run, good governance should be the focus," he said.

Even if the trade settlement period is taken into consideration, sending a company with a poor performance record to the Z category does not significantly discourage investors, he said.

The trade settlement period is the time it takes for shares or funds to be recorded with associated accounts after a transaction.

It is four days for Z category companies and three days for companies in other categories.

In 2020, the regulator reduced

A provision in the roadmap allowing weak banks to merge with financially sound ones was welcomed by experts. They, however, focused on visible actions to this effect.

"The central bank should restructure the board and management of the weak banks and conduct a comprehensive audit before allowing mergers," said Ahsan H Mansur, executive director of the Policy Research Institute.

Under the roadmap, the central bank toughened the rules for appointing both shareholder directors and independent directors by fixing age and educational requirements. The regulator also raised the allowance of independent directors.

Former central bank governor Ahmed said the central bank must have enough strength to tackle political interference and pressure from influential groups to implement the roadmap.

In a press briefing in January, BB Governor Abdur Rouf Talukder said the central bank's activities have never been influenced by outside forces.

the trade settlement period for Z category companies to four working days instead of the previous 10 days.

However, the rules have further been modified, which would make trading of the shares by sponsors more difficult. The positive aspect is that it also caters to sub-judice matters affecting annual general meetings.

Last week, the BSEC redefined the criteria for companies to be considered and listed as junk.

According to the order, a listed company will be shifted to the Z category if it fails to declare any dividend for two consecutive years instead of one year.

On the other hand, if any company is able to provide interim dividend on the basis of audited financial reports, it can be upgraded from the Z category.

## Rationalise tariff regime

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a lot of diversity while Bangladesh's was highly concentrated on readymade garments.

An analysis of the export data shows that 82.85 percent of Bangladesh's total exports are of garment items.

Around 1984 to 1985, Bangladesh and Vietnam had similar export concentrations and an export size of around \$1.5 billion. While Bangladesh's export size has grown to \$55 billion, Vietnam's has ballooned to close to \$300 billion and they have diversified their export basket.

"Bangladesh's exports have increased, but are almost one fifth of Vietnam's exports," Raihan said.

He said that Bangladesh's graduation from least developed country (LDC) status would create many opportunities, but pragmatic, large-scale policy reforms would be needed to make the most of it.

For export readiness after LDC graduation, he suggested the harmonisation of the monetary policy and fiscal policy, increasing regulatory efficiency and quality, reducing non-performing loans, and ensuring long-term financing from the capital market.

"Moreover, we are lagging in trade logistics," he added.

He also underscored the importance of enhancing labour productivity through skill development. For that, public expenditure in the education sector is important, he said.

Ashraf Ahmed, president of DCCI, said: "We do not have much time as Bangladesh is going to graduate from LDC status in 2026, which is knocking at the door."

He added that while it is true that the government of Bangladesh is committed to supporting the business community to create a commendable position in the international market, the private sector needs sustainable policy

reforms in the days to come.

"The more conducive the business environment is, the faster we can achieve the 'strategic bets approach' to have more products in our export basket," he said.

Asif Ashraf, director of the Bangladesh Garment Manufacturers and Exporters Association, said that the special incentives provided to the RMG sector had been scaled down recently, questioning why such a decision was taken before 2026.

Pointing out that exports were still dominated by the RMG sector, he also said the non-cotton market had the most potential but it remained untapped by local manufacturers.

Mohammed Mahbubur Rahman Patwary, managing director of Sonali Aansh Industry Ltd, added: "We have to incentivise non-RMG products that have the potential to grow. After LDC graduation, most incentives will not be effective. We may examine the examples of countries who have already graduated and see how they are managing their main export basket."

## GDP growth slowed to 13yr low

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Hussain termed the industrial sector GDP growth as "puzzling".

"Imports of raw materials, intermediate goods, and capital machinery declined. How could then the sector see an upward growth?"

Although the growth in the agriculture sector clocked an upward trend in last year's final estimate, it dipped in the first quarter of FY24.

Hussain, however, said: "Any degree of growth in the agriculture sector is positive because arable lands are not increasing. Rather, they are shrinking gradually."

## Bond licence rules need to be relaxed

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Bank should issue a circular to stop international clothing retailers and brands from making deferred payments to local garment suppliers.

Because in many cases, the international retailers and brands pay the local suppliers after selling the goods after six months for which the garment suppliers face difficulties, he said.

Mayeasha Mahmud, director of Cotton Group, said the book is helpful for everyday business processes and speaks about the unparalleled growth of the garment sector in Bangladesh.

Ferdous Ara Begum, chief executive officer of Business Initiative Leading Development, said the book speaks of the garment sector's target to make export earnings of \$100 billion by 2030.

She also said availing the bond licence was very difficult and the rules need to be relaxed in the interest of the growth of businesses.

Akhter Hussain, former chairman of the Department of Public Administration at the University of Dhaka, said the book covers many aspects of the economy.

Ilahi Dad Khan, former bureaucrat and editor of the book, said not many books are written on the garment industry in Bangladesh although the sector is the highest economic contributing area in Bangladesh.

ASM Tareq Amin, editor and publisher of Textile Today, Bangladesh, advocated for a more sustainable growth of the garment sector through the protection of the environment.

Professor Dr Md Fayyaz Khan, vice-chancellor of the Bangladesh University of Business and Technology, also spoke. Mohammad Refayet Ullah Mirdha, president of the ERF, moderated the seminar.