

Star BUSINESS

Cash transactions in Bangladesh have continued to creep up in spite of significant development in digital payment



Story on B4

Currency swap pushes forex reserves above \$20b
BB mobilised around \$235m through the new mechanism in a week

MD MEHEDI HASAN

Bangladesh's foreign currency reserves have gone past the \$20-billion mark after nearly a month thanks to the currency swap initiated by the central bank.

The forex reserves stood at \$20.19 billion on February 20, up from \$19.94 billion a week ago, data from the Bangladesh Bank showed.

The international currency holding was \$20.03 billion on January 24 and hovered around \$19 billion for a month since then.

The slight increase in the reserves came a week after the BB introduced the currency swap with banks in order to meet the net reserve condition set by the International Monetary Fund (IMF) with its \$4.7 billion loan programme.

Under the currency swap deal, commercial banks can take the local currency in exchange for the US dollar with the central bank for a tenure ranging from seven days to 90 days.

The BB has secured around \$235 million from nearly 10 banks under the swap deal since its introduction, said a senior official of the central bank seeking anonymity.

The central bank has also kept selling US dollars from its reserves only for settling the import bills of state-run enterprises.

The BB official said that commercial banks are interested in currency swaps as it will reduce their liquidity pressure and allow them to get back their US dollars when needed.

"Currency swaps with commercial banks are positively impacting the forex reserves," said BB Executive Director and Spokesperson Md Mezbaul Haque.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, thinks both the BB and commercial banks will benefit from the swap initiative.

"It will boost the forex reserves. At the same time, it will also reduce the pressure on the forex market."

In the post-pandemic period in 2021, the country's import payments started to rise faster than remittance earnings and exports, prompting a shortage of US dollars at banks.

The forex crisis intensified in the middle of 2022 due to the price increase of essential goods and other commodities in the global market because of the supply chain disruption caused by the

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BTRC allows mobile operators to offer wireless broadband

FWA: AT A GLANCE

- FWA stands for fixed wireless access, through which mobile operators can offer broadband connectivity
- Telcos will use wireless network to deliver high-speed internet
- Services will be available in fixed locations such as homes, offices
- The service relies on technologies like 5G for efficient data transmission
- Customers will need to install antennas and modems

Challenge

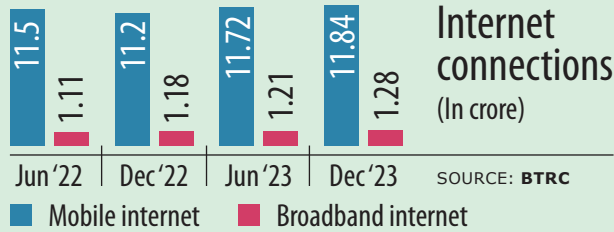
Expansion of FWA service could take years due to telecom operators' reluctance to launch 5G

Industry's reaction

Experts say the move will lead to competition in the market

Telecom operators say it will enhance citizens' internet accessibility

ISPs say the move will deal a blow to their business



MAHMUDUL HASAN

The internet regulator has allowed telecom operators in Bangladesh to provide fixed wireless access (FWA), enabling their users to get wifi connections without cables.

The move will likely transform the broadband internet business in the country, creating competition among current broadband internet service providers (ISPs) and telecom operators as users will have more options.

With the new 5G guidelines coming into force, operators with FWA service approval will be able to offer high-speed internet access through wireless networks to fixed locations like homes and businesses.

It will also extend broadband coverage efficiently, especially in areas with limited wired infrastructure.

FWA generally leverages the high-speed, low-latency capabilities of 5G networks to deliver broadband internet access wirelessly.

However, as the country's telecom

operators are still reluctant to launch 5G commercially, the expansion of the service will take time, according to industry people.

In Bangladesh, telecom operators provide mobile internet services while ISP licensees provide broadband services. Generally, mobile operators deliver mobile internet services through cellular



networks, utilising technologies such as 3G, 4G and 5G. These networks enable wireless data transmission to smartphones and tablets, offering flexibility and mobility.

Broadband operators provide broadband internet via fixed-line

connections like cables or fibre optics, ensuring stable and high-speed connectivity with greater bandwidth and reliability compared to mobile networks.

But now, mobile network operators will be able to offer similar services. Customers will just require an outdoor antenna for signal reception, an indoor router, and a subscription plan from the operator.

"It is a good initiative to expand internet access. It will help realise the government's Smart Bangladesh vision as internet is the most important tool for it," said TIM Nurul Kabir, a telecom expert.

There are about 13.13 crore internet subscribers in Bangladesh, of which 11.84 crore are mobile internet subscribers. The rest 1.28 crore are broadband users, according to data of the Bangladesh Telecommunication Regulatory Commission (BTRC).

Shahed Alam, chief corporate and regulatory officer of Robi Axiata Ltd, welcomed the move.

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Institutional investors sell off 32% shares of Khan Brothers

AHSAN HABIB

Some institutional investors sold their 32 percent stake, or 3.23 crore shares, of Khan Brothers PP Woven Bag Industries Ltd in the second half of 2023, according to the market regulator.

However, a significant portion of the offloaded shares have been purchased by large individual investors looking to manipulate its price, said a top official of the Bangladesh Securities and Exchange Commission (BSEC).

Speaking on condition of anonymity, he informed that the investors fuelling the price rise also run a listed pharmaceutical company.



"So, it is clear they had ill motives for purchasing the shares since their business is unrelated," he said.

The large individual investors purchased the shares under the names of other people and traded the stocks among themselves in order to raise the price.

As such, shares of Khan Brothers soared nine-fold to more than Tk 230 per share although the company is listed in the B category due to poor performance, the BSEC official added.

Shares of Khan Brothers provided no dividend for the financial year of 2022-23 after having doled out just 2 percent cash dividend the year prior.

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STOCKS	
DSEX ▲	CASPI ▲
0.28%	0.30%
6,273.95	18,005.20

COMMODITIES	
Gold ▲	Oil ▲
\$2,029.77	\$78.21
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.74%	▲ 2.19%	▲ 0.18%	▲ 1.27%
73,158.24	39,098.68	3,222.94	2,988.36

NBR to conduct drive against noncompliant home owners

Its chairman says

STAR BUSINESS REPORT

The National Board of Revenue (NBR) will soon conduct a special drive against home owners who did not submit tax returns despite residing in municipal areas, said NBR Chairman Abu Hena Md Rahmatul Muneem yesterday.

"The government passed the laws two years ago, and online return submissions have become more convenient. But many homeowners still do not file returns," he said.

"There is no logical reason. We won't keep mum against the landlords. We have already prepared a list and will launch a special drive against them," stated the NBR head.

According to the law, every landlord or home owner must submit returns irrespective of whether their income is taxable or not.

Muneem made the comments at a pre-budget discussion in Dhaka with leaders of the e-Commerce Association of Bangladesh (e-CAB) who had raised the issue.

The e-CAB leaders said they were experiencing problems preparing documentations for return submissions because people renting out warehouses to them were not providing proper documents.

In the same meeting, the NBR chairman also met with Bangladesh Jewelers Association (Bajus), and the Bangladesh Bread, Biscuit-O-Confectiionary Prostuttkarak Samity.

Bajus leaders demanded installation of electronic fiscal devices (EFDs) in 40,000 establishments of their members across the country.

The organisation also sought a 10-year tax holiday for the gold refinery industry.

Bajus also proposed to revise the value added tax (VAT) rate on sales of gold to 3 percent from the current 5 percent.



Abu Hena Md Rahmatul Muneem

STAR BUSINESS REPORT

The pace of revenue collections quickened in January, driven by increased receipts from income tax as the deadline for filing personal income and wealth statements for the current fiscal year ended last month.

Provisional data from the National Board of Revenue (NBR) showed that all of its three wings – customs, value-added tax (VAT), and income tax – collected 15 percent higher tax year-on-year in the July-January period of the fiscal year 2023-24, amounting to Tk 197,839 crore.

Yet, the tax administration fell short of its target for the period by Tk 17,750 crore even after the government trimmed the collection target by 4.5 percent.

The NBR has a revised tax collection goal of Tk 410,000 crore for FY24. It managed to log 48 percent of the target in the seven months to January.

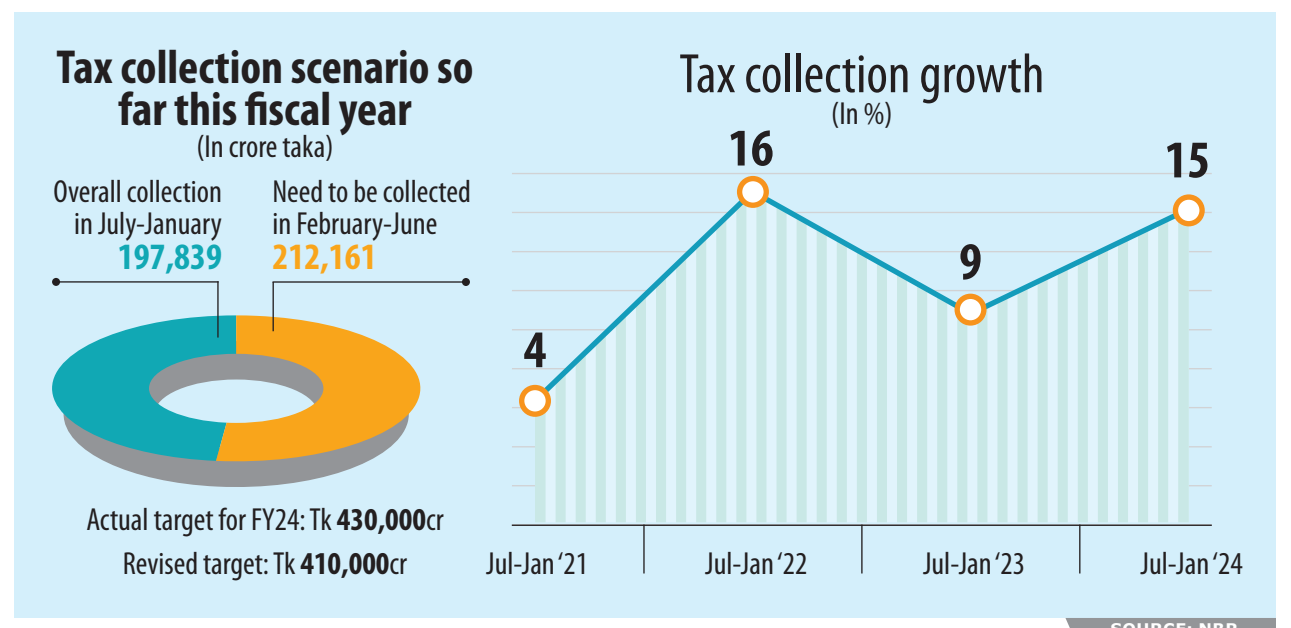
"It appears that the revised tax collection target for the whole year will not be achieved although there is a growing pressure on the side of public expenditure due to higher inflation and decelerating value of the taka against the US dollar and other foreign currencies," said Towfiqul Islam Khan, a senior research fellow of the Centre for Policy Dialogue.

A constrained revenue collection means the fiscal space will be limited for the government.

"The government should make judicious choices in having the right priorities in terms of public expenditure," he added.

"The budget will need to be revised in

Revenue collection accelerates in January



a realistic manner. Most importantly, the value for money needs to be ensured without exception. Indeed, good governance in both mobilising revenue and public money spending should be of utmost priority."

Income and travel tax registered an 18 percent growth to Tk 63,074 crore in July-January compared to the previous year, NBR data showed.

VAT collection – the biggest source of revenue for the government – climbed 16 percent to Tk 77,224 crore.

An official of the NBR said increased consumer prices, or inflation, boosted the receipts of VAT, the indirect tax paid by consumers, in the first seven months of the fiscal year.

However, the growth of revenue by customs from import and export was the lowest as foreign currency shortages continued to keep purchases from external markets down.

Overall imports slumped nearly 20 percent year-on-year to \$30.5 billion in July-December of 2023-24, according to Bangladesh Bank data.

The customs wing recorded nearly 10 percent growth to Tk 57,540 crore in July-January, according to the NBR data.

Muhammad Shahadat Hossain Siddiquee, professor of economics at the University of Dhaka, said the revenue collection was lagging behind the target.

He said the deficit per month stood at more than Tk 2,500 crore on average, and it would total around Tk 30,000 crore at the end of FY24.

"Falling behind the target highlights the ineffectiveness of the authorities engaged in revenue collection."

However, Prof Siddiquee said, it is optimistic in a sense.

"Based on the current economic condition, especially in terms of imports and economic growth, revenue collection is satisfactory."

Bangladesh has been going through one of its worst economic crises in recent decades because of the lingering impacts of the coronavirus

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