

## Deposit, lending rates of NBFIs go up

STAR BUSINESS REPORT

The interest rates of deposits and loans in the non-bank financial sector of Bangladesh have increased despite the cut in margins since the benchmark rate is on the rise.

According to a notice issued yesterday by the central bank, the highest interest or profit rate on deposits offered by non-bank financial institutions (NBFIs) will be SMART plus 2.5 percent, down from 2.75 percent in November.

The lending rate against loans, leases, or investments will be SMART plus 5.5 percent. The margin was 5.75 percent earlier.

SMART refers to the Six-Month Moving Average Rate of Treasury Bills. The current SMART is 9.61 percent, up from 7.72 percent in November.

Consequently, the deposit rate will now be a maximum of 12.11 percent against 10.47 percent in November. Similarly, the lending rate will be 15.11 percent, an increase from 13.47 percent.

The new rates will be applicable for new deposits and loan disbursements, the BB said.

Earlier on February 28, the BB cut the lending rate margin by 25 basis points for banks as well.

Now, banks are allowed to impose a 3.5 percent margin with SMART in the case of loans, down from 3.75 percent previously.

The lending rate margin has been set at 2.5 percent instead of 2.75 percent in the case of loans for pre-shipment export and agriculture.

## Asiatic Lab's stock debut today

STAR BUSINESS REPORT

Local drug maker Asiatic Laboratories will debut on the stock exchanges in Dhaka and Chattogram today.

Trading of the company's shares will start at DSE under N category.

The Dhaka Stock Exchange (DSE) released a disclosure yesterday sharing information about the debut of the company, which earlier raised Tk 95 crore from the stock market.

Asiatic's profit fell 16 percent year-on-year to Tk 26.85 crore in the year ended on June 30 of 2022, according to the audited annual financial statements of the drug maker.

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A worker inspects compostable bioplastic bags made from corn starch granules at the Crystal Bio Tech factory in Godagari upazila of Rajshahi. Despite being an alternative to polyethene products, the factory has been unable to enter commercial production in absence of "green" certification.

PHOTO: ANWAR ALI

# Commercial production of compostable bags held up by regulatory hurdles

ANWAR ALI

Md Iftekharul Haq, an entrepreneur in Rajshahi, had become a local pioneer in producing compostable shopping bags back in 2022, providing a much-needed solution for the rampant environmental pollution in Bangladesh caused by polythene waste.

Some environmentally conscious individuals and businesses in the region had even started using the bags made of bioplastics derived from corn starch granules, but Haq was unable to go for commercial production amid regulatory hurdles.

Mahmuda Parvin, deputy director of the Department of Environment (DoE) office in Rajshahi, said they categorised compostable bags as a green product in March 2023, paving the way for widespread production and distribution.

"But there is no explanation on how to determine biodegradability," she added.

As such, Haq has been waiting for over a year for his bags to be certified as a green product, which would allow him to market the item as an environmentally safe alternative to polythene.

"Here I am trying to address the country's polythene pollution but my initiative is at risk of collapse



while environmental degradation continues unabated," he said.

Following repeated appeals, the DoE agreed to grant green certification for Haq's bags pending approval from the Bangladesh University of Engineering and Technology (BUET) in August last year.

However, this caused further delays considering the lengthy testing procedures.

Despite the bureaucratic setbacks, Haq is still determined to pursue this venture as he estimates the global market for compostable bioplastic bags is currently worth about Tk 5,000 billion.

"And I alone am unable to fulfil this vast demand," he said, citing

how existing polythene product makers could be a part of the solution.

"This is because they too can produce compostable bags by implementing minor modifications to their factories," Haq added.

As per a report by the Environment and Social Development Organisation, the use of polythene bags has been banned in the country since 2002.

Yet, more than 2,183 crore polythene bags were used nationwide between April 2020 and March 2021, generating about 78,433 tons of waste that ended up clogging various drains and waterbodies.

Haq's journey to solve this

problem began during his time as a trader of jute products before the Covid-19 pandemic.

"I had noticed at the time that despite being environmentally friendly, jute products were struggling to compete with their polythene counterparts for being comparatively costlier," he said.

It was then in 2021 that Haq used the internet to discover how a number of Indian entrepreneurs had adopted a method of producing compostable shopping bags using German technology.

After doing more research and visiting a few of the Indian factories, Haq invested about Tk 2 crore to establish a factory called Crystal Bio Tech in Godagari upazila of Rajshahi the following year.

Based seven kilometres away from Rajshahi city, the factory is located on two bigwas of land along the Rajshahi-Chapainawabganj highway.

After importing the required corn starch granules, Haq pours the material into a hopper that melts it in controlled temperature before being extruded through a blow film machine.

The film is then turned into sheets that later take on various shapes depending on the desired design.

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## Dilemma of Bangladesh's power sector

MD ABDULLAH AL FAISAL

Bangladesh finds itself at a critical juncture in its power sector, grappling with the perennial challenge of balancing the cost of electricity production against the revenues generated from its sale.

The current scenario presents a stark reality: the production cost per unit of electricity stands at Tk 12 for the Bangladesh Power Development Board (BPDB), while it sold at a significantly lower rate of about Tk 8.25 per unit until January this year before the average price was adjusted upwards to Tk 8.95 in February.

The glaring gap between the production cost and the average price necessitates governmental intervention to cover the deficit.

As the government deliberates on the most prudent course of action, top policymakers were said to be at odds, divided between two distinct strategies.

On the one hand, there was the proposition to increase the power tariff further, thereby aligning revenues more closely with production costs. On the other hand, there was the alternative of issuing more bonds through the banking system, providing a financial buffer to offset the deficit.

However, the implications of each option are far-reaching and complex, impacting not only the immediate fiscal landscape but also broader economic indicators and long-term competitiveness. The prospect of raising electricity prices carries the looming threat of inflationary pressures, a concern that can't be understated in a country striving for economic stability and growth.

An increase in the price of electricity would undoubtedly exacerbate inflationary pressures, presenting a formidable challenge to the government's efforts to rein in rising prices through monetary policy tools such as interest rate hikes. The resultant inflationary spiral could erode purchasing power, diminish consumer welfare, and ultimately undermine the country's economic stability.

Furthermore, the repercussions extend beyond domestic economic dynamics to encompass Bangladesh's global competitiveness. A surge in electricity prices would inflict a severe blow to the competitiveness of local businesses, rendering them less competitive in international markets.

This erosion of comparative advantage across various product segments could have dire consequences for export-oriented industries, jeopardising Bangladesh's position in the global marketplace.

Maintaining current electricity prices poses challenges for BPDB, risking operational capabilities and service reliability. Negotiating price cuts with power producers is hindered by entrenched interests and complex dynamics.

Power producers may resist reducing prices, citing financial obligations. The implementation of financial instruments like long-tenure bullet payment bonds while offering a mechanism to distribute the burden of losses over an extended period raises concerns about intergenerational equity and fiscal sustainability.

Passing on the financial strain to future generations through such instruments is not a sustainable solution and could exacerbate economic disparities in the long run. The prevailing economic and political circumstances in Bangladesh complicate finding viable solutions. Balancing immediate financial pressures with long-term stability remains a daunting task for policymakers.

Ultimately, the government faces a daunting task in navigating this complex landscape, balancing the imperative of fiscal prudence with the need to safeguard economic stability and competitiveness.

Whichever path is chosen, it is imperative that policymakers prioritise a comprehensive strategy that addresses not only immediate fiscal challenges but also long-term economic sustainability and global competitiveness. Failure to do so risks compromising Bangladesh's economic trajectory and undermining its position in the global arena.

The author is first assistant vice-president of City Bank Capital Resources Ltd

## Mobile operators want corporate tax cuts

STAR BUSINESS REPORT

Mobile operators yesterday placed several proposals for the upcoming national budget for fiscal year 2024-25, demanding slashing corporate tax, withdrawing value added tax (VAT) on SIM sales and preventing double taxation, saying these would aid digitalisation in the country.

Meeting top officials of the National Board of Revenue (NBR) at its Dhaka headquarters, the Association of Mobile Telecom Operators of Bangladesh (AMTOB) presented a 21-point proposal.

Mobile operators listed on the stock exchange pay a 40 percent income tax whereas the non-listed 45 percent. In contrast, other types of listed companies pay 20 percent whereas the non-listed 27.5 percent, they said.

The association demanded that the mobile operators be subject to the same tax rate as that for other companies.

The association also proposed withdrawal of VAT on all SIM sales, especially in rural areas, for the digitalisation of the country and development of the industry, it said. The mobile industry is one of the primary sources of telecommunications and internet access in the country, said AMTOB Secretary General (ret'd) Lt Col Mohammad Zulfikar.

"Unfortunately, the different levies on this sector are relatively high compared to other sectors in the country, and significantly higher than in other countries," he said. "We have discussed these matters with the top officials of the NBR and presented our recommendations."

We hope that the NBR will seriously consider the issues discussed, thereby demonstrating the government's commitment to digitization in the country," he said.



PROPOSALS ON BUDGET FOR FY25



Mobile phone operators proposed withdrawal of VAT on all SIM sales, especially in rural areas, for the digitalisation of the country and development of the industry.

PHOTO: RAJIB RAIHAN

## Raise awareness to combat cyber threats: experts

STAR BUSINESS REPORT

Raising awareness among citizens about cybersecurity and educating them on how to safely navigate the internet are crucial for Bangladesh to protect its cyberspace, experts said yesterday.

"Cybersecurity is the most important global issue in the world. We cannot ignore the necessity of awareness, technological development, introduction of laws and international collaboration to ensure a secure cyber sphere," said Zunaid Ahmed Palak, state minister for telecom and ICT.

"There are four important things we need to address. Firstly, we need to make our citizens aware. With unaware citizens, we will be in danger. The second thing is technological development. Without the development and implementation of new technologies under a proper infrastructure, we cannot secure the digital world," he said while speaking at the Bangladesh Cyber Security Summit, hosted by Bangladesh Innovation Conclave at Le Meridien Dhaka yesterday.

Third, without proper laws, policies, and guidelines, we cannot protect our cyberspace. And fourth, international information, knowledge sharing and collaboration is necessary. Nowadays no one can say that they are secure since everyone is at risk of cyber threats.

"So, it's not about me, you, or any individual, organisation or country. It's about the whole world. We need to work together in a collaborative way to secure the cyber world," Palak said.

"The Bangladesh Bank heist in 2016 was a very costly wake-up call for us and we need to realise that cybersecurity is the most critical issue in our society and economy," he added.

The summit was designed around the core vision of "Cyber Resilience for Bangladesh," with the aim to explore different cybersecurity challenges and opportunities and provide a platform for dialogue and collaboration among government entities, industry leaders, cybersecurity experts and stakeholders invested in Bangladesh's digital future.

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