

# Star BUSINESS

Bangladesh is already one of the top 10 markets for Bata Shoe but its CEO thinks the country offers further growth opportunities

Interview on B4



## More households use refrigerators, ACs as income grows

BBS survey finds; experts also give credit to local assembly

SOHEL PARVEZ

An increasing number of households in Bangladesh own smartphones and home appliances such as refrigerators, ovens, washing machines, and air conditioners thanks to domestic assembly of such appliances and steady growth of the economy that drove people's purchasing capacity.

Not only that, more families now have computers and motorcycles than they did in 2021, according to key findings of the Bangladesh Sample Vital Statistics (BSVS) 2023, released by the Bangladesh Bureau of Statistics (BBS) yesterday.

Ownership of all these items increased in three years.

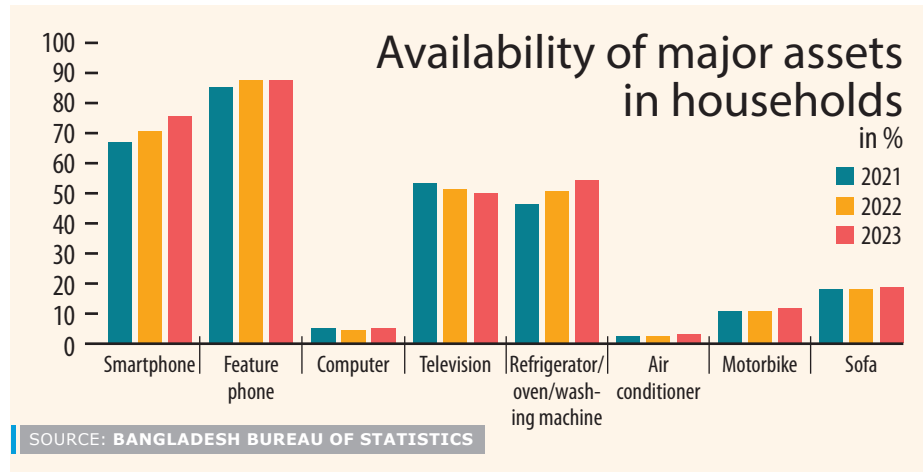
Take the case of smartphones. Today,

in 2023 from 10.12 percent, the BBS data showed.

The ownership of such assets is growing because they are usually kept in houses until they become unusable.

"The purchasing capacity of people has increased. These appliances are also status symbols. People buy such goods when they become solvent as it enhances their social status," said Alamgir Hossen, project director for the BSVS 2023 at the BBS.

Here, the steady growth of Bangladesh's economy – around 6 percent annually – for the last two decades, and subsequent increases in overall buying capacity, played a big role. Another factor is the increasing domestic assembly of these items by local companies.



74.5 percent of families have such devices, but in 2021, 65.91 percent of families had a smartphone.

Similarly, the number of households with either refrigerators, ovens or washing machines grew by more than 8 percentage points to 53.4 percent in 2023 compared to 2021.

Ownership of computers or laptops also increased in the same timeframe.

In the case of air conditioners, 2.28 percent of households now have the machine compared to 1.6 percent in 2021.

And household ownership of motorcycles, which are widely visible in urban and rural areas, rose to 11.11 percent

Nurul Afser, deputy managing director of Electro Mart Ltd, said the use of refrigerators in rural areas of Bangladesh had increased due to several reasons.

"Firstly, electricity has become available in rural areas. Secondly, the price of refrigerators has come within the reach of the common people due to the local production of electronic products. Thirdly, manufacturers have moved to rural areas through dealers," he said.

"Refrigerators are not luxury products at all. Rather they have become necessary in urban and rural areas as people want to preserve perishable products like fish and meat."

Companies are also offering the scope to purchase products with equal monthly instalments, which encourage consumers, he said.

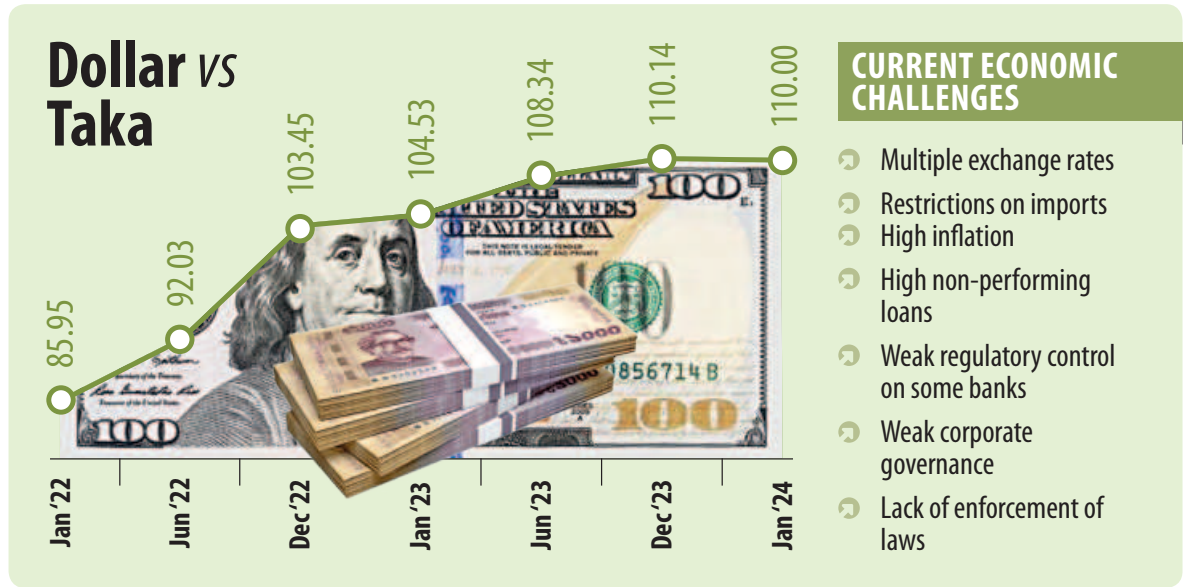
According to the findings, 49.49 percent of households today have televisions, whereas 53.09 percent of families had the device in 2021.

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## Devalue taka for exchange rate stability

Experts say at BIDS seminar



SOURCE: BANGLADESH BANK

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Researchers and economists yesterday suggested that the local currency be devalued further by 10 percent to 15 percent against the US dollar to match unofficial exchange rates and restore market stability.

The exchange rate was kept almost fixed artificially till 2022 and it did not follow the market trend. But as the foreign exchange reserves dwindled owing to higher US dollar outflows compared to inflows, the taka has lost its value by about 30 percent in the past two years.

Still, the exchange rate stability is yet to be there.

"The exchange rate situation worsened due to faulty macroeconomic management while the interest rate, inflation and international reserve management contributed to the current crisis," said Monzur Hossain, a research director of the Bangladesh Institute of Development Studies (BIDS), while presenting a keynote paper.

He spoke at a seminar on "Unpacking the Economic Manifesto of the Awami League: Trends and Challenges for Tomorrow's Bangladesh" organised by the BIDS on its premises in the capital.

Speaking at the event, researchers and economists said allowing the Bangladesh Foreign Exchange Dealers Association (Bafeda) and the Association of Bankers Bangladesh (ABB) to fix the exchange rate is unacceptable.

Foreign exchange management must be under Bangladesh Bank's

jurisdiction, added the experts.

The analysts also recommended a dynamic exchange rate management with indicative adjustments following the real effective exchange rate (REER) and accommodative monetary policy with interest rate deregulations.

The REER is a measure of the value of a currency against a weighted average of several foreign currencies divided by an index of costs.

"Efficient management of authorised dealers' banks is needed for exchange rate stability," said Hossain.

"Policies to sell foreign currencies through money exchanges need

allowed at least for the next five years."

Regarding the current problems of the financial sector, Hossain highlighted the high non-performing loans, inadequacy in capital requirements and the sorry state of a good number of private banks.

He also blamed weak regulatory control over some banks, weak corporate governance in the banking sector, politically active board members and owners and a lack of enforcement of laws.

On the post-pandemic crisis, Hossain cited multiple exchange rates, restrictions on imports, sharp depletion of reserves and rising inflation amidst a depreciating taka as the major reasons.

While presenting a keynote paper, Binayak Sen, director general of the BIDS, focused on nine priority issues for tomorrow's Bangladesh, including educational quality and equality and drawing in more foreign direct investment.

He said more efforts are needed in a shift from import tariffs and trade taxes to direct taxes.

"We need a 15 percent to 17 percent tax-to-GDP ratio to be consistent with the middle-income status and we have to increase the latter at half a percentage point every year."

Planning Minister Maj Gen (ret'd) Abdus Salam was the chief guest at the seminar's first session titled "Macroeconomic Stability, Fiscal Efforts and Agriculture" while Mashur Rahman, economic affairs adviser to the prime minister, spoke as the special guest.

## Revenue collection rose 16% in Jul-Feb

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The government's revenue collection increased by 16 percent year-on-year in the first eight months of the current fiscal year thanks to a rise in VAT receipts from multinational companies.

The National Board of Revenue (NBR) collected Tk 196,039 crore in July-February of 2023-24, provisional data from the tax collector showed.

Of the amount, Tk 76,403 crore was raised in the form of value added tax (VAT), up 16.10 percent year-on-year. Income tax collections climbed 19.65 percent to Tk 60,437 crore while receipts from customs duties rose 10.77 percent to Tk 59,198 crore.

### The National Board of Revenue collected Tk 196,039 crore in July-February of 2023-24, provisional data shows

The lower customs collections might be a reflection of the falling international trade of Bangladesh, stemming from the persistently higher US dollar rate, which has made imports costlier, and the slowdown in economic activities at home.

Imports declined 18 percent in July-January, central bank data showed.

The NBR, however, missed the overall collection target by 45 percent during the eight-month period. Revenue from the income tax segment was behind the target by 51 percent while customs duties and VAT collections fell short of the goal by 40.76 percent and 41.53 percent, respectively.

At the beginning of the fiscal year in July, the government set a Tk 4,30,000 crore revenue generation goal for the NBR for FY24. Later, it was revised downwards to Tk 4,10,000 crore.

The NBR collected Tk 3,31,000 crore last fiscal year. It has missed the government-set goal in the past 12 years.

## Govt drafts fresh telecom act

Social media, online platforms to be brought under its purview

MAHMUDUL HASAN

The government has formulated the draft of a fresh telecommunications act, which would bring social media platforms, online platforms, and all internet protocol-based services under the purview of the law.

The draft of the Bangladesh Telecommunication Act, 2024, has already been shared for consultation with some entities, including the Bangladesh Telecommunication Regulatory Commission (BTRC), AMTOB (Association of Mobile Telecom Operators of Bangladesh), and Internet Service Provider Association of Bangladesh (ISPAB).

The new act will replace the Bangladesh Telecommunication Act, 2001, which was amended twice – in 2006 and 2010.

Experts warned that bringing online-based platforms under the law would create complexities, bar new companies from growing, and obstruct innovation.

Fahim Mashroor, former president of the Bangladesh Association of Software and Information Services (BASIS), said nearly all activities and businesses operate through online platforms in today's digital landscape. This includes financial services, education, transportation, and even healthcare.

"Therefore, it's neither practical nor desirable to subject these sectors to the telecom act. Instead, they should be regulated by laws specifically tailored to their respective industries," he added.



### KEY POINTS

- ▶ Draft telecom law brought social media platforms under its purview
- ▶ The law will also regulate online platforms
- ▶ All internet protocol-based services will be regulated by the law
- ▶ It introduced punishment for violation through a mobile court
- ▶ It also introduced regulatory sandbox to foster innovation in technology

The law also introduced punishment for the violation of the act or any regulation under the act through mobile courts in the presence of an inspector of the commission.

In its feedback, AMTOB said this provision should be removed. Considering the depth of telecom service sophistication and technicalities, applying mobile court modality of instant assessment and subsequent application is not feasible or

justified, it said.

"It is just an initial draft. There will be thorough stakeholder conversations and seeking of public opinion before finalising the law," Zunaïd Ahmed Palak, state minister for telecom and ICT, told The Daily Star.

"The aim of this law is to foster the application of modern technology, facilitate business opportunities, attract investment, and generate employment."

In the original telecom law enacted in 2001, a fine of Tk 10 lakh or maximum imprisonment of 10 years was set if anyone without a licence established or operated a telecommunication system in Bangladesh or outside or undertook any construction work of such systems or any construction work for providing internet services or installed or operated any apparatus for such services.

The government increased the fine for such offences to Tk 300 crore in 2010 in an amendment to the law.

The new draft also includes a Tk 300 crore fine for such violations.

Broadband internet service providers, most of them small and medium-sized businesses, demanded a different punishment.

"This punishment should not be meant for broadband service providers, whose revenues are meagre compared to those of mobile operators," Md Emdadul Hoque, president of ISPAB, said.

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## Diversify exports to beat post-LDC blues

CPD's Mustafizur Rahman says at ICAB seminar

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Bangladesh should start focusing on product diversification and enhancing production, efficiency and its competitive edge to counter a lack of market access following its status graduation to a developing country in 2026, said a noted economist yesterday.

"Export trade should be diversified. We need to sign more free trade agreements, comprehensive trade agreements," said Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue (CPD).

The country should convert its comparative advantages into competitive advantages while developing the transport sector and establishing economic corridors, he said.

In order to offer different types of subsidies in fisheries, Bangladesh needs to take steps to negotiate as well as enter into various agreements, Rahman also said.

At present, no tariffs are imposed on e-commerce in least developed countries (LDCs), enabling Bangladesh to annually save about \$40 million. It should also be discussed, he said.

"WTO (World Trade Organization) needs to be reformed. The United States is not appointing anyone to the WTO appellate department because each country has the power to exercise veto (which in effect makes the appeal process redundant)," he said.

"The European Union is operating by setting up an alternative system," Rahman said.

The CPD distinguished fellow was speaking at a discussion on "Outcomes of the 13th Ministerial Conference at Abu Dhabi, UAE" organised by the Institute of Chartered Accountants of Bangladesh (ICAB) at its office in Dhaka.

### The country should convert its comparative advantages into competitive advantages, Mustafizur Rahman said

Bangladesh is one of the founding members of the WTO and some positive outcomes came from the 13th ministerial conference last month, said Mohammad Mashooqur Rahman Sikder, joint secretary (WTO Section-2) to the Ministry of Commerce.

Three years' of extension of trade benefit for the graduating LDCs came about because of improvements in the negotiation skills of Bangladesh and other LDCs, he said.

But when it comes to issuing notifications regarding developments it has brought about, Bangladesh is still far behind although it is important for transparency for increasing trustworthiness in trade negotiations, he said.

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