# Govt banks, NBFIs highlight 25 innovative initiatives

STAR BUSINESS REPORT

Government-owned banks and non-bank financial institutions yesterday highlighted 25 innovative initiatives that offer various financial services to customers.

The programme, held at the Bangladesh Secretariat, was chaired by Abdur Rahman Khan, secretary of the Financial Institutions Division under the Ministry of Finance.

Speaking at the programme, State Minister for Finance Waseqa Ayesha Khan urged those present to ensure smart financial services to the public.

"Now we have to set our goal and move forward. Our goal of innovation is to provide service to our customers," she added.

**Speaking at the programme, State Minister for Finance Waseqa Ayesha Khan urged all to ensure smart financial services to the public**

Among the innovative services are the Bangladesh Bank's 'e-performance management system', the Bangladesh Securities and Exchange Commission's 'Customer complaint address module', and the Insurance Development and Regulatory Authority's 'bima tottho' mobile app.

Others that were highlighted included the 'e-payment system' by Microcredit Regulatory Authority, 'digital training platform' by PKSF, 'telemedicine' by Social Development Foundation, 'Sonali e-wallet' by Sonali Bank PLC, 'e-account opening' by Janata Bank PLC, 'loan originating system' by Rupali Bank, 'remittance quick payment system' by Bangladesh Krishi Bank, 'Rakub lens' by Rajshahi Krishi Unnayan Bank, 'Online share management system' by Ansar-VDP Bank, and the 'Smart home loan' by Bangladesh House Building Finance Corporation.

Locals use fine-mesh nets to catch juvenile shrimp near the banks of the Rupsha river during low tide. Each person can catch as many as 150 of the crustaceans, each of which can fetch Tk 2.5 from traders. The photo was taken at Jalma Shashan Ghat in Khulna's Botiaghata upazila recently.
PHOTO: HABIBUR RAHMAN

# Income tax exemptions for IT to be lifted gradually

## Salman F Rahman says at BASIS event

STAR BUSINESS REPORT

The government will provide a roadmap for the continuation of income tax exemptions for the IT sector for a couple of years before a gradual withdrawal, said Salman F Rahman, private industry and investment adviser to the prime minister.

He said he had brought Prime Minister Sheikh Hasina's attention to the income tax exemptions demanded by the IT industry and she had told him that the benefits could not be continued forever.

Rahman said he had explained that the IT industry just wanted a plan for the continuation of the income tax exemptions for three to five years before taxes are gradually imposed and the prime minister had largely agreed.

He believes the upcoming national budget will delineate how taxes will be levied over the next two to four years so that people in the industry can get an idea of how to move forward.

Rahman was speaking at a ceremony organised by the Bangladesh Association of Software and Information Services at the Radisson Blu Water Garden Hotel in Dhaka on Monday to mark its newly-elected executive council taking office.

The existing income tax exemptions for the software and information technology services sector are set to expire in June this year.

Rahman said people involved in the IT industry would have to be vocal about the kind of policy support required for the domestic sector to keep pace with global technological advancements.

"While tax exemptions are important, you have to tell us what kind of policy you need to go to the next level," he said.

"AI, blockchain and big data need to be looked at because it will be programmers who will lose jobs the most in the future. The government should be guided in this matter by the BASIS," he said.

The government plans to abolish tax benefits for various sectors to accelerate revenue collections in line with targets set by the IMF as a part of a $4.7 billion loan programme.

However, according to Russell T Ahmed, president of the BASIS, taxing the IT sector will not yield the expected benefits.

"We have noticed a number of inconsistencies in the NBR regarding tax exemptions for the IT sector," he said.

"According to them, the IT sector makes annual profit of Tk 5,000 crore and revenue of Tk 50,000 crore. But in reality, the total turnover of this sector is Tk 2,000 crore annually," he said.

"Once this anomaly is addressed, we think the International Monetary Fund (IMF) will lose interest in taxing this industry," he said.

"Given that, we are demanding the income tax exemption be continued till 2031 considering the potential of this sector," Ahmed added.

He said the IT sector would play a crucial role in the realisation of the government's vision for a "Smart Bangladesh".

"To reach this goal by achieving self-sufficiency in the local market and moving towards the $5 billion (export) target, we feel that the government should set a target of self-sufficiency in the IT sector by 2041 through a policy," he said.

Ahmed added that public and private IT project purchases should be made from Bangladeshi tech companies, not foreign ones, taking into consideration the capabilities of the locals.

In cases where a foreign company's services are essential, incorporation of a local company as a partner in the process must be made mandatory, he said.

"Doing these two things at the same time will help us create skilled manpower," he added.

# Stocks keep falling despite support from regulator

STAR BUSINESS DESK

Institutional buying support from the Bangladesh Securities and Exchange Commission (BSEC) has failed to stem the bleeding of stock market indices, which yesterday fell for the seventh session in a row.

The market regulator increased the free limit facility for ICB Securities, a concern of the Investment Corporation of Bangladesh, from Tk 10 crore to Tk 50 crore.

As a result, ICB Securities can invest up to Tk 50 crore in a single day using credit facilities.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), fell by 22.55 points, or 0.42 percent, to close the day at 5,371 points, the lowest in more than three years.

Similarly, the DSES, the index that represents shariah-compliant firms, dropped by 6.20 points, or 0.53 percent, to 1,174 points.

The DS30 index, which represents best blue-chip stocks, dipped by 8.95 points, or 0.46 percent, to 1,929 points.

**The regulator increased the free limit facility for ICB Securities, a concern of the Investment Corporation of Bangladesh, from Tk 10 crore to Tk 50 crore**

Although the market closed on a negative note, daily market turnover, which indicates the volume of trade, stood at Tk 59.2 crore, up 5.42 percent from the previous day, according to a market update by UCB Stock Brokerage.

The miscellaneous and bank sectors closed positive while the telecom, life insurance and travel and leisure sectors closed negative.

Pharmaceuticals dominated the turnover chart, covering 23.98 percent of the total turnover.

Of the issues traded at the DSE, 235 declined, 102 managed to nudge higher and 56 were unchanged.

Yeakin Polymer took pole position on the gainers' list with a rise of 9.95 percent followed by Mithun Knitting and Dyeing and Bangladesh Industrial Financial Company with 9.73 percent and 9 percent respectively.

The three were followed by Active Fine Chemicals and Jute Spinners with 7.75 percent and 5.08 percent respectively.

Rahim Textile Mills, Meghna Condensed Milk Industries, Matin Spinning Mills, and Berger Paints Bangladesh were also on the gainers' chart.

Sikder Insurance Company shed the most, losing 3 percent. Unilever Consumer Care, Sonali Paper & Board Mills, Sonali Life Insurance Company, Kohinoor Chemicals Company, and Pragati Life Insurance each lost 2 percent.

The Chittagong Stock Exchange also plunged with its all-share price index, the CASPI, shedding 46 points to hit 15,558 points.

# German consumer is poor substitute for China trade

REUTERS, *London*

The German economy has grown at a slower pace than the rest of Europe since 2021, and its prospects don't look any brighter. A flicker of hope comes from private consumption, but that won't be sufficient to lift an economy still dependent on exports and threatened by the continued shrinking of the Chinese market.

Private consumption in Germany will grow by 1 percent this year, even as overall GDP, hit by subdued government spending and declining private investment, will expand by less than 0.2 percent, according to forecasts, by the Organisation for Economic Co-operation and Development.

Economy minister Robert Habeck seized last month on what he called a "sign of slight upturn" to express hopes of an economic recovery. Household spending on washing machines, cars or clothes will not, however, help the country mend a structurally flawed economy.

This year's uptick looks like catching up after last year's steep drop in consumer spending, which fell 0.6 percent net of inflation. Consumption accounts for roughly half of Germany's GDP, below the 60 percent seen in Italy, France or the UK. And its prospects are limited by Germany's population of ageing savers.

This year's slight pick-up in consumer spending doesn't change the outlook much. The economy's potential growth rate is forecast at a meagre 0.4 percent a year this decade, assuming unchanged policies, according to a recent report by the five-member German Council of Economic Experts, which advises the government.

Germany may not be the "sick man" of Europe, but it is the "ageing" one, noted council member Monika Schnitzer in December. In 2000, there were 27 Germans aged 65 and older for every 100 aged 20 to 64. That number stood at 38 last year, and will rise to 50 around 2035. Ageing will impact economic growth through workforce shortages, the financing of pensions and ever-increasing healthcare spending.

He has sent the army, but maybe the French president should focus on the economic plight of a territory he has long neglected.

So trade remains for now the economy's main backbone. Exports were the only contributor to growth last year, up 0.6 percent while overall GDP shrank 0.1 percent, according to OECD data.

Germany booked a trade surplus of nearly 210 billion euros last year, still 10 percent below its pre-pandemic 2019 level but much higher than the 88 billion euros recorded in 2022. And the German

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economy is more sensitive to exports, which represent nearly 40 percent of GDP, than countries like France or the United Kingdom, where they are below 30 percent.

Yet trade with China declined last year, as that economy struggled under the weight of local government debt, a property bust and subdued consumption. The United States became Germany's largest trading partner in December, but Berlin still recorded a small 2.5 billion euro trade surplus with China.

The numbers may explain why Chancellor Olaf Scholz seemed to be walking on eggshells, when he visited Beijing last month. The European Commission's tough words on China's trade practices don't sit well with German businesses, and Scholz has been careful never to endorse the hardline stance of his Green, allies in the governing coalition.

After losing one of the pillars of its economic growth of the last decades – cheap Russian energy – following Moscow's invasion of Ukraine in 2022, Berlin may be tempted to try and delay the dreaded loss of another one – the Chinese market for its exports of cars and industrial goods.

German automakers have voiced their concerns about the European Commission's stance on Chinese subsidies. The heads of BMW and Volkswagen reiterated this month their fear of "retaliation" if the EU decides to levy tariffs on imported vehicles. Theirs is not just concern about an export slump – most of the 3 million-plus vehicles Volkswagen sells in China are made there. Rather, it illustrates Germany's economic dependence on smooth commercial relations with Beijing.

# 21 life insurers fail

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He, however, said their current situation is better with claims payout of 100 percent last year.

"We are hopeful of attaining the investment target within this year," he said, adding that the insurer kept Tk 12 crore in fixed deposits at Islamic banks in April and May.

Akij Takaful parked 4.14 percent of its assets in securities.

Mohammed Alamgir Chowdhury, acting CEO of the company, said the company was formed in 2021 and it is yet to hit the investment ceiling.

"Our life fund amounts Tk 11 crore and it has been kept as deposits in banks."

A life fund is an amount of money that is paid to and invested by insurance companies for life insurance, and from which money is paid when someone dies.

Meghna Life's investment rate was 19.65 percent in government securities though its Vice Chairman Nasir Uddin Ahmed claimed it to be 21.2 percent.

"Fixed deposits and government securities were cashed in to settle claims, so the investment ratio has declined. We will try to meet the investment criteria."

Popular Life invested 17.35 percent in treasuries.

BM Yousuf Ali, managing director of the company, said investments in the stock market previously yielded higher returns, so the company invested in stocks.

"The investment shortfall in government securities will be fulfilled on a priority basis in the coming days."

MetLife Bangladesh has put the highest 80.65 percent of its assets in treasuries.

"Safeguarding policyholders' funds through strategic investments in secured and less volatile sectors is our priority," said Ala Ahmad, chief executive officer of the lone international insurance company operating in Bangladesh.

"This helps our customers remain confident about our financial strength and receive expected returns."

Speaking about insurers' reluctance to invest in securities, Nasir Uddin Ahmed, first vice-president of the Bangladesh Insurance Association, said while securities are the most secure, the long tenure deters companies from investing.

Md Main Uddin, a professor of the Department of Banking and Insurance at the University of Dhaka, has termed the non-compliance as a regulatory failure because companies have been violating the law for many years.

"Failure to punish the non-compliant companies has led to policyholders not getting money back even years after their policies reached maturity."

He said the Idra should place strong restrictions on investing in land.

Zahangir Alam, a spokesperson of the Idra, said companies that have invested too little in government securities were fined.

Insurers have been given one month to two months to comply with the rules, he said.

"Investment information is regularly monitored to ensure that companies make investments in line with rules," he said, adding that companies will have to explain if they can't adhere to rules and they will also face fines.

Although the data for 2023 was not available, the figures in the previous years showed that life insurance companies continued to put more than half of their investments in treasury bills and bonds.

Government bonds and bills accounted for 54 percent, 52 percent, and 53 percent of the total investments of insurers in 2020, 2021 and 2022 respectively.

Land and other properties accounted for 8.39 percent of their investments in 2022, up from 8.01 percent in 2021. Their collective fixed deposits with banks were 21.07 percent of the portfolios, down from 23.34 percent a year ago.

# Industrial output growth lowest

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According to the business leader, export-oriented industries are going through a difficult time owing to consumption slowdown abroad and the crises at home. Therefore, export earnings have not been good.

Exports grew 3.93 percent in July-April of FY24, down from 5.38 percent in the same period a year ago, Export Promotion Bureau (EPB) data showed.

The shipment of most items declined in the first 10 months of the fiscal year while the sales of readymade garments, which account for about 85 percent of Bangladesh's overseas income, are slowing down.

"Due to the slower growth rate in the industrial sector, some small companies are becoming sick," Hoque said. "Under the circumstances, adequate jobs will not be created. Some may even lose jobs."

Hoque said the business situation has become more complex, so political will in real sense is necessary to improve the climate and give a much-needed fillip to job creation.

A former president of the Dhaka Chamber of Commerce and Industry thanked the BBS for acknowledging that the industrial sector is really under pressure.

He feared that the growth rate may be lower than the projection at the end of the year.

"The industrial growth rate dropped because both domestic market-oriented industries and export-oriented factories are facing challenges," said Anwar Ul Alam Chowdhury Parvez, president of the Bangladesh Chamber of Industries.

Because of the higher energy costs, the industrial sector has suffered a lot. Moreover, there was a shortage of gas supply. In recent months, the interest rate of loans surged.

"As a result, the production costs have climbed," he said.

The electricity tariffs were revised upwards three times in 2022-23, resulting in a compound increase of around 15.7 percent.

Likewise, the price of diesel rose 37 percent and furnace oil 41.4 percent. The price of gas for industries went up by 150 percent to 178 percent in FY23.

Loans may become costlier further after the central bank allowed the market to decide the lending rate on May 8. Currently, the interest rate of loans in the banking sector hovers around 14 percent, which was capped at 9 percent for more than three years to July last year.

PRI's Razzaque said the sluggish growth of industrial production will have implications for job creation. "At the same time, it may cause some companies to become financially sick."