Star BUSINESS

Bangladesh and India are yet to begin formal negotiations to sign a Cepa, two years since both agreed to talk.

Story on B4

5G rollout at Dhaka airport in October

Palak says

STAR BUSINESS REPORT

Fifth generation (5G) mobile internet services will be rolled out at the third terminal of Hazrat Shahjalal International Airport in Dhaka in October, said State Minister for Telecom and ICT Zunaid Ahmed Palak yesterday.

The prime minister's directive was to initially make the latest iteration of cellular technology available at airports, seaports, some business districts and important industrial zones, he added.

Palak made these comments at a meeting organised by Bangladesh Telecommunication Regulatory Commission (BTRC) at its Agargaon office in the capital to discuss the service quality of mobile operators.

Globally, operators began launching 5G networks around 2019, with initial rollouts in major urban areas

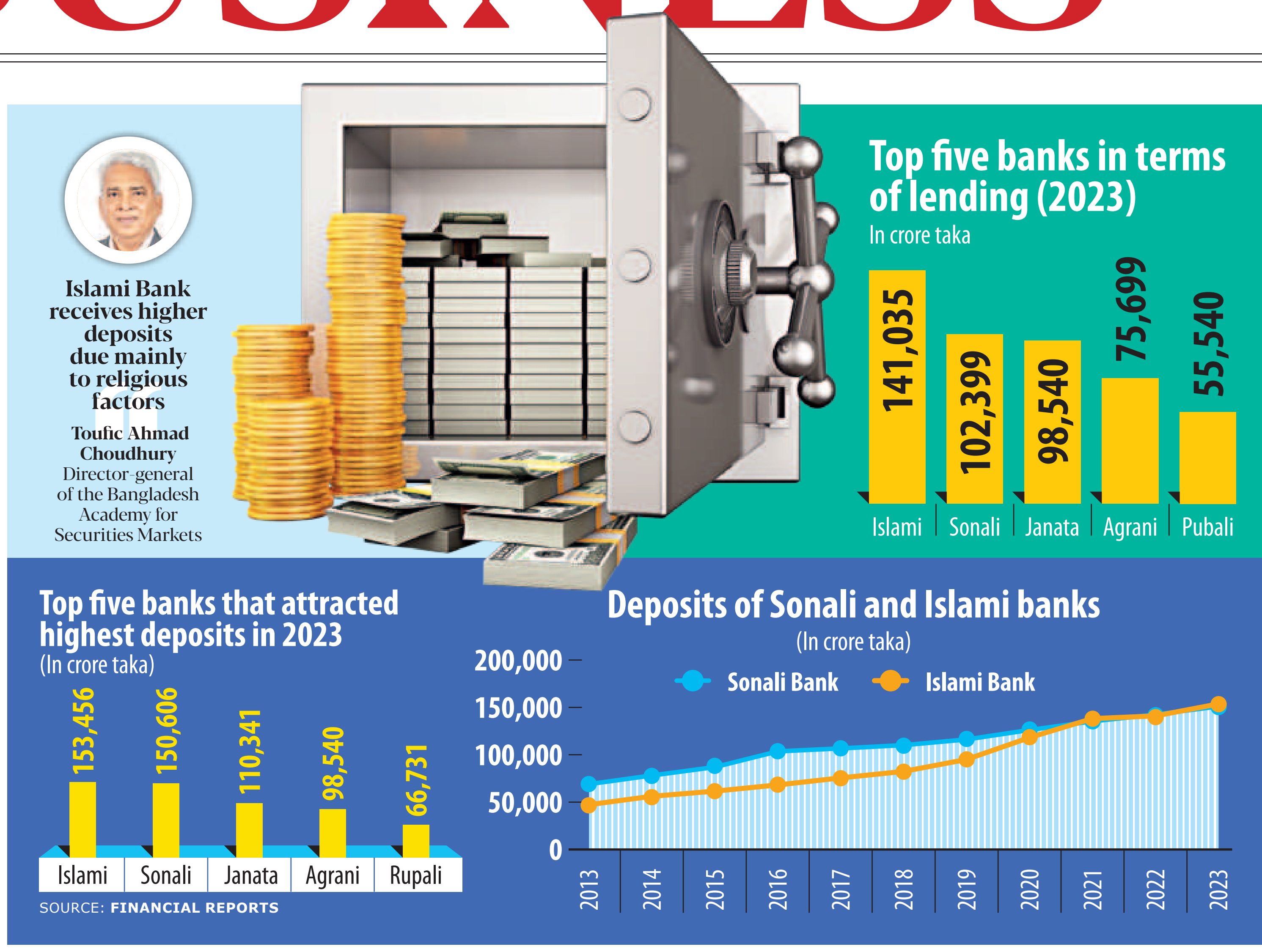
Although the deployment of the new global wireless standard was a part of the ruling Awami League's election manifesto in 2018, progress has so far been limited to trial runs.

Globally, operators began launching 5G networks around 2019, with initial rollouts in major urban areas. By 2021-2022, 5G adoption peaked as more operators expanded coverage and consumers embraced the technology.

According to the GSMA, which represents interests of mobile operators worldwide, 5G networks are likely to cover one-third of the world's population by 2025, which would have a profound impact on both the mobile industry and its customers.

But in Bangladesh, sluggish progress in the preparation of 5G guidelines, operators' reluctance and a lack of readiness are hindering the launch of the technology.

READ MORE ON B3



Islami Bank dethrones Sonali Bank to become largest lender by deposits

AHSAN HABIB

Islami Bank Bangladesh PLC has become the largest lender in the country by total deposits for the first time, surpassing Sonali Bank PLC, despite loan scams in recent years.

The Shariah-compliant bank attracted deposits of Tk 153,456 crore in 2023, an increase of around 9 percent year-on-year.

Sonali Bank, the largest state-run lender, mobilised deposits worth Tk 150,606 crore, up 6 percent, according to the financial reports.

This makes Islami Bank the largest bank in Bangladesh in terms of deposits and loans (investments). Its lending has been much higher than the state-run lender for several years.

"Islami Bank receives higher deposits due mainly to religious factors," said Toufic Ahmad Choudhury, director-general of the Bangladesh Academy for Securities Markets.

"Apart from this, people have limited investment opportunities to keep their funds safe. People can buy land and flats, but they are also cheated. Therefore, banks have managed to retain the trust of depositors."

Established in 1983, Islami Bank was the first Shariah-based bank in Southeast Asia. It has been facing crisis since 2017 when S Alam Group took it over. Since then, its financial health has been deteriorating and many sponsors have already pulled out.

It has recently come under scrutiny due to widespread financial scams. For example, the bank allegedly disbursed Tk 7,246 crore in loans to nine companies in 2022 violating banking norms.

Choudhury, also a former director-general of the Bangladesh Institute of Bank Management, said many depositors don't bother about whether banks are safe options or not, and they have little knowledge about how financial institutions use the funds to generate incomes.

Private banks are also expanding their footprint by setting up agent banking outlets and by launching mobile financial services and internet banking. On the back of new technologies, they are growing fast while state-run banks are lagging.

In terms of network, Sonali Bank is still the largest lender in Bangladesh and much ahead of Islami Bank.

Islami Bank had 394 branches at the end of 2023 whereas it was 1,232 for Sonali Bank. State-run Agrani Bank came second with 978 branches and Janata was third-placed with 928 branches.

Choudhury said Sonali Bank has to give many government services, and it can't focus on collecting deposits like its private-sector competitors. "However, this bank's financial performance is improving."

Historically, people have had more trust in state-run banks, and they expanded their footprint across the country through branches, which netted them comparatively higher deposits.

Janata Bank collected the third-highest volume of deposits of Tk 110,341 crore last year. It was Tk 98,540 crore for Agrani Bank, Tk 66,731 crore for Rupali Bank, and Tk 60,574 crore for Pubali Bank, their financial reports showed.

Among the foreign banks, Standard Chartered Bangladesh raised the highest deposit at Tk 41,940 crore, a year-on-year increase of around 15 percent.

READ MORE ON B3

VAT exemptions dropped 17% in 2022

NBR publishes VAT expenditure report for first time

MD ASADUZ ZAMAN

The National Board of Revenue (NBR) exempted various goods and services from value-added tax (VAT) payments to the tune of Tk 129,570 crore in 2022 to give some relief to citizens and facilitate industrialisation, thereby accelerating economic growth.

In 2021, the figure was estimated at Tk 155,732 crore, according to the NBR's "Bangladesh VAT Expenditure Report 2023-24" published in June for the first time.

This means the exemption amount had dropped by 16.79 percent.

Had the exemptions not been in place, tax collections, and subsequently the tax to GDP ratio, would have increased, reducing the state's dependence on borrowing to finance expenses.

In FY23, Bangladesh's tax-GDP ratio was 7.30 percent, one of the lowest among comparable countries.

"We are trying to come out from the tax exemption culture gradually," said a senior NBR official yesterday.

The NBR official explained that VAT is applicable on all types of goods and services but the government provides the exemptions based on their necessity to ease pressure on consumers.

"The government is looking to identify sectors which have been enjoying the tax benefits for years on end and have almost achieved self-sufficiency."

Withdrawing their benefits will enhance revenue mobilisation and tax-GDP ratio, he said.

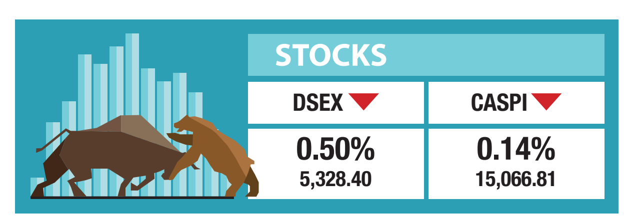
The tax authority took the initiative for the first time after International Monetary Fund (IMF) asked to calculate revenue expenditure as a part of conditions for a $4.7 billion loan.

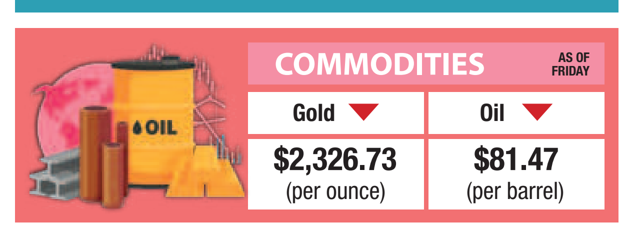
The IMF also advised rationalisation of tax exemptions targeting Bangladesh's country status graduation from the list of least developed countries in November 2026.

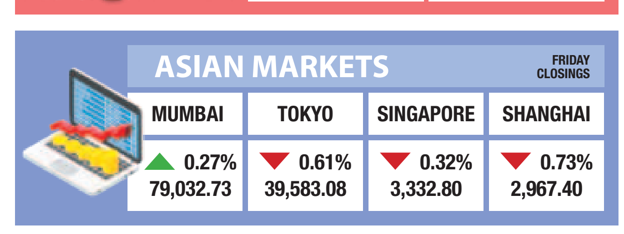
"Definitely, this expenditure is a big reason for the low revenue collection," said Towfiqul Islam Khan, an economist and a senior research fellow at the Centre for Policy Dialogue.

"But we have to observe how the NBR has set its pace and priority to cut the existing exemption," he said.

READ MORE ON B3







Linde's profit plunged 40% in 2023

STAR BUSINESS REPORT

Linde Bangladesh's profit plummeted 40 percent year-on-year to Tk 52.56 crore in the year that ended on December 31.

The profit of the manufacturer of industrial gas stood at Tk 88.33 crore in 2022. Thus, it reported consolidated earnings per share of Tk 34.54 for last year against Tk 58.04 a year prior.

The profit declined owing to a reduction in sales, an elevated level of raw material prices, and a sharp depreciation of the taka, said the company on June 20 while unveiling an interim dividend based on the audited financial statements as on October 31.

The directors proposed 1,540 percent in interim dividend, or Tk 154 per share. However, the company did not announce any further dividend, meaning the same interim dividend will be considered as the final dividend for the last financial year.

Still, this is the highest dividend for the shareholders in at least nine years, data from the Dhaka Stock Exchange (DSE) showed.

Shares of Linde Bangladesh, however, closed down 0.26 percent to Tk 1,283.20 on the DSE yesterday.

The consolidated net asset value per share slipped to Tk 386.80 in 2023 from Tk 397.39 in 2022 while consolidated net operating cash flow per share jumped to Tk 63.72 from Tk 37.32.

Linde's profit, however, rose 25 percent year-on-year to Tk 17.50 crore in the first quarter of 2024. Thus, the EPS climbed to Tk 11.50 in January-March from Tk 9.22 in the

READ MORE ON B3

Economy in FY25: Is there any light at the end of the tunnel?

ANALYSIS

MD MEHEDI HASAN

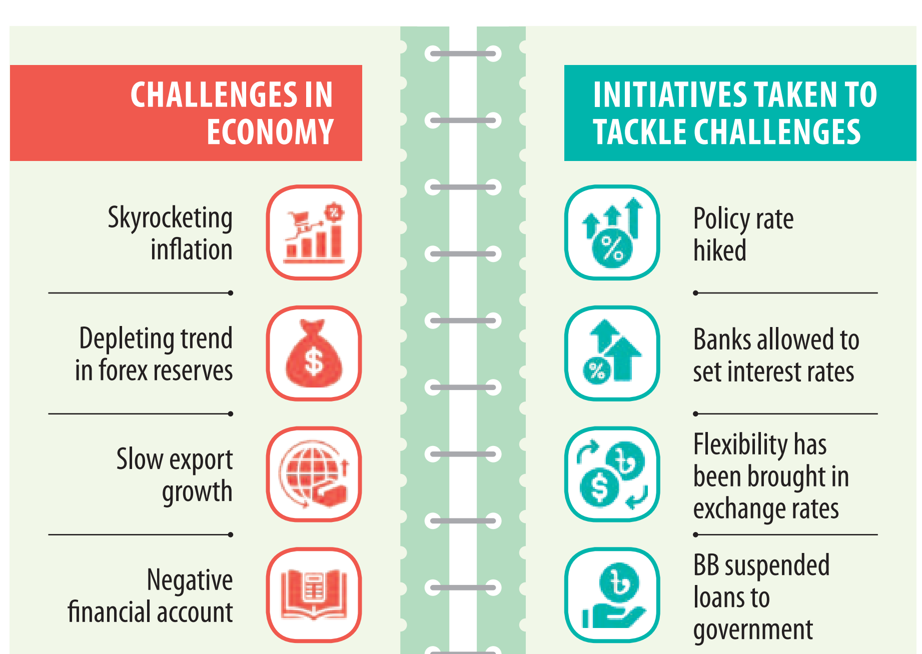
There is hope that the major challenges Bangladesh is facing due to high inflation and the foreign reserve crisis will stabilise gradually in fiscal year 2024-25, but consistency in maintaining a strict policy stance will be imperative to that end.

While most countries, including the US, India and even cash-strapped Sri Lanka, succeeded in controlling inflation, the consumer price index (CPI) of Bangladesh has kept rising.

Inflation in the country has persistently hovered above 9 percent since March last year and the Bangladesh Bank (BB) failed to control it for two major reasons.

The first is that the central bank was very late in its response to rising inflation and the other is that the interest rate cap, which persisted in various forms until May 8 this year, made the government's monetary policy ineffective.

The central bank also injected fresh money into the economy by providing loans to the government, stimulus packages after the pandemic, and liquidity support for some weak Islamic banks, fuelling inflation.



However, positivity is in the air as the central bank has finally adopted some reform initiatives as per the prescription of the International Monetary Fund (IMF) for a $4.7 billion loan programme.

One of the biggest reforms was made by the banking regulator when it scrapped the interest rate ceiling and allowed banks to fix interest rates based on market factors.

In April 2020, the BB first introduced a 9 percent interest rate ceiling. Although that was withdrawn at the beginning of FY24, the banking regulator introduced a new interest rate system based on the six-month moving average rate of treasury bills, abbreviated as SMART, which served as another cap.

Among other reforms, the BB hiked the repo rate or policy rate several times, bringing it to 8.50 percent, in a bid to make money costlier and tame skyrocketing inflation.

Not only that, after huge criticism from different corners, the central bank decided to stop providing loans to the government from FY24.

Another major reform came in the foreign exchange rate as the central bank made it flexible by introducing the crawling peg system.

In May, US ratings agency Moody's projected that Bangladesh's foreign exchange reserves position would stabilise over the next few months despite the country repeatedly failing to fulfil the IMF's reserve target due to a drastic fall in forex holdings over the past two years.

So, there is a scope for all the initiatives taken by the central bank and the government to lead to positive outcomes in the new fiscal year, but consistency in regard to a strict policy stance is important.

The Bangladesh Bank is going to announce the monetary policy for the first half of FY25 in the third week of July, with the main objective of controlling inflation and achieving the GDP growth target set by the government.

READ MORE ON B3