

TAMING CORONAVIRUS RAMPAGE

Banks not disbursing
bailout packages promptly,
allege businesses

STAR BUSINESS REPORT

Banks are not extending their cooperation towards disbursing funds among potential borrowers as per the government-announced bailout packages, putting entrepreneurs in trouble, businesses said yesterday.

Cottage, micro, small and medium enterprises across the country are especially missing out because of the non-cooperation of banks although the government has already asked for the disbursements as soon as possible, they said.

The businesses believe that proper and transparent flow of the government-announced Tk 1 lakh crore-fund is crucial for dealing with the fallout of the pandemic in the economy.

Eventually, proper use of the stimulus packages, adoption of job creation schemes by private and public sectors and attraction of foreign direct investment (FDI) can be game-changers for the economy even amid the coronavirus, said a host of businesspeople, ministers, adviser, economists and diplomats.

The comments came at a virtual meeting on stimulus, economic sustainability, recovery, domestic investment and FDI at home and overseas, moderated by Sheikh Fazle Fahim, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

“We have noticed that banks are not interested to lend money to the micro, cottage and small industry owners from the stimulus packages of the government,” said Munir Hossain, a director of the FBCCI.

The FBCCI has already set up 18 different regional and district councils that are acting as helping desks for potential borrowers, he said.

However, the bank branches are yet to launch such help desks to facilitate borrowers, especially cottage, micro and small industry owners, although they are considered to be the backbone of industries and the economy, he said.

He demanded that the upcoming national budget offer reduction of advance income tax to 3 per cent from 5 per cent, withdraw advance income tax on industrial raw materials and value-added tax on economic zones and reduce customs duty and source tax.

“Time has come to support domestic investment, which is required during this time,” said Abdul Matlub Ahmad, former FBCCI president, while suggesting remodelling some businesses.

For instance, shrimp exporters are facing challenges as the demand for this item has declined abroad. So, the shrimp exporters now can deliver their produce to the domestic market, as has happened for ice cream. One exporter has been trying to do so in the country, Ahmad said.

In response to Ahmad’s comment, Agricultural Minister Abdur Razzaque said the shrimp exporter in question had been toiling for the past one year to start this business. He has managed to obtain permission for constructing a nine-storey building in Jashore.

He said despite being a minister, it similarly took him nine months to include pineapples in the list for the government incentive package, citing it was an exportable item. “So, we need to improve the ease of doing business for both domestic and FDI,” Razzaque said.

AK Azad, another former FBCCI president, suggested the apex trade body launch a study to find how much money was annually exiting the country as salaries and allowances of foreign workers.

He also urged the government for expediting functions of both of the Dhaka airport and Chattogram port in the interest of smooth operations of businesses.

“Inject more cash into the economy so that it helps with liquidity and domestic consumption, improve the access to finance, cheap, affordable, with limited collateral to promote entrepreneurship, and jobs, launch a massive employment generation scheme for returnee migrants and unemployed, focus on skills development and education, provide more support for health and agriculture sectors and food security as a share of GDP,” said Manmohan Parkash, country director of Asian Development Bank.

Mia Seppo, the UN resident coordinator in Bangladesh, suggested reducing the gender gap in employment, the private and public entities increase investment for creating more jobs and protecting the interests of foreign investors alongside labour rights.

Salman F Rahman, the adviser of the prime minister on private industry and investment, said the One-Stop Service (OSS) in Bangladesh Investment Development Authority (BIDA) would be launched soon for easing business procedures.

Some medical apparel items like personal protective equipment and masks have become new exportable items from Bangladesh as many countries are importing those items from local factories. He said the government was in talks to attract FDI from China, Japan and the US.

Commerce Minister Tipu Munshi said the country’s garment export might perform even better as coronavirus had eventually created opportunities for the country’s garment sector.

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SOHEL PARVEZ

Subsidies on fertiliser products are set to be slashed by about Tk 7,000 crore in the outgoing fiscal year as falling prices for the key farming ingredient and cheaper transport costs will ultimately enable the government to increase spending on other purposes, said numerous private importers and officials of the agriculture ministry.

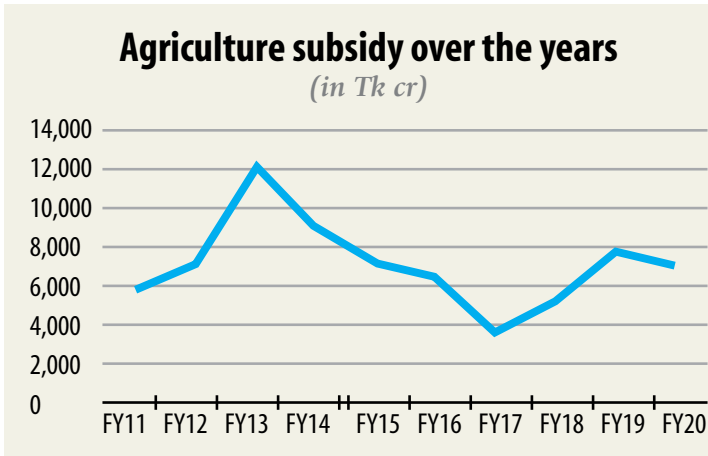
The new subsidy rate will likely be just 9 per cent of the government’s existing Tk 7,700 crore budget for fertilisers, irrigation and other farming supplies.

“We are reaping the benefits of the low oil prices brought on by the pandemic,” said a senior official of the ministry of agriculture (MoA).

Besides, the price for fertilisers in the upcoming fiscal year will decline by about \$40 per tonne, he added.

The Bangladesh Fertiliser Association (BFA), formed by private importers and fertiliser dealers, said that its members are already buying the product at lower prices than that of the previous year.

The BFA could import Diammonium phosphate (DAP) for the government’s use in the next fiscal year at \$309-\$315 per tonne, down from \$358-\$364 a year earlier, according to BFA Executive Secretary Riaz Uddin Ahmed.



On the other hand, the price per tonne for Muriate of Potash (MOP) rose by \$80 this year, he said.

To produce a variety of crops, Bangladesh uses roughly 50 lakh tonnes of chemical fertilisers annually, three-fourths of which

is imported from countries such as Morocco, Tunisia, China, Saudi Arabia, Belarus, Russia, the UAE and Canada.

The remaining demand is met by local manufacturers. It costs about Tk 15,000 crore

each year to import such a large amount of fertiliser and the government bears a large part of this expense to supply the ingredient to farmers at fixed prices.

Farmers purchase urea at Tk 16 per kilogram and MoP at Tk 15 per kilogram. Meanwhile, DAP and Triple Super Phosphate (TSP) can be bought at Tk 16 and Tk 22 respectively.

If the import or production cost exceeds the fixed rates, the government pays the difference through the taxpayers’ money.

At present, the government provides a Tk 10 to Tk 20 subsidy for each kilogram of fertiliser so that farmers can buy the material at reduced prices and keep their production costs low, said an official of the agriculture ministry.

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Light engineering industry seeks waiver
of AIT on raw material imports



JAGARAN CHAKMA

Local light engineering product manufacturers have sought withdrawal of the 5 per cent advance income tax (AIT) on the import of basic raw materials as the sector has been struggling to survive amid the coronavirus outbreak.

The AIT has been adjustable for the light engineering sector, which was made non-adjustable in this fiscal year’s budget, said Md Abdur Razzaque, president of the Bangladesh Engineering Industry Owners Association (BEIOA).

“We are not in a position to pay tax now due to the stalemate created by the pandemic.”

Light engineering is the engine of the heavy industry and it generated about eight lakh skilled and semi-skilled jobs across

the country, he said.

The country has about 50,000 light engineering product manufacturers, who cater to sectors such as agriculture, automobile, pharmaceuticals, food industries and shipbuilding.

“We are small enterprises. We import basic raw materials in small amounts for our factories. But the government put us in the same bracket as the likes of other big industrial sectors.”

The sector manufactures all the necessary light engineering products the heavy industries need and help the latter cut import dependence and costs.

Most of the manufacturers in rural areas take high-interest micro credits from non-governmental organisations or local money lenders to manufacturers their items.

But now, repaying the loans has become a mammoth task for them as the production and sales of their products came to a halt since the coronavirus outbreak, Razzaque said.

Even, Prime Minister Sheikh Hasina in January announced the “Light Engineering Goods” as the “Product of the Year” for

2020 intending to encourage product-based export and sought more investment for the sector.

“That is why we urged the government to withdraw the AIT to save the sector. If the government does not consider our demand, the entrepreneurs will fall into severe capital crisis and will be compelled to close their factories.”

The association made the demand in their budget proposals already sent to the National Board of Revenue.

The trade body also alleged that local income tax officials harass their entrepreneurs during the payment of value-added taxes after the sales of each light engineering product.

They also shed light on the fact that they enjoy limited access to bank loans.

Abul Kashem Titu, the owner of Mafia Engineering located in the old part of the capital, said he had to count huge financial losses due to the pandemic, as he could not manufacture any item in the last three months.

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LIGHT ENGINEERING SECTOR
BY THE NUMBERS

- Total enterprises: **50,000**
- Total employees: **800,000**
- Total investment: Tk **25,000cr**
- Manufactures about Tk **30,000cr** of products in a year
- **3,815** types of machinery, spares parts
- Meets **90%** of local needs

Strategic Finance and Investments gets NBFI licence from BB

STAR BUSINESS REPORT

The central bank yesterday awarded the licence to a non-bank financial institution despite a challenging business environment facing the financing sector and weakening health of many NBFIs.

Strategic Finance and Investments received the licence to begin operations at a

time when 10 of the 35 NBFIs are struggling to return funds to banks and customers upon maturity.

It applied for the approval on October 16 last year and the central bank was compelled to respond promptly as the sponsors have a strong connection with the influential quarters, said a central bank official requesting anonymity.

As per the initial biographical report of the company, Anjuman Ara Shahid, wife of Padma Bank Chairman Chowdhury Nafeez Sarafat, is the chairman of the new NBFI.

She is also a sponsor-shareholder of Padma Bank, which was rechristened from Farmers Bank as part of its effort to sweep the gross irregularities and loan scams under the carpet and get an image makeover.

There is a lack of confidence among the depositors in the NBFI sector and many cannot withdraw funds upon maturity, a central bank official said.

So, the higher-ups of the central bank should have shunned giving the licence to the new NBFI in the interest of the financial sector, he said.

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Trade through Benapole port resumes after 2.5 months

STAR BUSINESS REPORT

Benapole port opened for trade between Bangladesh and India yesterday afternoon after being kept shut for around two and a half months since March 23 for the ongoing coronavirus pandemic.

At the time of filing of the report, 24 trucks containing motorcycles had arrived from India.

About 2,500 trucks loaded with goods

are waiting to enter Bangladesh and it might take around 24 hours for those to get moving for being kept lying idle for such a long period, said Kartik Chandra, general secretary of C&F Agent Staff Association at Petrapole.

Individuals involved, including truck drivers and helpers, are undergoing health checks and are being urged to use protective gear, including masks, said Mamun Tarafdar, director of the Benapole port.

“We are providing all kinds of support for quick loading and unloading,” he said.

All parties involved, include the port workers, are optimistic on the reopening, said Mofizur Rahman Sajan, president of Benapole C&F Agents Association.

It is now time to resume rail communication to meet the growing demand, said Benapole Customs

Commissioner Belal Hossain Chowdhury.

The West Bengal government had opted to suspend export-import activities up until the central government lifted a fourth phase of lockdown.

The resumption was decided through several meetings of the authorities concerned of both countries, including the Petrapole and Benapole port, customs, business chambers and allied service providing organisations.

Bangladesh can grab more attention as world
shifts focus from China

Says Ahsan Khan Chowdhury, chairman and CEO of Pran-RFL Group

AHSAN HABIB

Since the coronavirus pandemic has compelled many countries to source products from places other than China, Bangladesh has the potential to grab the world’s attention, said Ahsan Khan Chowdhury, chairman and chief executive officer of Pran-RFL Group.

The US as an export destination of Bangladesh can now prove even more lucrative, as the world’s number one economy has started to move away from products made in China.

“This pandemic could be Bangladesh’s chance to grab a bigger pie of the Western market as many countries and businesses currently plan to build a non-China-based supply

chain,” Chowdhury told The Daily Star in an interview over the phone.

Given the current situation, profits should not be the main goal; rather, companies should now focus on finding new customers and markets.

Bangladeshi entrepreneurs should be on the lookout for new and promising export markets as it will strengthen the country’s economy on the one hand and bolster their revenue on the other.

Pran-RFL has recently adopted a new policy that focuses on finding new consumers and markets for its products during the ongoing coronavirus pandemic.

Although the global economy continues to suffer due to the coronavirus outbreak, certain



individual economies have not endured the same fate, Chowdhury said.

“Thanks to our endeavour, Australia and the Philippines are now two new markets for us,” he added.

Bangladesh’s export basket could be even bigger if the government uses its foreign missions to help find new markets for the country’s products.

“By doing so, if even a single country is added to Bangladesh’s export destinations, it would bring a host of opportunities for the country,” Chowdhury said.

As Bangladesh lags behind its peers in terms of having a diverse export basket, it has to chase the export targets riding on the fate of apparel products that account for about 84 per

cent of the country’s total shipment.

“The banking sector is going through a storm and the turbulence seems to linger as the sector will be implementing the government’s bailout packages for the affected industries.”

It needs to be saved by any means such that the coronavirus fallout cannot leave a long-lasting impact on the economy, he said.

“The banking sector is the lifeblood of all industries.”

Numerous industries and small entrepreneurs were able to strengthen their businesses through financing from banks and that is why the sector deserves extra attention from the government.

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