

Businesses are becoming more optimistic of a turnaround sooner than later

Finds a survey by SANEM and The Asia Foundation

STAR BUSINESS REPORT

Businesses are progressively becoming confident of a comeback from the brutal blow dealt by the global coronavirus pandemic, found a recent survey.

Conducted by the South Asian Network on Economic Modelling (SANEM) in collaboration with The Asia Foundation among 303 firms representing manufacturing and services sectors, the survey found that the overall confidence score increased to 51 this quarter from 29.48 the previous quarter.

The survey responses are measured on a scale of 0-100.

A score in the range of 0-50 means a deterioration of business confidence and a value above 50 indicates an improvement, said the survey report that was unveiled yesterday.

The survey was carried out to assess the state of confidence of the business community of Bangladesh in the context of the socio-economic crises engendered by the Covid-19 pandemic, SANEM said.

Despite the improvement, businesses complained about increasing cost of doing businesses and they put corruption, problems of trade and logistics and weak management of the coronavirus crisis as three major challenges of doing business.

"Management of the health crisis is extremely important for boosting business confidence," said SANEM Executive Director Selim Raihan while presenting the findings of the study at a webinar.

Corruption has emerged as the biggest challenge for doing business, he said citing that 88 per cent of the firms put corruption as the number one challenge.

"It should be handled firmly," he said.

The SANEM developed three

separate indices based on the survey among 153 manufacturing and 150 service sector firms from all divisions to understand the level of business confidence among entrepreneurs in Bangladesh.

The indexes compared business confidence in three scenarios: the response in the April-June quarter with a year earlier and with the previous quarter; and the July-September quarter with the immediate past quarter.

Researchers considered six indicators -- profitability, investment, employment, wage, business and sales/export -- for developing the Business Confidence Index (BCI).

The overall business status in the second quarter of the year was extremely poor as reflected in the



index score of 26.44 compared with the same period of 2019.

"All sectors suffered. The worst performers were garment, leather, light engineering, wholesale and restaurant. The better performers were pharma and financial sector," said Raihan, also a professor of the Department of Economics at the University of Dhaka.

This quarter, businesses seem more confident than the last quarter, he said.

"The improvement is visible in all sub-components of BCI, but still, the overall BCI is poor," he said adding



AMRAN HOSSAIN

Gridlock, often a sign of a bustling economy, have become a common sight again in the capital after the withdrawal of the two-and-a-half-month-long general shutdown to flatten the curve on coronavirus on 30 May. The photo was taken in the last week of July.

that business confidence continued to be low in the garment, leather, light engineering and other manufacturing sectors as the BCI showed a score of less than 50 for these sectors.

Overall profitability of garment, leather and tannery and light engineering continued to deteriorate. However, there had been improvements in employment prospects, according to the survey.

The major improvement is seen for textile, pharma, wholesale, restaurant, ICT and financial sectors as their BCIs are above 50, he said.

SANEM also looked into the

efficacy of the government's stimulus packages amounting to Tk 103,117 crore to support the businesses in recovering from the economic fallout of the pandemic.

While 87 per cent of firms termed the stimulus effective for them, 55 per cent of the firms said they did not avail the low-cost fund.

"Effective implementation of the stimulus package is critically important. Major challenges include lengthy procedure, difficulty in bank-related services, and difficulty in information. All these need to be sorted out effectively," Raihan added.

Abul Kasem Khan, managing director of AK Khan Telecom, suggested policymakers consider giving stimulus to small and medium enterprises that were still unbanked.

"Corruption is very alarming. It is not acceptable at this situation," he added.

Commerce Minister Tipu Munshi expected an improvement in business activities this quarter compared with the previous one.

He said the export target for the current fiscal year could be achieved if the pandemic can be snuffed out around the globe within the next four months.

"Everything will depend on the situation of the export destination countries and their supply chains."

The commerce ministry is working to bring in investments that are shifting out of China to other countries.

"We have huge manpower to utilise in the industries. We need to know what type of facilities we should provide them to bring investment in Bangladesh."

Munshi went on to stress the need for a comprehensive study on how to attract the businesses and investment that were shifting from China to other countries.

There is no reason to be happy with the recovery in export receipts for just one month, said Asif Ibrahim, chairman of Chattogram Stock Exchange.

Exports fetched \$3.9 billion in July, up 44.4 per cent from the previous month and 0.60 per cent from a year earlier, according to data released by the Export Promotion Bureau. This is the first month since the pandemic took hold globally that Bangladesh's export receipts posted a growth.

"It is an important time for us as fresh export orders usually come at this time of the year. We need to see whether orders are coming," he said, adding that some firms that used to buy from Bangladesh have become bankrupt.

There were huge amounts of unsold stocks of goods in the US and Japan and firms there are getting rid of their stocks at discounted prices, said Syed Nasim Manzur, managing director of Apex Footwear.

"It is not time yet to say exports are recovering."

Manzur went on to urge the policymakers for proper management of the COVID-19 health crisis for regular life and the economy to return to normal.

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Banglalink knocked down further by pandemic

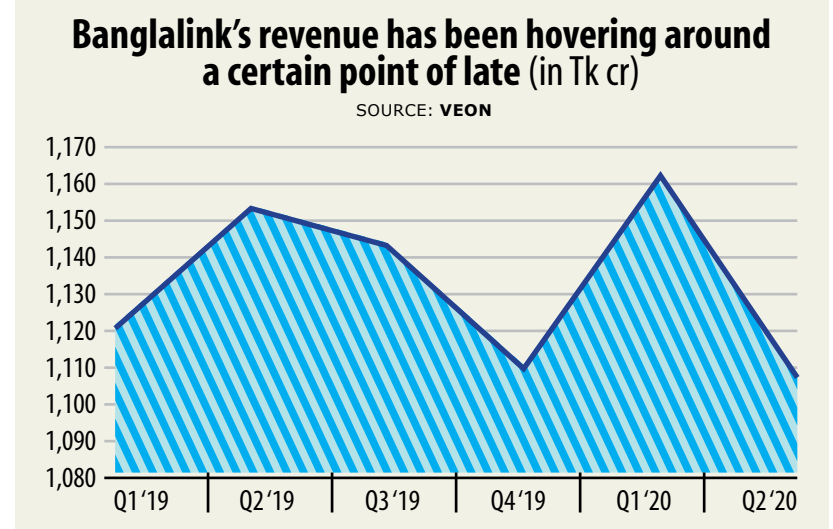


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Banglalink, once the most-spirited operator in the country but has since fallen behind in competition, is slipping further for the pandemic.

The industry's number three carrier logged in Tk 1,108 crore in revenue for the April-June quarter, down 4.7 per cent from the previous quarter and 4 per cent from a year earlier, according to a report published by its parent company Veon on Thursday.

Bangladesh reported its first confirmed cases of COVID-19 on March 8 and to flatten the curve on the rogue virus the government put



the country on shutdown three weeks later. The shutdown, which effectively forced the economy to take a hit, was lifted on May 30.

Earlier, market leader Grameenphone reported negative growth for the second quarter, while Robi, the country's second largest operator, said it is bleeding for the pandemic, but it did not disclose any numbers.

The hike in supplementary duty on telecom services in the budget fiscal 2020-21 also affected Banglalink's revenue for the quarter.

The supplementary duty has been increased from 10 per cent to 15 per cent, which increased the cost of all telecom services. The higher supplementary duty took effect from June 12.

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NBR toughens up on under-invoicing

MOHAMMAD SUMAN, from Chattogram

The National Board of Revenue has amended the Customs Act, 1969, setting a minimum penalty that is at least double the amount of fine for under-invoicing and ending a five-decade-old system of nominal fines.

The penalty for dodging taxes could be as high as four times the amount owed depending on the extent of the

slap on the wrist for their actions over the past 50 years.

Between July 2015 and December 2019, 6,110 consignments were found to have been misquoted and the importers were duly fined, showed data from the Custom House of Chattogram.

The customs authorities collected Tk 655 crore in evaded tax. But

they will only be levied on those who consciously declare false information with the intent to dodge taxes, said Altaf Hossain, general secretary of the Clearing and Forwarding Agents Association.

"However, we request the NBR to make consideration for unintentional mistakes in the documentation," he added.

Irregularities in the information



RAJIB RAIHAN

irregularities.

On 20 July, the NBR sent instructions to the 21 customs stations in the country for implementing the amendment.

As a result, the total number of false declarations dropped off soon after the amendment came into effect at the beginning of August, officials said.

The new rules will help reduce the prevalence of irregularities, much to the inconvenience of certain dishonest importers and corrupt customs officials.

As per Section-157 of the Customs Act, 1969, importers could be fined up to 300 per cent of the evaded tax if found to have provided false information.

Since a minimum fine had not been set, unscrupulous importers got

importers were fined just Tk 260 crore, which was 36 per cent of the undeclared revenue, for causing such irregularities.

"Importers will pay between two to four times the value of evaded tax as a penalty if we find any false information about consignments," Nur-e-Hasna Ansuya, assistant commissioner at the Custom House of Chattogram, told The Daily Star.

As the previous law made no mention of a minimum fine, most importers guilty of under-invoicing were let off upon payment of 30 to 40 per cent penalty, she said.

The minimum fine of 200 per cent will deter dishonest importers from making false declarations, Ansuya added.

The association and importers do not object to the new fines given that

provided by importers can be determined to be unintentional or otherwise by closely examining import documents, said Syed Golam Kibria, NBR member for policy.

If a product description matches the Import General Manifest and Bill of Entry but the harmonised system (HS) code is different by mistake, then there is a chance to correct it without imposing any penalty.

Fines will only be slapped when officials find different or extra goods that were undeclared, he said.

Customs duty is one of the biggest sources of revenue for the government.

In fiscal 2019-20, customs duty fell about 4.5 per cent to Tk 63,382 crore on the back of a crash in imports because of the coronavirus pandemic. The NBR missed the import duty target by 28.95 per cent.



PALASH KHAN

The ongoing flood inundated several flower gardens at Foot Nagar in Dhamrai upazila on the outskirts of Dhaka. As the flower growers were compelled to leave the village due to flooding that submerged their houses, the plants are set to perish, inflicting huge losses on the farmers. The photo was taken yesterday.