

Graft takes 2-3pc off the economy

Muhith says punitive measures are not enough to deal with the problem

STAR BUSINESS REPORT

Bangladesh lost as much as Tk 24,735 crore last fiscal year due to corruption, according to an estimate by Finance Minister AMA Muhith.

Widespread corruption costs the economy 2-3 percent every year, the minister said yesterday, citing studies.

Bangladesh's gross domestic product was worth Tk 824,532 crore at constant price last fiscal year, according to provisional estimates of Bangladesh Bureau of Statistics.

In line with the BBS figure, the finance minister's estimate hovered between Tk 16,490 crore and Tk 24,735 crore last fiscal year.

"Corruption prevails in every sector. It's a serious problem," he said in reference to the prime minister's recent comments on the issue.

Social disruption, including political unrest, also eats up around 1 per-

cent of GDP growth.

Muhith's comments came at a special plenary meeting of the Local Consultative Group at the NEC conference room in the capital.

He said punitive and detection measures are not enough to deal with the problem, but ICT could turn out to be an important tool in tackling it.

Planning Minister AHM Mustafa Kamal was also of the same view. "We have to take the help of information technology to curb corruption."

The government has installed large scanners at Chittagong port, which resulted in a fall in corruption, he said.

Zahid Hussain, a lead economist at the World Bank's Dhaka office, said it is widely recognised across the globe that corruption has economic, social and political costs. Corruption slows growth and induces high levels of growth volatility, he told The Daily Star.

The World Economic Forum esti-

mates show that the costs of corruption equal 5 percent of GDP.

An IMF research has shown that investment in corrupt countries is almost 5 percent less than in countries that are relatively corruption-free, Hussain said.

A 2012 report by Transparency International Bangladesh showed that about Tk 22,000 crore is lost annually to bribery and unauthorised payments. This is equivalent to 2.3 percent of GDP of fiscal 2012.

Estimates of costs of corruption vary widely because quantifying corruption and costs of corruption is extremely difficult, Hussain said.

Commenting on the seventh Five-Year Plan, Muhith said the employment generation target of 18.7 million over the next half a decade is very ambitious as the unemployment rate is high.

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Foodgrain imports rise to four-year high

Farmers hurt by high imports

SOHEL PARVEZ and AHMED HUMAYUN KABIR TOPU

Food grain imports surged to a four-year high of 52.69 lakh tonnes in the just concluded fiscal year owing to low prices of rice and wheat on the international market.

In fiscal 2013-14, cereal imports stood at 30.65 lakh tonnes, according to data from the food ministry.

Rice imports by private traders soared nearly four times last fiscal year to 14.9 lakh tonnes, while wheat imports rose 40 percent year-on-year to 37.79 lakh tonnes.

The private sector accounted for 91 percent of the wheat imports, the data showed.

The latest import figure was one of the highest in the last three decades. Such high imports were recorded earlier in fiscal 2010-11

and 1998-99, when 53.13 lakh tonnes and 54.91 lakh tonnes were brought in.

Wheat imports went up due to lower prices on the international market, said Abul Bashar Chowdhury, chairman of BSM Group, a Chittagong-based commodity importer.

The demand for wheat flour rises when its prices are lower than that of rice, he said.

Both the surging imports and higher domestic production have increased the supply of rice and wheat in the market, leading to a drop in prices -- a situation that benefits consumers but hurt growers.

Rice and wheat are now trading below last year's prices, according to traders and market price data compiled by government agencies.

The domestic glut of rice crops and high imports created a surplus in the market, so the demand remained lukewarm, said Md Layek Ali, general secretary of Bangladesh Auto, Major and Husking Mills Association.

Subsequently, paddy sold at prices much lower than the farmers' cost of production, he added.

Farmers bagged higher paddy in the immediate aman and boro crops, which accounted for over 90 percent of total annual rice production. Additionally, imports rose.

"Regular rice imports keep the demand for locally produced rice low. Most of the small millers are not buying paddy," said Ali.

Though prices rose after the government imposed duty on rice imports, it could not discourage imports to a great extent, he added.

Depending on quality, paddy is trading between Tk 510 and Tk 730 each maund now, said Md Sajjad Ali, a farmer as well as a paddy trader at Naogaon, a rice-producing district in the northwest.

The current prices are lower than the prices of last year, he said.

To ensure fair prices for farmers, the government buys rice at Tk 32 per kilogram from millers and at Tk 22 per kilogram of paddy.

But the ongoing purchase of boro rice could not support farmers to recover their paddy production cost of Tk 20 per kilogram, according to farmers.

"Millers are not buying. Instead, many millers are supplying rice to the government warehouses by milling previously bought and stocked paddy."

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NBR to honour top VAT payers

National VAT Day today

STAR BUSINESS REPORT

The National Board of Revenue (NBR) will honour top nine VAT payers at national level and 110 at district level for their contribution to the state coffers.

The NBR selected the companies in three categories—production, service and business.

Gallerie Apex, Aarong and Mustafa Mart are the top three VAT payers in the business category.

RTV, Chowdhury Tea Warehouse and Bangladesh Rural Electrification Board will be awarded in the service category.

State-owned Titas Gas Field, Kailashila Gas Field and Rashidpur Condensate Fractionation plant will be awarded in the production category.

The NBR will hand over the awards at a programme on Sunday on the occasion of National VAT Day, which is part of a weeklong programme starting today.

A procession from the NBR headquarters to the National Press Club will be organised today. State Minister for Finance MA Mannan will inaugurate the march.

This was disclosed at a media briefing held at the NBR office in Dhaka.

NBR Chairman Md Nojibur Rahman said electronic cash register programme of the revenue board is facing implementation

challenges due to different complexities.

"Many companies are dodging the ECR transaction through ill-practices making the system ineffective."

The NBR's intelligence offices have already identified the dodgers and imposed penalty on them, Rahman said.

The NBR will check the scope of such revenue leakages through the online VAT project making all transactions automated, which will help resolve the hassles on payment and collections of VAT.

Rahman alleged that honest VAT officials are being harassed by a section of businesses. "As a result, they can't perform their duty properly."

"We will keep close contact with the Anticorruption Commission, Office of the Comptroller and Auditor General and Information Commission to ensure access to information and maintain smooth activity," Rahman said.

The new VAT and supplementary duty law will come into effect from July 1 next year to make the system automated.

VAT is a crucial income source for the government, accounting for more than 20 percent of the budget's revenue generation.

The government aims to earn Tk 44,159 crore in VAT in fiscal 2015-16 to meet its total revenue target of Tk Tk 208,770 crore.

Stocks end the week in black

STAR BUSINESS REPORT

Stocks closed the week higher despite a profit booking selling pressure.

DSEX, the benchmark index of Dhaka Stock Exchange, rose 20.18 points or 0.44 percent before closing the last day of the week at 4,599.91 points.

"Profit booking by the investors was clearly observed throughout the day, as the rally by fundamentally sound, large-cap and multinational companies stopped," said LankaBangla Securities, a leading stockbroker.

IDLC Investments said the investors maintained their participation in anticipation of solid half-yearly and year-end declarations, due in coming weeks.

Additionally, a turnaround is expected in the economy by the investors in the mid-term, as political chaos came to an end, the merchant bank said.

Turnover, another important indicator of the market, fell 3.5 percent to stand at Tk 477.26 crore on transactions of 12.40 crore shares and mutual fund units.

Of the traded issues, 169 advanced and 116 declined with 31 securities remaining unchanged on the premier bourse at the end of yesterday's trading.

Grameenphone dominated the turnover chart with 8.73 crore shares worth Tk 29.38 crore changing hands, followed by IFAD Autos, Khulna Power Company, United Airways and ACI.

Among the major sectors, telecom gained 1.83 percent in market capitalisation, followed by non-banking financial institutions that increased 1.52 percent and banks 0.2 percent. Conversely, pharma lost 0.6 percent, followed by IT 0.36 percent.

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THE ASCENT OF e-commerce

Thanks to convenience, e-commerce is nimbly gaining traction in Bangladesh's shopping landscape, which is still dominated by brick-and-mortar stores. Kaymu Bangladesh, an online marketplace, has recently conducted a survey to gauge the sector's trend.

25-34 years
The age group that accounts for the highest number of users

SATURDAY
The busiest day for online shoppers

95%
Prefer cash on delivery as payment method

Between **11** am and **4** pm
Shoppers make purchases

Watches and men's clothing remain the top selling items in Bangladesh throughout the year

COMPILED BY:
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16% Prefer to buy from the websites they are loyal to
Do more research before making final decision **84%**

Tk **100** cr
MARKET SIZE

50%
ANNUAL SALES GROWTH

61-600 seconds
Users take to make an e-commerce transaction

83% Male shoppers
17% Female shoppers

49%
New visitors

51%
Returning visitors

35%
Dhaka tops the list of yearly e-commerce activity

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Ctg accounts for traffic

15%
Gazipur city accounts for traffic

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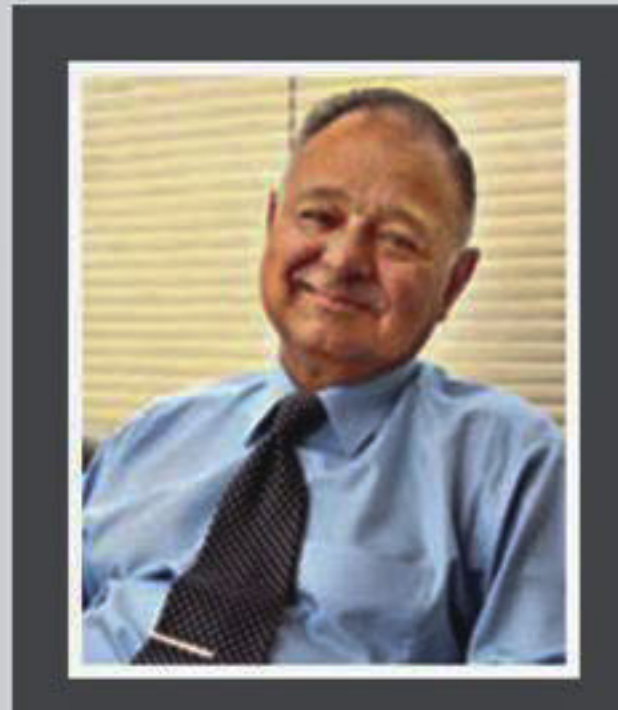
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Published by: AMW Electronics Ltd., Email: amwenterprise@hotmail.com, Web: www.amwenterprise.com

We Mourn



Amjad Khan Chowdhury
(1939-2015)

Major General (Retd) **Amjad Khan Chowdhury**, Founder & CEO of PRAN-RFL Group and father of our honourable Director Mr. Ahsan Khan Chowdhury, passed away on 8th July 2015 (Innalillahe....rajeun). He was 76 years old. He left behind his loving wife, two sons, two daughters and host of admirers and well-wishers.

Midland Bank family is deeply saddened at the passing of the legendary industrial icon. We express our condolences to the bereaved family and pray for the Late General's eternal salvation. May Almighty Allah rest his soul in peace.

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