

Amusement industry wants to reopen

STAR BUSINESS REPORT

The amusement industry yesterday demanded that the government immediately allow them to reopen their establishments "like other businesses", reasoning it would not be possible to survive against continued financial losses.

The establishments were shut for four months last year and this year the same was done since early April amidst the pandemic's second wave.

In a statement the Bangladesh Association of Amusement Parks and Attractions (Baapa) also demanded incentive packages such as working capital at 1 per cent interest.

It sought exemptions of VAT, supplementary duty and other taxes, including on imports, for the next five years to ensure tickets remain cheap.

Baapa President Shahriar Kamal said last year amusement parks were allowed to open much later compared to that for other businesses, for which the sector suffered greatly.

He said they had decided to run at less than 50 per cent capacity as per a decision of Bangladesh Tourism Board and various international organisations and maintain social distancing, install thermal scanners at entrances and use hand sanitisers.

"We have ensured adequate hand washing facilities, regular food courts and sanitation of rides as well as all measures to prevent coronavirus infection in accordance with the health rules of the Department of Health," he said.

Bata incurs first loss in 59 years of Bangladesh operations

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The festival sales cover 25 to 30 per cent of the company's yearly business. An estimated 77 per cent of rural business leaders like dealers and/or wholesalers have been particularly impacted due to Covid-19, which led to them losing their business, it said. The company's business went down by 41 per cent in 2020, the disclosure added.

"As all our export markets were closed due to Covid-19, we could hardly export anything in 2020 [Tk 11 million]," said Iftekhar Mallick, head of marketing at Bata Bangladesh.

Responding to a question on the steps being taken to return to profits, he said Bata was categorically focusing on its omnichannel approaches to be present at all customer touchpoints.

"We're proud to say that we have the largest online footwear store in Bangladesh," he said, adding that batabd.com has more than 2,000 assortments and remains open 24/7. The customers can order anytime and get products delivered home for free.

"We're noticing a rise in demand lately, especially post Ramadan and the trend is expected to continue as consumer confidence improves. If there's no Covid restriction in the coming quarters, we're hoping to turn around by the end of this year," Mallick added.

Sales revenue slightly rose in the first quarter of 2021 by 13 per cent year-on-year to Tk 184 crore.

Clearing of aged merchandise through offers of bulk discounts also gave a boost to sales, the company said.

However, Bata incurred losses of Tk 4.90 crore in the quarter. It was in profits of Tk 2.83 crore in the same period the previous year. The company said the loss was incurred due to discounted sales and increased unavoidable expenses due to the second wave of Covid-19.

In the quarter, net operating cash flow per share increased year-on-year mainly for increased business.

A top official, preferring anonymity, said it has been trying to return to profits but the emergence of the pandemic's second wave meant that it would take time.



Pran starts mango collection at Barind Industrial Park (BIP) in Rajshahi on Tuesday.

Pran starts mango collection

STAR BUSINESS DESK

Pran has started collecting and pulping mango for the year, targeting to procure 60,000 tonnes to manufacture drinks, juices and other food items which are exported to some 145 countries.

Sarower Hossain, deputy general manager of Barind Industrial Park in Rajshahi, inaugurated the activities at the park and another factory in Natore on June 1, said a press release.

Last year's collection was some 20,000 tonnes less due to inclement weather, said one official.

"Mangoes of Rajshahi, Chapainawabganj, Natore, Naogaon, Pabna and adjacent regions are prominent," said Hossain.

"In the first phase, we are purchasing guti mango...And it will continue till mid-July. After this, we will collect Ashwani varieties," he said.

Govt has an uphill battle ahead

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As business has shrunk and government spending increased, it will be interesting to see how the government meets the big deficit challenge, Iqbal added.

Fiscal 2020-21 is different because the economy has been suffering from Covid-19, said Prof Sayema Haque Bidisha of the University of Dhaka.

"If we talk about the recovery of the economy, it is quite promising. On the positive side, Bangladesh has not been able to make as much of a negative impact on the economies of other countries as the novel coronavirus has," she said.

"However, the recovery of all sectors in Bangladesh was not same," she pointed out. Agriculture, remittances have made important contributions. "And in the case of incentives, I have seen that it has been implemented in the case of big sectors. Not so with the little ones. However, a good aspect is that the small sectors depend on the big ones," said Prof Bidisha.

"And if we talk about the challenge -- that is the challenge of employment. Rich-poor inequality existed before. But with the advent of the novel coronavirus, that income inequality has widened," she said.

There have been problems in the health sector before, but the challenges have obviously come to the fore since the novel coronavirus came, she said.

Another sector is education. "Last year, we didn't talk much about this sector. But now it is seen that this sector is in a very bad condition," she said.

"The economy will do well in the next financial year if we can work on food security management, health facilities and education management and human employment in a big way," she added.

The increase in poverty is a major problem, said Rizwan Rahman, president of the Dhaka Chamber of Commerce and Industry (DCCI).

About 60 per cent of the urban population lost their jobs and livelihoods due to the lockdown, he said.

Pointing at sluggish private sector credit growth and falling capital machinery import, he said many sectors, namely printing and publishing, tourism and hospitality, restaurant and leather, lost their capital due to the Covid crisis.

"The cottage and micro entrepreneurs went out of business due to the Covid crisis. Because they are not bankable, stimulus support hadn't reached them," said Rahman.

"If the vaccination programme could reach at least 50 million people, the economy can be reopened at home as well as to foreign counterparts," he opined.

The main target of the upcoming budget should be rehabilitation of the manpower who lost their jobs during the last two years, said Rahman.

He also suggested creating an enabling environment and providing financial and technical support to the cottage and micro entrepreneurs.

"Due to the second wave of Covid-19, business of local businesspeople was not at a satisfactory level. Therefore government revenue collection target in the coming budget should not be increased further," he said.

"We are hopeful that the Bangladesh economy has the potentials to grow faster and further if adequate government support is available through budgetary and other policy mechanism," said Rahman.

"The mindset of our bureaucracy and policymakers has to be changed from the existing controlling mode into a supporting mode," he recommended.

"We have to formulate our budget taking into consideration the second wave and global development," said Towfiqul Islam Khan, research fellow at the Centre for Policy Dialogue (CPD).

"We have seen a slow recovery globally. It happens in a K-shape recovery. Everywhere in every sector it isn't happening alike," he said.

Khan said the extensional fiscal policy should be pursued in key sectors like health, social protection, agriculture and small and medium enterprises (SME) for employment generation.

"Normally we devise year-long plans. But we need a medium-time recovery plan in place of this year-long strategy," he said.

"We need to give importance to education, where medium-term damage has been made, and we have to continue the use of those stimulus package, relief programmes we have," he said.

"Normally the government focuses on acquiring economic growth. But this time government should focus on people's employment generation and income recovery at household level," said Khan.

"It's not gone well to give allocation only. We have noticed that the government can't spend as per the budgetary allocation. More than 70-80 per cent allocation remained unused," he said.

Production has had a positive growth but it is less than that of the previous year, he said.

"If we get to see the indicators of the investment, we are in a troubled spot. If we see the private sector, capital machineries, the growth of all is in a subjugated position or has been decreased compared to the previous year," said Khan.

"A positive indication in export has come, we have seen a turnaround. We have to keep in mind that it is more than 2020 but we can't go back to the level of 2019. The recovery has not been made fully," he warned.

According to Export Promotion Bureau (EPB) data, export earnings increased by 8.7 per cent during the July-April period of FY2021 against an annual target of 21.8

per cent. "We have seen this time around that the income of people has come down; there was an uncertainty about employment; people have had to break into their savings," said Khan.

"At the same time, we have seen an increase in price inflation, particularly in the case of health-related expenditure. It creates a huge pressure on mass people and that's a matter of concern undoubtedly," he said.

The fiscal year started with a food inflation of 5.43 per cent at the national level, which gradually crept up to 5.73 per cent in April.

Finally, there have been some positive indicators in case of external balance. For example, export and import drifted towards positive trends, the condition of remittance was good. On the other hand, overseas migration, machinery imports and foreign direct investment (FDI) underwent a negative trend.

"In the first nine months of the year we can say that the economy was moving forward at a good pace. January-February also progressed at a good pace," said Mahtab Uddin, a lecturer of the department of economics at the University of Dhaka.

"However, in April, May and June, the economy suffered a major setback. A few things are very positive. Our main market is Europe, America and Japan. But these countries have turned around. The economy is expected to bounce back from July," he said.

"If we can't handle the coronavirus situation, we have to fall into a bad situation again. Which we can see when we look at our neighbouring country India," he warned.

"Our main challenge will be on the health grounds. And two concerns are very alarming. Business costs. It has increased. Another issue is employment. It will be a big challenge," he added.

Covid propels F-commerce sales

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"The tendency to buy products online increased during the pandemic and the second wave gave it another push," Sarmeen said.

Tania Sultana of Biraz Bou, a F-commerce platform based in Mymensingh, said she sold saris and three pieces worth Tk 7.5 lakh amid the second wave.

The Eid sales season and nationwide lockdown began almost simultaneously and that pushed many people to go for online shopping.

The government imposed a nationwide lockdown and other strict measures on public movement on April 14 in a bid to curb the surge in coronavirus infections.

"We are still receiving many orders even after Eid," she added.

Sultana went on to thank the Women and e-Commerce Forum (WE), a Facebook group with 1.2 million members where women with different skills can promote their products or services.

According to her, she and some other women in the region sold over Tk 52 lakh worth lifestyle products with the help of WE since the beginning of the second wave.

With the lessons learnt from last year's Eid, women entrepreneurs were better prepared this year as they sourced products beforehand, enhanced their marketing and worked on smoothing the delivery service, said Nasima Akter Nisha, president of WE.

"So, sales during the second wave and Ramadan were great," she added.

Nisha said F-commerce created a scope to empower women, many of whom are coming forward to showcase their skills and talent.

CNN to brand Bangladesh

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This campaign coordination and fund management will be executed by Spellbound Communications Limited, the local facilitation agency of CNN in the name of Spellbound Leo Burnett, the BFTI said. Under the 'Made in Bangladesh' campaign, CNN will develop and execute TVC, Blueprint Bespoke Editorial, Promo, Vignettes and a "Made in Bangladesh" theme week.

CNN will also promote five potential export sectors as well as 10 leading export-oriented organisations within the selected sectors. On the signing ceremony, BFTI CEO Md Obaidul Azam said CNN's impact and acceptance with the global audience is unparalleled.

F-commerce has been thriving over the last few years in Bangladesh thanks to the huge size of the Facebook audience, which, according to data firm Statista, has now reached 41 million. This places Bangladesh among the top 10 highest Facebook-using nations.

With the option to boost sales by paying Facebook, which automates the paid users' ads to show products that are tailored to each person's interests, many youths, especially women entrepreneurs, started selling goods or services on the world's largest social media platform.

Thousands of women from across the country now sell a range of products through Facebook, particularly handmade traditional clothing items and homemade foods. During last year's Eid season, when there was a strict lockdown in place, most F-commerce entrepreneurs were unprepared and scrambled to deliver a deluge of orders.

According to logistics aggregators and industry insiders, during Ramadan this year, around 1,000 female F-commerce entrepreneurs delivered an estimated 35,000 clothing items per day up till Eid day. Rahath Ahmed, co-founder and chief marketing officer of Paperfly, which makes doorstep deliveries for its online merchants, said they have been making a huge number of deliveries of F-commerce platforms run by women. F-commerce entrepreneurs now understand that they have to provide the customers with good quality products to succeed in the long run.

"As the quality increases, female clients flock to their platforms and products are being sold out very fast," he added.

"Through the quality contents created by CNN's expert team and promoted in the CNN network, we believe the industrial sectoral growth support will be ensured to empower the export competitiveness of these industries and Bangladesh as a whole," he added.

Azam invited the private sector organisations, companies and chambers to come forward and take this grand opportunity to promote their brands in the global arena.

The agreement signing ceremony was attended by Abhijeet Dhar, director for sales at CNNIC, and other representatives through a virtual platform.

Representatives from Spellbound and officials from BFTI were also present.

The challenge is to scale up impactful public expenditure

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Finally, we are also facing an indeterminate global economic outlook. This concerns the flow of official development assistance, export revenue, foreign direct investment and remittance by migrant workers. The budget has to be mindful about the external economic issues.

DS: In that case, what should be the policy approach of the upcoming budget?

Bhattacharya: We need to have our diagnostic agreed upon first before we venture in elaborating a policy approach. The socio-economic impacts of the pandemic will be more protracted than immediate health emergencies.

There will be disproportionate impacts on the traditionally marginalised communities as well as on the low income and low middle-income people. All these will have detrimental consequences for consumption, income, savings and investment due to a fall in aggregate demand. Current circumstances demand special attention to protect the consumption of the poor/low-income households and employment promotion at the micro, small and medium enterprise (MSME) level.

Under the circumstances, we would need to press all four triggers of economic growth, namely (i) consumption, (ii) investment, (iii) government spending and (iv) net exports. Further, we would need a minimum of three years to have a robust recovery strategy. I am afraid a one-year budget framework in this case will not be helpful.

This strategy has to integrate recovery efforts with structural transformational needs such as labour productivity improvement. We may use the United Nations 2030 Agenda for Sustainable Development as the framework for defining this strategy in line with the Eighth Five Year Plan (2021-25) of the country.

DS: Many economists suggest expansionary plans and increased public spending. Would you please share your views?

Bhattacharya: Yes, we shall have to pursue a countercyclical expansionary fiscal policy stance to boost up aggregate demand. A number of factors are in our favour for undertaking such a fiscal approach. These include low inflation rate, manageable public debt ratio, high forex reserve and modest fiscal deficit.

There are of course constraining factors such as a stagnating (if not falling) tax-GDP ratio, low absorption of foreign assistance and inability to deliver public expenditure programmes. In fact, the quality of public expenditure remains highly suspect.

Last year, while recommending an expansionary fiscal stance we were worried about the available fiscal space. Although we are experiencing a stagnating tax/GDP ratio, a fall in the public expenditure/GDP ratio in 2020-21 remains to be the prime concern.

Regrettably, the ratio of both the revenue budget and Annual Development Programme (ADP) will record a fall in the outgoing year. The rate of implementation of the ADP had been only 42 per cent in the first nine months, an all-time low. In fact, the Health Services Division could not spend 75 per cent of the ADP allocation in 10 months of the outgoing fiscal year.

Low utilisation rate of the available concessional foreign assistance has imposed constraints on off-take of the public expenditure programme.

In this context, the defining issue is not only the amount of money we are being able to spend as the issue of how resultative or impactful these expenditures are no less important. Inordinate delays in project implementation, corrupt practices in procurement and absence of a result-based evaluation (and monitoring) arrangement are some of the reasons affecting the efficiency and effectiveness of the country's public expenditure system. One wonders what the upcoming budget will propose to deal with these binding constraints.

DS: What are your suggestions for revenue measures and allocative priorities?

Bhattacharya: On the revenue side, my response is simple: no new taxes, no increasing of rates. Rather, increase tax collection by improving administrative efficiency, increasing tax net, plugging leakages and evasion, and harmonising unproductive exemptions and rebates. Enable tax and tariff structure in favour of domestic market-oriented labour-intensive industrial diversification.

We must stop giving counterproductive and unethical tax amnesty to black money launderers. Stop harassing regular tax payers and must not use tax cases for political

purposes.

The revenue-GDP ratio has to rise incrementally by 0.5 to 1 per cent of the GDP annually, reaching at least 15 per cent by the end of the next 5 years. To this end, we need to broaden taxation of assets along with income.

On the expenditure side, allocation for the development budget has to increase faster than that of the revenue budget. Allocations for new mega projects have to be restrained rather than that for those which are close to completion.

Incremental allocation of 0.5 per cent of the GDP has to be made annually to public expenditures in the health sector for the ratio to be 3.5 per cent of the GDP by the end of the next 5 years.

Similarly, incremental allocation of 0.5 per cent of GDP annually has to be given for public expenditures on education for the ratio to be 4.5 per cent of the GDP by the end of next 5 years.

In view of the pandemic, the next budget has to have an increased allocation for direct cash transfer and food support amounting to 0.5 per cent of the GDP. Further, in view of the growing vulnerability of the low and low-middle income people, a universal social security scheme in the form of pensions and health insurance needs to be launched through the upcoming budget.

DS: Any parting thoughts?

Bhattacharya: The government's inability to implement public expenditure programmes has become the binding constraint in the country's efforts to deal with the ongoing pandemic as well as to continue with regular developmental activities, including support to private sector investment.

The disadvantaged population of the country bears the disproportionate adverse impacts of such shortfalls in public development programmes. This overwhelming constraint cannot be addressed exclusively through strengthened administrative monitoring. This will need wide-ranging structural and institutional reforms. To improve the quality of public expenditure, the involvement of stakeholders at different levels is required, particularly for assessing the impacts of development projects.

I hope that the national budget will be able to demonstrate innovation and courage in this regard as well as in the areas mentioned earlier.