

Invest in small business for big impact



MAHMUDUL HASAN

The Covid-19 pandemic came as a devastating blow for Khawja Waseem, who owns a medium-sized enterprise called SS Jute Shoe Thread and Accessories that produces and retails jute goods in Gazipur.

Export orders were cancelled while domestic demand plunged with the pandemic having brought both the global and local economies to a standstill for prolonged periods, making it difficult for his business to survive.

And now, even though the pandemic situation has improved, the bad days have yet to end.

"Now we are facing a number of new challenges with the biggest issue being the soaring price of raw materials," Waseem said.

The price of jute yarn was Tk 80,000 per tonne before the pandemic but it has since jumped to Tk 1.5 lakh and with such a hike in costs, his profit margin has hit rock bottom.

Waseem's perils do not end there

though as freight charges have also skyrocketed amid the pandemic.

"The shipping cost of a 40-foot high container was only \$1,500 in pre-pandemic times but it now costs around \$11,000," he added.

As such, it has become very difficult for the entrepreneur to maintain his business.

Like Waseem, the owners of many other micro, small and medium enterprises (MSME) had their hopes for a quick recovery from Covid-19 dashed by spiralling raw material prices and soaring transport costs.

The coronavirus pandemic has had a severe impact on MSME enterprises, which play a crucial role in the country's economic development through their contributions to production, employment and exports.

There are about 7.8 million MSME enterprises in Bangladesh that account for about 25 per cent of the country's gross domestic product and generate 35-40 per cent of the employment opportunities.

Md Manik, a microenterprise owner who sells clothing items in the capital's Mirpur area, said sales have been very low for the last few months.

"My customers are mostly poor and they are not spending," he added.

According to industry people, MSMEs have very inadequate access to institutional finance.

"The most important issue is their working capital," said AKM Fahim Mashroor, chief executive officer of Delivery Tiger, which recently collaborated with microfinance intuition Shakti Foundation to disburse collateral-free digital loans among small and medium (SME) F-commerce companies.

"Over 95 per cent of them don't have

any access to funding from banks as most of them don't have trade licenses," he added.

Besides, many of them even with trade licenses cannot avail loans because they cannot provide collateral. As such, MSMEs cannot expand their businesses because of a lack of working capital finance.

"They should be given loans by banks based on their business data. Their data should be used as collateral or asset," Mashroor said, adding that fintech companies and banks could collaborate to disburse loans among SMEs as the former could provide the required data.

In April 2020, Bangladesh Bank unveiled a stimulus package worth Tk 20,000 crore for the MSME sector to protect it from the impacts of the coronavirus pandemic. Of the sum, 77 per cent was disbursed.

Banks are allowed to charge 9 per cent interest on their disbursed loans. The end-users get the loan at 4 per cent interest while the government provides the remaining 5 per cent as an interest subsidy.

The tenure of the first round of stimulus packages expired in June last year, prompting the central bank to allocate another Tk 20,000 crore for the current fiscal year ending on June 30.

Lenders disbursed 45.7 per cent of the second package announced for MSMEs between July and March of the ongoing fiscal year.

Officials of commercial banks and Bangladesh Bank said that lenders received interest subsidies from the government after December 2020 at a slower pace, so they are not encouraged to disburse the loans.

However, officials of different banks said they are renewing their efforts to provide loans to more MSMEs.

The imposition of an interest rate cap on loans in April 2020 has discouraged banks from MSME lending. However, the fall in deposit rates subsequently helped offset the banks' concerns, according to Ahsan Zamil Hossain, head of SME Banking at Midland Bank Limited.

"During the pandemic, banks emphasised on loan recovery and disbursing the stimulus package," he said.

"Now, we are focusing on MSME lending as the pandemic situation has improved."

Hossain went on to say that SME lending has been increasing for the past decade.

"However, the risk involved in SME loans is higher. As the customers are small, the operational costs are also higher. For a viable SME lending business in any bank, the lending rate should be kept higher," he said.

Hossain added that Midland Bank, in collaboration with USHA Foundation, a non-government organisation, disbursed Tk 1 crore among 40 entrepreneurs earlier this month for stakeholders of the Jamdani Cluster, Narayanganj, under cluster-based financing in the CMSME sector.

Dhaka Bank Limited has been in a continuous pursuit of increasing its exposure in the cottage, micro, small and medium (CMSME) segment, said Md Mostaque Ahmed, deputy managing director of the bank.

He said the bank is launching the DBL Start-up Fund, a term loan facility for new/start-up business entrepreneurs to encourage and support young entrepreneurs and transform their innovative ideas into businesses.

SEE PAGE J2

পুনরুদ্ধার এবং স্থিতিস্থাপক উন্নয়নের জন্য নারী, যুব, ডিজিটাল এবং সবুজের উপর গুরুত্ব দেই

আন্তর্জাতিক এমএসএমই দিবস ২০২২

ক্রেতা

ব্যাংকে বিলের স্বীকৃতি প্রদান

বিক্রেতা

পণ্য সরবরাহ এবং পণ্যের বিল ব্যাংকে জমা

ব্যাংক

বিক্রেতাকে বিলের টাকা প্রদান

সরবরাহ পণ্যের বিল যখনই হাতে নগদ টাকা পান তখনই সাথে সাথে

* শর্ত প্রযোজ্য

CALL 16219

Mutual Trust Bank

mutualtrustbank.com

এস এম ই উদ্যোগ

গল্প হবে সবার, স্বপ্ন ও সফলতার

শুরুতে বাধা থাকেই। বাধা পেরোলে গল্পটা সফলতার। ক্ষুদ্র ও মাঝারি উদ্যোক্তাদের এমন সব গল্পকে সফলতার দিকে এগিয়ে নিতে আছে আমাদের এস এম ই বিনিয়োগ এবং আমানত সুবিধা।

আমাদের বিশেষায়িত সেবা সমূহ

ক্লাস্টার অর্থায়ন

নারী উদ্যোক্তা পুনঃঅর্থায়ন সুবিধা

ডিবিএল স্টার্ট-আপ ফান্ড

অরণি এবং অদ্বিতীয়া-নারী ব্যংকিং

◆ সাপ্লাই চেইন এবং ডিস্ট্রিবিউটর অর্থায়ন

যেকোনো তথ্যের জন্য: ১৬৪৯৪

১৬২১৯

www.dhakabankltd.com

DHAKA BANK LIMITED
EXCELLENCE IN BANKING

Creating opportunities for women entrepreneurs



MD ABU TALHA SARKER

The entrepreneurs of local small and medium enterprises (SMEs), especially those who are women, are facing different problems and challenges in keeping their businesses alive in the post-Covid situation.

They hoped that they would ply their trades through both online and physical means in full swing after the economy reopens. In this way, they would bounce back and overcome the brunt of the Covid-19 pandemic.

However, their high hopes did not pan out as expected because they are now enduring a situation that has created many obstacles and challenges for their businesses.

Due to the ongoing Russia-Ukraine war and spiralling inflation that resulted, the prices of everything from raw materials to daily essentials and gas and energy have shot up.

Meanwhile, some of the entrepreneurs have shut down their businesses under the huge pressure of losses while others

are adopting different means and techniques to sustain their business amid the new situation.

The government earmarked a stimulus package of Tk 300 crore for SME entrepreneurs to save and re-establish their businesses.

Lotifa Shawkat Rupa, an entrepreneur of Jashore who has experienced ups and downs over the past two years, said, "the government gave us a stimulus package but it would be better if they reduce the instalments."

Women entrepreneurs could once have gone abroad to take part in international trade fairs.

"By selling our goods we could have earned a lot of money but the initiative has been stopped since 2020," she added.

Tarana Tabassum, an entrepreneur of Khulna, said they have no platform of supply chain from which they can sell their products.

"There are more than 2,000 women entrepreneurs across the country but we have no supply chain platform to

showcase and sell our products. This time it is a big problem. We are producing goods but can't sell them for the dearth of a supply chain platform," she said.

Bangladesh hosts an international trade fair once a year that everyone looks forward to and fights to book a stall but it is not possible for small entrepreneurs to take a stall by competing with big companies.

"So, the government should organise more fairs to a large extent for us," Tabassum added.

Zuyema Fardous Mitul, an entrepreneur in Rangpur, said although all types of businesspeople are sufferers, those who made diversified products are facing different challenges at this time.

She said they sell products that are all luxury items and so, people will only buy them when they have the purchasing power.

But ever since the pandemic period, lower, lower-middle and middle-class people come under financial pressure while the current situation has aggravated it further.

"Most small entrepreneurs in the country earn within Tk 15,000 to Tk 20,000 per month. Then how is it possible for them to get stimulus loans by meeting the bank's stipulations?" she said.

Irin Parveen, an entrepreneur of Sherpur who deals in nakshi katha, bed sheet, saree and three-pieces through Ananna Boutique centre, said she kept the shutter open in fear of losing workers amid the pandemic.

"Banks are always in doubt about women's ability to repay loans. So, they are reluctant to give them.

This is a big challenge for women entrepreneurs but I think banks should give us more loans so that we can establish our own shops or factories," she said.

"If they would get financial support from the government or

banks or any other non-banking financial institutions, they could be big and famous entrepreneurs and contribute to the national economy," Parveen added.

Entrepreneur Uroshi Mahfila Fatema said she is trying to survive by reducing the volume of production.

"I didn't apply for loans from the stimulus package because I do not think the timeframe the banks give us to repay the loans is sufficient for entrepreneurs like me," she said.

"On the whole, we are in a devastated situation. We are worried about where to sell our products by spending added costs. In such a situation, this type of condition-based loan will create an extra burden on us instead of benefit."

"As an entrepreneur, I think time is most important now. If the government would give us a five-year repayment tenure, it would be better for all to survive," said Fatema, who runs the She's store at Sapura, Boyalia in Rajshahi.

Keeping shops or factories open, those who have been doing businesses in a constructive way, it is difficult for us to survive overnight, she added.

Fatema then questioned why she should even take a loan if she cannot benefit from it.

The SME Foundation distributed Tk 300 crore of the stimulus package among marginalised SME entrepreneurs with an interest of 4 per cent.

Of the beneficiaries, women entrepreneurs got 26 per cent. The funds were distributed among 3,801 entrepreneurs, of which 68 per cent received less than Tk 10 lakh.

The SME Foundation also started sending entrepreneurs to international trade fairs.

"We have sent 20 SME entrepreneurs to Nepal for an international SME fair and will send

another 14 entrepreneurs to New York in February next year," said Md Mofizur Rahman, managing director of the SME Foundation.

He went on to say that they organised a programme called "Suppliers' Platform For Women Entrepreneurs" in Dhaka recently with the collaboration of the World Bank to develop supply linkage and supply chain access for women entrepreneurs.

Banks also help entrepreneurs regardless of whether they are small, medium or big companies run by men or women. Currently, 22 banks are working in different districts across the country under the "Skills for Employment Investment Programme (SEIP)" to create more entrepreneurs.

Shaminoor Rahman, SME head of Bank Asia, said they recently rebranded a product called "Neelima" for the development of women entrepreneurs on the occasion of International Women's Day.

"Bank Asia is conducting a skill development training programme known as "SEIP" under the guidelines of Bangladesh Bank for the new entrepreneurs, where we are giving more opportunities to women"

"We are jointly working with the SME Foundation on refinancing programmes. We have a collaboration with "Joyeeta Foundation" and a women's platform called "We Connect", Rahman said.

Md Abdur Rahmin, senior vice president and head of SME and agri Investments at Shahjalal Islami Bank, said they have recently signed a collaboration programme with the central bank under which they will run a month-long training programme with the participation of selected 30 new women entrepreneurs.

The programme will take place in August, he added.

Invest in small business

FROM PAGE J1

He urged the government to further ease the access to financing for MSME clients.

The Daily Star spoke to a number of MSME entrepreneurs and all of them said they are facing an uphill battle amid the price hike of raw materials.

Yesmin Akter, an SME entrepreneur from Cumilla's Kaptan Bazar who owns a food processing venture known as Ocean Food Products, said the prices of all required materials – peanut, oil and flour – have soared, but prices of finished products remain the same.

"The price of materials can increase all of a sudden but we cannot increase the price of our products as customers would react negatively."

Yesmin said she took loans from the government stimulus package.

"But the loan will not rescue me from the current trap of price rise," she added.

Shobol Paul, owner of KB Pottery Industry in Kushtia's Kumarkhali upazila, said the situation is worse now than what it was in the pandemic as the price of most raw materials shot up by almost 50 per cent.

Asked about the role of the SME Foundation in providing loans to the MSMEs, Md Mofizur Rahman, managing director of the foundation, said they are not financially strong enough to help entrepreneurs outside of their listed members.

"But what we have done for them is recently organise national and regional SME fairs. We even help them hold fairs when their respective association is organising it. I believe these things have helped them revive their businesses."








He said the SME Foundation has trained many entrepreneurs to increase their financial literacy so that they do not come back from the bank and non-banking financial

institutions empty handed.

"We drove mass campaigns at the divisional level and some important districts, where we brought officials and representatives of Bangladesh Bank, public and private banks together with small entrepreneurs from across the country to minimise the gap and misunderstandings

among them," Rahman added.

In the latest development, large industries, SMEs and the flood-hit agriculture sector will enjoy a flexible loan repayment facility up till December this year as Bangladesh Bank on June 22 revived the partial loan moratorium amid a deepening economic crisis.

SME Banking for Women Entrepreneurs

Shahjalal Islami Bank Limited (SJBL) is extending investment to Women Entrepreneurs for their business all over the country on easy terms and conditions.

Women Entrepreneurs are provided investment up to a maximum of Taka 50 lakh in any project of SME sector.

Shahjalal Islami Bank
L I M I T E D
Committed to Cordial Service

www.sjblbd.com

দেশের অর্থনৈতিক উন্নয়নের লক্ষ্যে এসএমই ব্যাংকিংয়ের আওতায়
এক্সিম ব্যাংকের বিনিয়োগ সেবা

**এক্সিম
অবলম্বন**

ক্ষুদ্র ও মাঝারী পর্যায়ের ব্যবসা এবং শিল্প প্রতিষ্ঠান পরিচালনা এবং সম্প্রসারণের জন্য শরীয়তাহ ভিত্তিক বিনিয়োগ স্কিম

**এক্সিম
উদ্যোগ**

ক্ষুদ্র ও মাঝারী পর্যায়ের পোলট্রি, ডেহেরি ও মৎস্য খামারের স্থায়ী ও চলতি মূলধনী বিনিয়োগের উদ্দেশ্যে পরিচালিত বিনিয়োগ প্রকল্প

EXIM এক্সপোর্ট ইমপোর্ট ব্যাংক
BANK অব বাংলাদেশ লিমিটেড
শরীহা ভিত্তিক ঐক্যবদ্ধতা

কন সেক্টর 16246

WALK THE TALK



Md Kamruzzaman Khan

Executive Vice President, Head of SME, LankaBangla Finance Limited

We intend to conduct every action through a digital platform in order to make financial inclusion more accessible. In this context, necessary steps have been taken to digitise CMSME loan distributions to remote locations as fast as possible. Our long-term ambition is to establish a digital bank.

Bangladesh Bank's new interest rate cap for NBFIs will stifle loan distribution for CMSMEs. Because of the nature of their businesses, CMSME's loan ticket size is quite tiny, and the supervision and monitoring costs are excessively high. As a result, by funding at 11 per cent, NBFIs will face significant challenges in expanding their CMSME loan portfolio. So, excluding CMSME loans from the interest rate cap would be a fantastic initiative.

Kamrul Mehedi

Head of Small, Microfinance and Agent Banking, The City Bank Limited

We started our journey in 2018 and are currently the fastest growing bank in financing the CMSME segment. Our current loan portfolio is TK 2,500 crore to 22,000 small entrepreneurs and we aim to reach Tk 5,000 crore by 2024 with 40,000 active cottage, micro and small entrepreneurs. We are currently increasing our geographical footprint leveraging our agent banking points in deeply rural parts of the country and set our strategic plan to increase it to 300 geographical locations by 2024.

Due to the pandemic and political conflicts, global as well as local economies are severely impacted. Inflation is too high to survive in the possible global economic recession. The most impacted businesses belong to the CMSME segment. Producing intended growth will be challenging if policy support is not ensured.



Md Shaminoor Rahman

Executive Vice President and Head of MSME and Agri Division, Bank Asia

We have already started financing through Channel Banking to the unbanked, rural and marginal cottage, micro, small and medium enterprises (CMSME) along with our regular branch distribution channel. We have introduced a digital platform in order to expedite the approval process of CMSME loans and taken initiatives to finance the start-ups to start, sustain and expand their business as well.

With special focus on women entrepreneurship development, we have introduced cluster based financing which has been playing the role of a catalyst in the growth of CMSMEs in the country.

Flexible terms on credit guarantee support may be provided by the government for the vulnerable CMSME entrepreneurs, especially women entrepreneurs.

Md Ahsan Jamil Hossain

Senior Assistant Vice President and Head of SME, Midland Bank Limited

CMSME is a priority investment sector for us as it is one of the economy's thrust sectors. Midland Bank is continuously developing CMSMEs through financing as well as enhancing the opportunity of inclusive growth. Besides, we have taken future strategies, such as enhancing the range of business areas, proper utilisation of our network, developing new loan products for easy financing, enhancing linkage programmes and effectively utilising the refinance scheme of Bangladesh Bank.

To develop CMSMEs, the government has extended many credit schemes through Bangladesh Bank. If the legal procedure under Artha Rin Ain and NI Act become faster and easier, it will be more encouraging for financial institutions to finance CMSMEs on a wider scale, which will eventually contribute to the country's macroeconomic development.



www.midlandbankbd.net

24/7 16596

**আপনার সঞ্চয় দ্বিগুণ
করুন ৩/৪/৫/৬ বছরে
সুবিধাজনক মেয়াদে**

**এমডিবি ডাবল বেনিফিট প্লাস
অথবা এমডিবি সালাম ডাবল বেনিফিট প্লাস**
(ইসলামী ব্যাংকিং পণ্য)

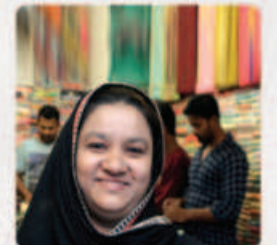
এ বিনিয়োগের মাধ্যমে

যেকোন সময় যেকোন স্থান থেকে

মিডল্যান্ড অনলাইনে (ইন্টারনেট ব্যাংকিং) অথবা শাখায় এসে



“**বাংলাদেশের
অর্থনৈতিক উন্নয়নের প্রাণ
অতিক্ষুদ্র, ক্ষুদ্র ও মাঝারী
শিল্প**”



সহজ শর্তে ও কিস্তিতে ঋণ পরিশোধের সুবিধা সম্বলিত
সাইথইস্ট ব্যাংকের এস.এমই ঋণ গ্রহণের মাধ্যমে আপনিও হয়ে উঠতে পারেন
অর্থনৈতিকভাবে স্বনির্ভর।



বিস্তারিত জানতে সাইথইস্ট ব্যাংকের যেকোনো শাখায় যোগাযোগ করুন।



M Shahidul Islam

Managing Director, Shahjalal Islami Bank Limited

Micro, small and medium enterprise (MSMEs) banking is growing very rapidly in recent years in Bangladesh. However, there are many challenging aspects to MSME banking, particularly in risk management. Shahjalal Islami Bank Limited (SIIBL) has established an Investment Risk Management - SME Division to look after the business of MSMEs independently to make investments convenient for customers and also simplified the process for quick disposal.

It has been observed that MSMEs are facing tremendous challenges in marketing their products and require a common marketing platform that will ensure minimum prices. Furthermore, uneven competition from the corporates needs to be restricted so that financially weak entrepreneurs could survive and increase their competitiveness as well as capacity. Credit guarantee scheme coverage needs to be widened for unsecured investments in the MSME sector to minimise the risk of banks.

Syed Abdul Momen

Deputy Managing Director and Head of SME Banking, BRAC Bank

Along with ensuring easy access to finance for CSMSEs across Bangladesh, we are also working to ensure easy market access for their products through local and global affiliations, convenient transaction solutions, increasing women engagement and developing entrepreneurship skills, and setting up agent banking and sub branches in rural areas along with digital solutions primarily focusing on urban SMEs.

The government aims to boost CSMSEs' contribution to the economy. BRAC Bank is the top financial institution which provides unsecured loans to CSMSEs and we know the lack of collateral restrains them from easy financial access. Since we are penetrating small enterprises more than larger ones, we have to allocate most of the costs to operational activities. We are in the process of minimising operational costs through the digitization of loan processing but we expect the government will be more lenient in revising the lending cap.



Md Mostaque Ahmed

Deputy Managing Director and Chief Emerging Market Officer, Dhaka Bank Limited

Dhaka Bank has been in a continuous pursuit of increasing its exposure in the cottage, micro, small and medium (CMSME) segment.

The DBL Start-up Fund (a term loan facility for new/start-up businesses) was launched to encourage and support young entrepreneurs and transform their innovative ideas into businesses.

To further ease financing for MSME clients, the following areas could be options for the government and Bangladesh Bank:

1. The definition of trading customers may be considered up to Tk 30 crore on a turnover basis and max loan limit Tk 10 crore.
2. Newly introduced credit guarantee schemes could be revised to cover partially secured loans, set the limit at Tk 1 crore, reduce fees from 1 per cent to 0.50 per cent and accommodate medium enterprise loans.
3. Renewal of stimulus loan for another year.

Md Khalid Mahmood Khan

Deputy Managing Director, Mutual Trust Bank Limited

MTB has always acted as a strong development partner of MSMEs in the country. We strongly value the importance of MSMEs for the sustainable growth of the economy. Our target is to ensure innovative, diverse, and inclusive financing throughout all our physical and virtual platforms to the MSMEs facing challenges in accessing finance.

The government is extending all possible assistance to keep MSMEs at the centre of all economic development. I would like to urge the government to review a few propositions to ensure speedy and effective growth of MSMEs in coming days:

- 1) Develop a common database for MSMEs.
- 2) Separate the tax/duty structure of MSMEs to have better competitiveness.
- 3) Provide an alternative to Trade licences for women engaged in F-commerce and running business operations from residential areas.
- 4) Bring all MSMEs under coverage of credit guarantee schemes.



Sheikh Moyeen Uddin

Additional Deputy Managing Director and Head of MSME, EXIM Bank

MSME is an identified thrust sector for ensuring financial inclusion and sustainable growth in Bangladesh's economy. We should look at the development history of China, Japan, South Korea and even neighbouring India, where the MSME sector is used as an engine for growth. Our government has also realised the issue and declared it as a priority sector and taken several realistic measures to promote and speed up their development. There are even some challenges that need to be addressed. This includes building awareness towards certain mindsets and commitment among all stakeholders i.e. customers/entrepreneurs. Similarly, bankers, utility service providers, developers, the administration and regulators, and specific trade bodies should implement measures successfully through concerted efforts.



অহনা

জামানতবিহীন উদ্যোক্তা ঋণে বিকশিত হোক সম্ভাবনা

আপনার সামর্থ্য ও আত্মবিশ্বাসকে আরও অর্থপূর্ণ করতে জামানতবিহীন সহজ উদ্যোক্তা ঋণ 'অহনা' নিয়ে লংকাবাংলা আপনার পাশে। এখন নিজের পায়ে দাঁড়ানোই শুধু নয়, সম্ভাবনার পরিপূর্ণ বিকাশে ছড়িয়ে দিন আপন পরিচয়। স্বপ্নগুলো পূর্ণ করে সমৃদ্ধির পথে চলুন এগিয়ে। পাশে আছি, পাশেই থাকবো।



**জাতীয় অর্থনীতির জীবনীশক্তি
সকল ক্ষুদ্র ও মাঝারি উদ্যোক্তা**

যাঁরা কোভিড-১৯ অতিমারি ও শত প্রতিকূলতাকে জয় করে দেশের অর্থনীতির চাকা সচল রেখেছেন, তাঁদের জানাই আন্তর্জাতিক এম.এস.এমই দিবসের শুভেচ্ছা।



সম্ভাবনার পন্থ দেখতে স্ক্যান করুন

Star BUSINESS



Although the government has reduced rice import duty, prices of the crop have been edging upwards in the face of scant supply amid increased demand. PHOTO: STAR/FILE

Legalising laundered money to cost even less Corporate tax cut condition may ease

REJAUL KARIM BYRON and DWAIPAYAN BARUA

The government is likely to bring some changes in its budget proposals, including enabling one of its three offers at legalising laundered money to require even lesser tax payments.

However, what will remain unchanged are the other two offers declaring unquestioned amnesty at legalising undisclosed assets or cash stashed in foreign shores.

This is for the first time the government placed such a proposal of giving amnesty to the



undisclosed asset or money laundered outside the country in exchange of 7 to 10 per cent tax.

Economists termed it "ethically unacceptable" as it would further encourage money laundering.

Finance Minister AHM Mustafa Kamal in his budget speech on June 9 proposed the three provisions.

One focuses on legalising any movable assets like cash or cash equivalents, bank accounts, securities and financial instruments, squirreled away in foreign shores by paying a 10 per cent tax.

The tax percentage may now be reduced to 7 per cent.

This amendment, alongside others, would be proposed when the finance bill is passed in parliament on June 29.

Of the other provisions, one says Bangladeshi citizens who have immovable assets bought outside the country with undeclared income from Bangladesh can legalise those by paying 15 per cent of the fair market value of the assets in tax.

The remaining offer focuses on the same wealth as that of the first offer, any cash or cash equivalents, bank deposits, notes and accounts,

READ MORE ON B3

Rice gets costlier despite massive duty cut

SOHEL PARVEZ and MOSTAFA SHABUI

Rice prices have edged up in Bangladesh in the last couple of days despite the cut in customs tariffs on the import of the staple food to 25 per cent to increase supply and contain prices.

The spike will deal a major blow to the poor and lower-income groups who are already struggling to make ends meet amid rising food inflation, which rose to an eight-year high in May.

The prices of paddy (fine grain) went up by up to Tk 100, or 7 per cent, to Tk 1,400-Tk 1,450 per maund (37.5 kilogramme) a from a couple of days ago in some districts in the northwestern region, one of the major rice-growing regions in the country. Coarse paddy prices also increased.

Prices of all varieties of rice also shot up.

Millers say the price went up as traders found that importers would not be able to make a profit if they bring in the grain from abroad by paying the newly fixed import tariff.

Retailers in Dhaka sold fine rice at Tk 64-80 per kg yesterday, up 3.6 per cent a

week ago. Consumers also had to buy the medium and coarse grains at higher prices than the previous week, according to the market prices data compiled by the Trading Corporation of Bangladesh (TCB).

Abdul Bari, a local paddy trader in Bogura's Nandigram upazila, said paddy prices climbed by around Tk 100, or 7 per cent, per maund to around Tk 1,450 in his locality from a week ago.

Globally, food prices have been on the rise for the past few months and rice, a staple food in much of Asia, is expected to see a rise.

The Food and Agriculture Organisation Food Price Index already shows that international rice prices went up for the fifth straight month in May to reach a 12-month high.

Prices strengthened in all major market segments in May, the UN agency said.

"Prices are unlikely to decline unless the import duty is lifted," said Chitta Majumder, managing director of Majumder Group of Industries, which runs rice mills and imports the grain.

According to the businessman, the prices

of paddy shot up since the government brought down the import duty as traders and millers in the supply chain found that the import cost would not be lower than the current prices in Bangladesh.

The prices of fine variety would be Tk 65 per kg if imported from West Bengal

crop, driven by a speculation of crop losses, low yield for flood and unfavourable weather and hoarding by many traders.

As per a notification issued by the Internal Resources Division under the finance ministry, importers will be able to bring rice by paying a 25.75 per cent import duty, down

Nirod Boron Saha, president of the Paddy and Rice Stockists and Wholesalers' Association in Naogaon, said prices of paddy rose after the duty was cut.

"We had suggested the government remove the import duty to contain the rice prices. But the government did not do so."

Golam Kibria Bahar, a miller and importer in Bogura, said rice prices in India went up by Tk 2 to Tk 3 per kg after Indian exporters came to know about Bangladesh's move to more than halve import duty to encourage imports.

KM Layek Ali, general secretary of the Bangladesh Auto Major and Husking Mill Owners Association, said it would take time for the duty cut to have an impact on the local market as the importers are yet to start the process to import from India.

At present, prices are increasing due to lower imports and yield of the paddy owing to the unfavourable weather in the immediate Boro harvests.

"Millers are not getting the amount of rice from paddy they got in the previous years. Most of the paddy was not mature this year due to the bad weather," said Ali.



now, whereas the wholesale prices of the same quality rice are Tk 61-62 in Bangladesh.

The prices of the medium grain, known as Swarna, would also be higher if imported from the neighbouring country, said Majumder.

On Thursday, the government more than halved the import tariff in the face of a spiral in the prices of rice even during the peak harvesting season of Boro, the largest

from 62.5 per cent earlier.

The ban on wheat exports by India last month and the ongoing flood in Bangladesh have cemented worries about the availability of the cereal in the country. Importers will have to take permission from the food ministry to import every consignment.

Yesterday, the food ministry published the application form to enable businesses to apply for the import of the grain.

Govt guarantee for state enterprises' loans on the rise

SOHEL PARVEZ

The government guarantee given to state enterprises against their loans edged up further this fiscal year as demand from agencies seeking support security to generate power, and provide food and fertilisers at subsidised prices has increased.

The state's guarantee given to publicly owned enterprises is going to rise 25 per cent to Tk 92,601 crore in the next fiscal year from Tk 73,835 crore in the outgoing fiscal year, according to budget documents released by the finance ministry.

This is the third consecutive year the government guarantee against loans negotiated by various state-owned financial institutions and non-financial enterprises has spiked.

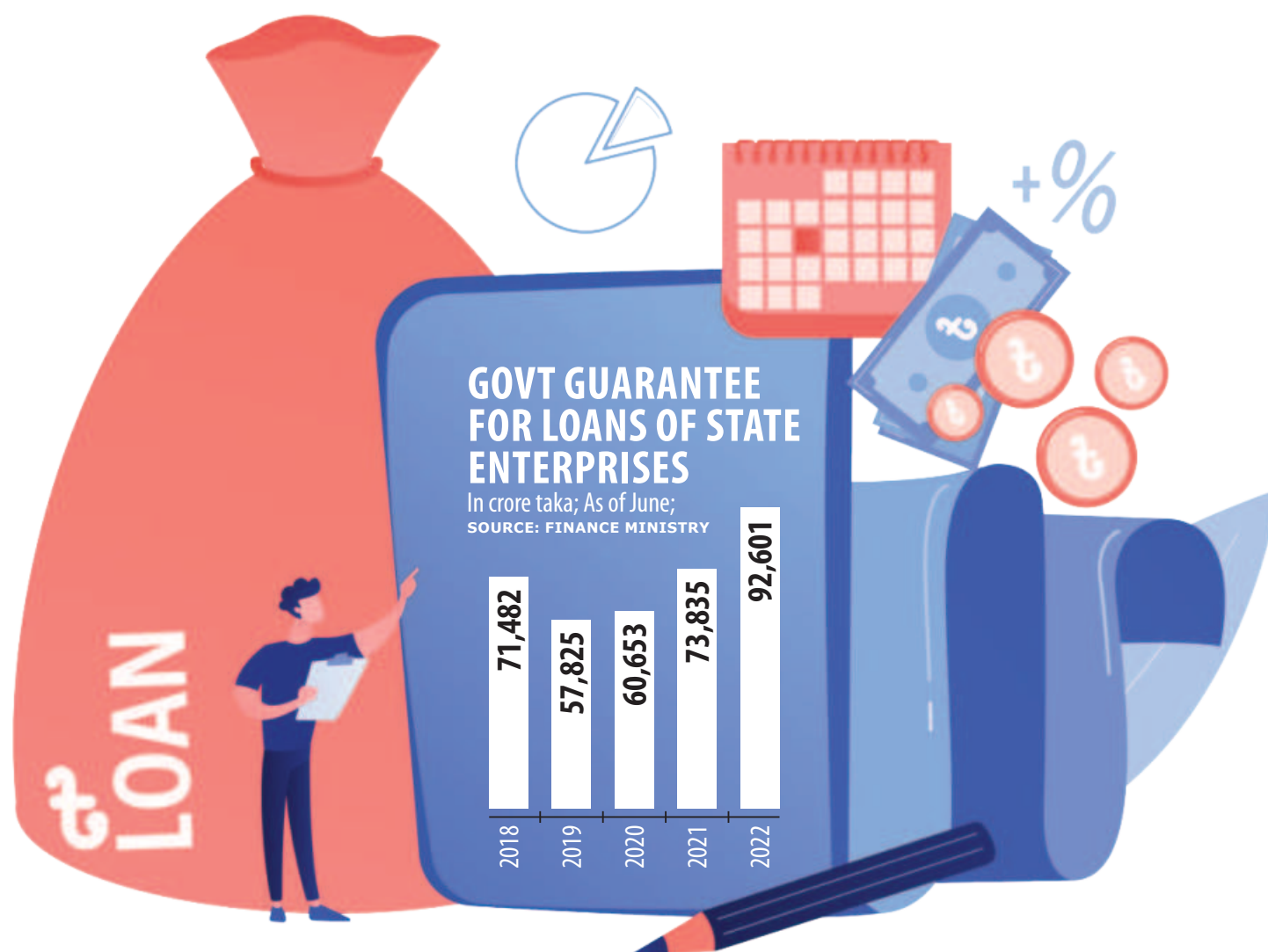
If the state agencies fail to pay back their loans in time, the guarantees are invoked and liabilities for payment are passed on to the government, the finance ministry said in a budget brief for the fiscal year starting on June 30.

This may have future fiscal implications, it added. Economists said the government should be cautious of the burden of guarantee as contingent liabilities of the government are increasing. In case of failure on behalf of the enterprises, the state will have to pay back the loan to the lenders.

Analysts recommend the government should consider the viability of the enterprises and examine whether the security that would be given to the organisation is worthwhile, he added.

At the end of the fiscal year ending in June 2019, the government guarantee given against loans to state

READ MORE ON B3



Stock index, turnover lowest in a month

STAR BUSINESS REPORT

All three indices of the Dhaka Stock Exchange slipped into the red yesterday as investors have taken a cautious stance amid persisting macroeconomic worries.

The DSEX, the broader index of the premier bourse in Bangladesh, was down 26.56 points, or 0.42 per cent, to close at 6,301, falling to the lowest level in a month.

The DSEI Index, which represents the Shariah-based companies, slipped 0.29 per cent to 1,378.86, while the DS30 Index, which consists of the blue-chip firms, lost 0.52 per cent to 2,286.60.

In its daily market review, International Leasing Securities Ltd blamed the selling spree of jittery investors for the decline.

Investors also decreased their participation in the

READ MORE ON B3



Barabari Haat, next to the Rangpur-Kurigram highway in Barabari village of Lalmonirhat sadar upazila, is one of the largest markets for the sale of cattle in Rangpur division, which comprises eight districts. Sitting every Wednesday, it draws individuals and wholesalers even from Dhaka and witnesses sale of a couple of thousand livestock each time. However, recent floods in the region have forced farmers to sell their cattle early, resulting in a surge in supply and a drop in prices. PHOTO: S DILIP ROY

Britons, shaken by rising cost, cut back on shopping

REUTERS, London

British consumers cut back on shopping in May in the face of fast-rising inflation, and a measure of their confidence sank to a record low this month, according to data that underscored the scale of the cost-of-living squeeze.

The Office for National Statistics said on Friday that sales volumes in May fell by 0.5 per cent on the month, a slightly smaller decline than the 0.7 per cent drop expected by economists polled by Reuters.

But the ONS also slashed its estimate for month-on-month sales volumes growth in April to 0.4 per cent from an originally reported 1.4 per cent after an annual review of its seasonal adjustments process.

May's fall was driven by weaker food sales, Heather Bovill, ONS deputy director for surveys and economic indicators, said.

"Feedback from supermarkets

"The consumer mood is currently darker than in the early stages of the Covid pandemic, the result of the 2016 Brexit referendum and even the shock of the 2008 global financial crisis, and now there's talk of a looming recession," says Joe Staton, client strategy director at GfK

suggested customers were spending less on their food shop, because of the rising cost of living," she said.

Earlier on Friday, Britain's longest-running gauge of consumer confidence, the GfK survey, fell to its lowest since records began in 1974.

"The consumer mood is currently darker than in the early stages of the

Covid pandemic, the result of the 2016 Brexit referendum and even the shock of the 2008 global financial crisis, and now there's talk of a looming recession," Joe Staton, client strategy director at GfK, said.

Other data published this week which has raised questions about how much higher the Bank of England can raise interest rates, after five hikes since December, without pushing the economy into a recession.

Worries about the hit to living standards contributed to two defeats on Friday in parliamentary by-elections for Prime Minister Boris Johnson's Conservative Party.

Johnson responded to the losses by pledging to do more to tackle the cost-of-living crisis, read more

Overall UK inflation is running at a 40-year high of 9.1 per cent and, according to the Bank of England, is set to rise further to more than 11 per cent in October.

Sterling weakened briefly after the retail sales data before recovering.

The ONS said food store sales fell by 1.6 per cent in May from April, the biggest monthly fall since January.

"Many customers are buying down, particularly with food, choosing value range items where they might previously have bought premium goods," Helen Dickinson, chief executive of the British Retail Consortium, said.

Automotive fuel sales volumes rose by 1.1 per cent, possibly reflecting a fall in the number of people working exclusively from home, the ONS said.

The ONS said retail sales in the three months to May fell by 1.3 per cent after falling by 1.4 per cent in the three months to April.

Compared with a year ago, sales volumes were 4.7 per cent lower.

Excluding fuel, which has soared in price, sales volumes were down by 0.7 per cent on the month and by 5.7 per cent in annual terms.

Islami Bank brings Mastercard dual currency card

STAR BUSINESS DESK

Cellfin, the omni-channel banking app of Islami Bank Bangladesh Ltd (IBBL), recently rolled out a dual currency-supported virtual prepaid card of Mastercard.

Mohammed Monirul Moula, managing director of the bank, inaugurated the card at a hotel in Dhaka, a press release said.

The card enables fund transfers to cards or accounts of any bank connected to the National Payment Switch Bangladesh, the Bangladesh Electronic Funds Transfer Network or the Real Time Gross Settlement network.

Merchant payment, bill and fee payment, e-ticketing and mobile recharge can also be done. The card will enable purchase from any local or foreign e-commerce sites. Customers will have to have foreign currencies endorsed against their passports to carry out international transactions.

Vikas Varma, chief operating officer of Mastercard for South Asia, and Syed Mohammad Kamal, country manager of Mastercard, were present.

Midland launches 2 deposit schemes

STAR BUSINESS DESK

Midland Bank Ltd recently introduced two new deposit schemes – MDB Double Benefit Plus Scheme and MDB Saalam Double Benefit Plus Scheme – on the occasion of the ninth anniversary of the private commercial lender.

Md Ahsan-uz Zaman, managing director of the bank, inaugurated the products at the bank's Gulshan head office in Dhaka, a press release said.

Customers can open the schemes at the branches and agent banking outlets as well as through the bank's internet banking application. Md Zahid Hossain, deputy managing director of the bank, was also present.

Oil price settles up

REUTERS

Oil prices settled up by more than \$3 a barrel on Friday, supported by tight supply, but they notched their second weekly decline on concern that rising interest rates could push the world economy into recession.

Brent crude settled up \$3.07, or 2.8 per cent, at \$113.12 a barrel by 12:10 pm EDT (16:10 GMT). US West Texas Intermediate (WTI) crude settled up \$3.35, or 3.2 per cent, at \$107.62.

The US Federal Reserve "was talking very hawkish which was undermining the oil rally, but sentiment is changing a little especially on strong economic data," said John Kilduff, partner at Again Capital LLC in New York. On Thursday, Fed Chair Jerome Powell said the central bank's focus on curbing inflation was "unconditional", adding to fears about more interest rate hikes.

Rethinking SMEs

FROM PAGE B4

Given the importance of SMEs to the economy, banks need to ensure that they are serving this largely underserved market. A lack of access to finance is still the main constraint hampering the growth of SMEs. This approach has to be changed.

Banks are still fighting for a few tested customers, whereas there are potential SME entrepreneurs whom they are depriving.

Taking over loans from one financial institution by another does not help the economy while onboarding a new customer will do. The government and regulators should support a credit guarantee scheme for new customers onboarded by banks. This will help banks take a major leap forward.

Addressing the needs of the manufacturing and services sectors will give additional momentum to our overall growth.

Social media, especially Facebook, LinkedIn and

Instagram, has transformed the relationship between customers and sellers in a more refined and sophisticated way. Digital marketing lets us communicate with our customers in real time.

The strong impact of digital marketing ensures we get results quickly for our advertising campaign and acquire new customers in a short time. So, digital marketing related training is urgently needed for our rural SMEs. Banks, NGOs and the government must take the proper initiative here.

SMEs are digitalising rapidly and expect their financial providers to follow the same.

Digitally advanced banks with a progressive fintech solution will dominate the market for short-term working capital loans initially, and subsequently, for more complex products as these firms assemble data about SME customers' business models, stock and inventory levels. This will subsequently

lead to increased product penetration post-onboarding.

Prominent banks will rapidly create new and alternative credit scoring models that are able to better predict credit risk for smaller SMEs, leveraging cloud and artificial intelligence technologies.

Technology will be a big part of the upcoming SME ecosystem for Bangladesh. Getting prepared right at this moment with a good harmony with related concerns will be the key to our future success.

It is not for the sake of SME entrepreneurs alone.

Different development goals taken by the government need the SME sector to flourish. The contribution of SMEs to the GDP has long been stuck at 25 per cent. We must break the barrier and boost the number through proper planning and synchronisation.

The author is a banker

Bank Asia disburses loans among 220 women farmers

STAR BUSINESS DESK

As part of its financial inclusion drive, Bank Asia Ltd has disbursed agriculture loans among 220 marginal women farmers with a view to making them financially solvent.

The private commercial bank lent Tk 1.8 crore at a 4 per cent interest rate to the farmers at an event at the Rajshahi Shilpakala Academy on June 23, under the stimulus refinance scheme of the Bangladesh Bank.

Mohammad Ziaul Hasan Molla, deputy managing director of the bank, presided over the event, while Mirza Abdul Mannan, a director of the Bangladesh Bank, graced the occasion as the chief guest.

Zulfikar Akhter Hossain, district livestock officer in Rajshahi, and Md Mozder Hossain, a deputy director of the Department of Agricultural Extension, Nurun Nahar, director for programme at Heifer International Bangladesh, and Shahnaz Akter Shahin, head of the agricultural credit department at Bank Asia, Tareq Ahmed, head of the Rajshahi branch, and Md Ekram Hossain, head of the Chapainawabganj branch, were also present.

China sets up yuan liquidity arrangement

REUTERS, Shanghai

China's central bank said on Saturday it had signed an agreement with the Bank for International Settlements to establish a Renminbi Liquidity Arrangement (RMBLA) that will provide support to participating central banks in times of market fluctuations.

The People's Bank of China (PBOC) said the arrangement's first participants, in addition to the PBOC, would include Bank Indonesia, the Central Bank of Malaysia, the Hong Kong Monetary Authority, the Monetary Authority of Singapore and the Central Bank of Chile.

Each participant will contribute a minimum of 15 billion yuan (\$2.2 billion) or the US dollar equivalent, it said. The BIS said in a separate statement that the funds could be contributed either in yuan or US dollars, and that they would be placed with the BIS, creating a reserve pool.



Mirza Abdul Mannan, director of the Bangladesh Bank, hands over a cheque to a woman farmer at the Rajshahi Shilpakala Academy on June 23. Bank Asia Ltd disbursed agriculture loans among 220 marginal women farmers with a view to making them financially solvent. PHOTO: BANK ASIA



Khan Ahmed Shuvo, member of parliament from Tangail-7 constituency, inaugurates a branch of Bengal Commercial Bank at Gorai in Mirzapur upazila in Tangail yesterday. Tarik Morshed, managing director of the bank, Shahid Hossain, adviser, and Md Naser, a director of the Federation of Bangladesh Chambers of Commerce and Industry, were present. PHOTO: BENGAL COMMERCIAL BANK



Md Nazrul Islam Mazumder, chairman of Exim Bank Ltd, virtually presides over the bank's 23rd annual general meeting yesterday. The meeting declared 10 per cent cash dividend for 2021. Mohammed Haider Ali Miah, managing director of the bank, Md Firoz Hossain, Md Humayun Kabir, Shah Md Abdul Bari, additional managing directors, Maksuda Khanam, deputy managing director, and Md Monirul Islam, company secretary, were present. PHOTO: EXIM BANK

Inflation in India

FROM PAGE B4

driven by supply-side factors, monetary policy still plays an important role when inflation rises since household price expectations are backward-looking.

"Inflation expectations influence not only households but also businesses and drive up pricing of food, manufactured goods and services. If they expect inflation to be high, even companies will defer their investment plans," he added.

Das also said India's economy is stable and

continues to steadily recover from the shock of the Covid-19 pandemic.

He said pressure on the rupee, which hit a record low of 78.39 against the dollar on Wednesday, was largely due to the monetary policy tightening in advanced economies to tackle high inflation.

"In such a situation, there will be outflow of capital from emerging market economies. It is happening across emerging market economies. This is nothing but the spillover of the monetary policy actions in advanced economies," he

said. But added that India's foreign exchange reserves are quite strong at around two and half times the country's short-term foreign debt and the country's macroeconomic fundamentals are far better than many other countries.

India's monetary policy committee (MPC) raised rates by 50 basis points earlier this month, after a 40 bps increase in May, to prevent growing inflationary pressure from becoming broad-based. Further hikes are expected in coming months.

LOCKDOWN IMPACT Shanghai fashion stores struggle to clear stock

REUTERS, Shanghai

Almost a month since Shanghai lifted its strict Covid-19 lockdowns, fashion retailers are stuck with piles of unsold stock as cautious consumers stay away from the commercial hub's glitzy shopping districts.

Curbs to stop the virus in Shanghai, China's fashion capital, ground the city of 25 million to a halt in April and May, leaving clothing and beauty product displays in stores untouched and containers of imported apparel stranded at port.

The city's re-opening this month saw a flood of goods ship from warehouses to store shelves already laden with merchandise unsold

Curbs to stop the coronavirus in Shanghai, China's fashion capital, ground the city of 25 million to a halt in April and May

during two months of lockdown. Normally around a fifth of all imported goods coming into China pass through Shanghai's port.

Days after Covid-19 curbs eased, large "sales" signs went up across Shanghai, with retailers from Lululemon to Victoria's Secret offering discounts to lure shoppers.

Even online retailers have struggled to clear a glut caused by lockdowns and supply interruptions. "This affected us a lot," said Josh Gardner, founder and chief executive of China market e-commerce partner Kung Fu Data, which manages online stores for 10 fashion brands, including G-Star Raw.

"In April, May on (China's major e-commerce) platforms, there wasn't a t-shirt to be found, we were sold out of summer stock and so was everyone else, there was just no product," he said.



Members of the World Trade Organization at a recent conference in Geneva reached a consensus that they will extend trade benefits for export products of countries like Bangladesh that will come out of the least-developed country (LDC) status. The photo was taken from an exposition of denim products in Dhaka in May this year.

PHOTO: STAR/FILE

Decision on LDC trade benefit extension may come next year

Senior commerce secretary says

STAR BUSINESS REPORT

The next WTO Ministerial Conference (MC) in December 2023 might have a decision on the extension of trade benefits for least developed countries (LDCs) which are due to make the United Nations status graduation to a developing one.

This was stated by Senior Commerce Secretary Tapan Kanti Ghosh at a press conference in the commerce ministry in Dhaka yesterday on the outcomes of a recently concluded World Trade Organization (WTO) MC12.

The WTO members countries at the MC12 held in Geneva last week reached consensus that they would extend the benefits for a certain period for a smooth graduation.

However, leaders of the countries did not particularly state when and for how long the benefits would be extended.

That the extension be anywhere from six years to nine years was a major demand to the global leaders.

Ghosh said an opportunity has been created for Bangladesh to avail the extension once it makes the graduation in

2026 but further negotiations were needed.

Commerce Minister Tipu Munshi was supposed to attend the briefing but could not for being infected with Covid-19 a second time.

Munshi led a six-member Bangladeshi delegation at the WTO MC12 where all 46 LDCs participated under the leadership of Chad, a country at the crossroads of North and Central Africa, while Bangladesh was their main spokesperson.

Regarding the Trade Related Aspects of Intellectual Property Rights (TRIPS), Ghosh said that consensus could be reached by the WTO members on allowing certain waivers was a major development.

This included allowing production of life-saving vaccines such as that for Covid-19 without any prior notice to companies holding patents in the respective countries. However, Bangladesh's demand for continuation of a TRIPS waiver in medicine production up to December 31, 2032, meaning even after its 2026 graduation, was not accepted.

Earlier, the WTO waived the TRIPS for the LDCs with regard to life-saving drugs, meaning that they would not have to pay

for patent rights, up to December 2032.

This enables the LDCs to produce and provide the medicines to their consumers at cheap prices.

Ghosh also said a preferential trade agreement with Nepal was scheduled to be signed soon and though Bangladesh was ready, Nepal was causing delays for some of their internal procedures.

Bangladesh's commerce minister held an important meeting with the Nepalese delegation at the WTO MC12 to expedite the signing, he said.

Another meeting was held with the Singaporean delegation to woo investment, said the senior secretary.

Last week, after intense negotiations for nearly six days and nights, the 164 member countries of the WTO reached consensus on seven major global issues to facilitate the growth of trade.

The issues include the WTO response to the Covid-19 pandemic and preparedness for future pandemics, food security, exemption of World Food Programme from food purchase restrictions during emergencies, e-commerce, TRIPS waivers and fisheries subsidies.

bKash sets up free health camps in flood-hit areas

STAR BUSINESS DESK

Mobile financial service provider bKash has set up free health camps at 10 areas in the flood-hit Sylhet, Sunamganj and Habiganj districts in order to help the people affected by the flood.

The areas include Sylhet Sadar, Bishwanath, and Gowainghat of Sylhet district, Sunamganj Sadar, Dera and Chhatak upazila in Sunamganj district, and Baniachong and Nabiganj upazila under Habiganj.

A large number of people are getting medical care, including first aid and medicines for water-borne and cold and fever-related diseases at the camps.

Doctors and medical assistants are serving the flood-affected people, said a press release, adding that pure drinking water, mobile charging facilities and temporary bKash agent services are also available there.

India plans safety rating system for passenger cars

REUTERS, New Delhi

India will introduce a safety rating system for passenger cars - a measure it hopes will encourage manufacturers to provide advanced safety features and will boost the "export worthiness" of vehicles produced in the country.

The road transport ministry said in a statement it will assign a rating of one to five stars for cars, based on tests assessing adult and child occupant protection as well as safety assist technologies.

The new system is slated to come into effect in April 2023.

French energy giants urge consumers to cut back on use

AFP, Paris

Consumers should start cutting back on their energy use immediately, the bosses of France's three big energy companies urged Sunday, warning of social tensions next winter unless reserves are replenished.

"The effort has to be immediate, collective and massive," Patrick Pouyanné of TotalEnergies, Jean-Bernard Lévy of EDF and Catherine MacGregor of ENGIE wrote in an op-ed piece in the JDD weekly.

The call came after the French government said this week it aimed to have its natural gas reserves at full capacity by autumn as European countries brace for supply cuts from major supplier Russia with the Ukraine war dragging on, and would build a floating terminal to receive more gas supplies by ship.

Govt guarantee for state enterprises'

FROM PAGE B1
agencies was Tk 57,825 crore. The amount grew later.

As of this June, the government guarantee given to the Trading Corporation of Bangladesh for buying various essential commodities such as soybean oil, lentil, sugar and onion increased to Tk 1,652 crore from around Tk 568 crore a year ago.

Its guarantee for fertiliser imports by the Bangladesh Agricultural Development Corporation (BADC) more than doubled to Tk 10,281 crore as of June 2022 from Tk 4,559 crore.

The security given against loans taken by state-run power companies increased 19 per cent to Tk 49,515 crore this year from Tk 41,692 crore a year ago, according to the finance ministry.

The finance ministry said the guarantee will be valid beyond June 30 this year.

Ahsan H Mansur,

executive director of the Policy Research Institute of Bangladesh, said the government has to take the liability of the loans in case the state enterprises fail to pay back the money.

"Ultimately, the loan taken by Biman has to be borne by the government," he added.

Mansur went on to say the burden of public debt and publicly guaranteed debt falls on the government and the guarantee given by the government as of June 30 this year is a sizable amount.

"The government should be careful about loans, whether the fund borrowed by a state enterprise is worthwhile," he said. "At the same time, the government takes the total debt, including loans borrowed by the private sector from abroad, because it will have to bear the burden in case of their failure to pay."

Khondaker Golam

Moazzem, research director of the Centre for Policy Dialogue (CPD), said the government guarantee is supposed to increase as the flow of grants declined.

"We are going for more commercial loans," he said. He said the government should be alert regarding giving guarantees.

"It should consider the viability of the organisation," Moazzem added.

Debapriya Bhattacharya, distinguished fellow of the CPD, said estimates of contingent liabilities are not fully transparent and figures are not usually accessible.

"This is one of the critical problems of our fiscal accounting," he added.

Second, the contingent liabilities are not included through overall public debt assessment, which leads to deceptively lower figures of debt stock and debt servicing.

"This then remains as an off-budget financing."

Third, he said, prudential fiscal management would demand certain limits on incurring contingent liabilities.

"All three violations put Bangladesh's fiscal management under risk. Finally, such fiscal accounting practices do not allow us to objectively assess the economic viability of the beneficiary state-owned enterprises."

In his book, called "Bangladeshe Budget: Orthoniti O Rajniti" (Budget in Bangladesh: Economics and Politics) published in March 2021, Akbar Ali Khan, former finance secretary and adviser to the caretaker government, said the government does not allocate funds against the guarantees it gives.

He suggested the government determine the actual amount of contingent liabilities and allocates possible annual amounts in the budget for the sake of transparency.

Europe's aviation industry frets despite strong summer start

AFP, Rome

Air traffic is booming this summer, but after European vacations are over will passenger demand hold up? The question was the focus of the annual congress of the Airports Council International (ACI) Europe in Rome this week, held at the cusp of the approaching peak season.

The summer period is shaping up to be by far the best since the beginning of the coronavirus crisis that has severely affected the airline industry since 2020.

Some airlines, such as Ryanair, and countries, in particular Greece, have already recovered or even exceeded their 2019 daily flight numbers, according to Eurocontrol, a pan-European air traffic agency.

Across the continent, air traffic was last week at 86 per cent of the same period in 2019, Eurocontrol

said, and expected to reach up to 95 per cent in August under its most optimistic estimate.

And companies are filling seats for the coming weeks despite the sharp rise in ticket prices, long lines in various airports from Frankfurt to Dublin to Amsterdam and strikes by flight attendants, pilots or air traffic controllers.

But after that? "Visibility is low because there is a lot of uncertainty," said Olivier Jankovec, director general of ACI Europe.

"We're now in a war economy in Europe, we have the prospect of a quite harsh recession, we have inflation at record levels, so how all of this is going to play into consumer sentiment... the jury's still out."

The director general for transport and mobility at the European Commission, Henrik Hololei, echoed that thought.

"We really need to tighten the seatbelt because there's going to be a lot of turbulence," he told delegates.

"We are entering... a period of uncertainty which we have never experienced in the last decade. And that of course is the biggest enemy of the business," he said.

Hololei listed the war in Ukraine, high energy prices and shortages of energy, food and labour.

"We have also interest rates which are going up for the first time in a decade," he said.

The price of jet fuel has doubled over the past year, with a refinery capacity shortage compounding the explosion in crude oil prices.

Fuel accounts for about a quarter of the operating costs of airlines, which have passed them on to consumers in ticket prices as they seek to refill coffers drained by the two-year health crisis.

Stock index, turnover

FROM PAGE B1
market amid a lack of clear direction about the economy, which is under strains because of the volatile exchange rate, abnormally high imports and rising inflation owing to a spike in global commodity prices and the lingering Russia-Ukraine war.

Turnover fell 13.1 per cent to Tk 594.4 crore, the lowest since May 26.

Losers outnumbered gainers with out of 381 issues traded during the session, 230 declined, 94 advanced and 57 remained

unchanged. Of the sectors, jute, telecommunication and food and allied achieved the highest price appreciation, while paper, general insurance and cement suffered the highest correction.

The investors' concentration was mainly focused on the textile, pharmaceuticals, chemicals and engineering sectors.

Among the individual companies, Global Heavy Chemicals topped the gainers' list, rising 9.91 per cent.

Meghna Insurance, Meghna Condensed Milk Industries, Prime Textile Spinning Mills, Fu Wang Food, Savar Refractories, and Meghna Pet Industries added 7.5 per cent to 9.7 per cent.

Imam Button Industries gave up the most, declining 2 per cent.

B e a c o n Pharmaceuticals, Paper Processing & Packaging, HR Textile, and Tamijuddin Textile Mills were also among the major losers.

Fu Wang Food was the most-traded stock with its

shares worth Tk 34 crore changing hands, followed by Shinepukur Ceramics, Metro Spinning, Monno Fabrics, and Shurvid Industries.

The Chittagong Stock Exchange also fell. The CASPI, the broader index of the bourse in the port city, ended at 18,573, down 0.24 per cent.

Of the 281 securities transacted, 83 gained, 162 lost and 36 did not see any price movement.

Turnover fell to Tk 21.64 crore from Tk 23.24 crore in the previous session.

FROM PAGE B1
convertible securities and financial instruments squirmed away abroad.

The difference is that it allows bringing those back through a 7 per cent tax payment.

The proposal stated that no question would be raised by any authority including the income tax authority about the source of any undisclosed asset located outside of Bangladesh if a taxpayer pays the declared amount of tax on such asset.

The budgetary proposal drew criticism from different corners while the issue was well discussed in the media.

The economists as well as Transparency International Bangladesh have called the scope unethical, saying it would encourage more money laundering.

In his post-budget media briefing, the finance minister, however, defended his proposal saying the move is aimed at bringing back black money home and including it in the mainstream of the economy and reaping benefits.

Another change is being planned on a corporate tax cut proposal.

The government proposed slashing the corporate tax by 2.5 percentage points for

all listed and non-listed companies subject to fulfillment of two conditions.

In order to be eligible for the reduced tax rate, companies must use the banking system to accept all receipts and incomes as well as carry out all expenses and investments of over Tk 12 lakh through bank transfers.

The government now plans to widen the threshold of expenses and investments to Tk 36 lakh.

Under the proposal, the corporate tax rate for the non-publicly traded company would be reduced to 27.5 per cent from the existing rate of 30 per cent.

For one-person companies, the tax rate has been proposed at 22.5 per cent against the existing rate of 25 per cent.

Meanwhile, the government may stick with its initial proposal of doubling the source tax on export proceeds to 1 per cent from existing 0.5 per cent even though exporters has been demanding retaining the previous rate.

Admitting this, a finance ministry official said exporters were already receiving more income from their exports due to an increase in the exchange rate of US dollar against the local taka.



Fishermen such as these once ran the risk of their catch going rotten before reaching the markets, especially in Dhaka, but that worry is now a thing of the past thanks to the opening of Padma Bridge. PHOTO: STAR/FILE

Padma Bridge to strengthen Patuakhali's fishing industry

Fresh fish, including hilsa, to reach Dhaka in just 6 hours

SOHRAB HOSSAIN, Patuakhali

Patuakhali, a southern district on the shores of the Bay of Bengal, annually produces about 1.23 lakh tonnes of fish, of which 36,000 tonnes are consumed locally while the remainder is sold in different parts of the country.

Local fishermen previously faced numerous difficulties in selling the perishable product but as the launch of Padma Bridge now facilitates direct shipping, they are expanding their farming capacities in anticipation of better prices and demand.

There are 26 rivers, 563 canals and 1.42 lakh ponds in Patuakhali, according to the District Fisheries Office.

About 1.23 lakh tonnes of fish are extracted from these waterbodies every year. Meanwhile around 46,000 tonnes of hilsa are extracted annually from the Bay of Bengal area adjacent to Patuakhali. The number of registered fishermen in the district is about 70,000.

Apu Saha, senior fisheries officer of Kalapara upazila in Patuakhali, said fishermen usually catch different species of fish from the sea. Hilsa is the most sought-after variety while tuna, some species of shrimp, pomfret, eel, and others are popular as well.

Some of these fish are dried before being marketed in the dry season while others are sold fresh.

"With the opening of Padma Bridge, the transport crisis will be over and traders will be able to make more profit by bringing fresh fish to the market,"



Saha added.

Patuakhali District Fisheries Officer Mollah Emdadullah said transport delays due to problems with the ferry often resulted in rotten fish that deprived fishermen and traders of a fair price.

But after the launch of Padma Bridge, traders will be able to send their goods directly to certain places, which will benefit them and strengthen the local fishing business, he added.

Fazlu Gazi, president of the Mahipur Fishermen's Association, a fish landing station near Kuakata, said trucks loaded with hilsa and other fish would stand at the ferry ghat for hours during the hilsa season, causing the fish to rot.

As such, traders had to count losses due to not being able to take their fish to the market on time.

But after the opening of Padma Bridge, they will no longer face transportation problems, he added.

Another fish trader, Anshar Uddin Mollah, said about 400 fishing trawlers from the Kuakata area catch fish in the sea and employ 5,000 to 6,000 workers. Most of the fish caught here is taken to the capital while they are also sent to Faridpur, Jhenaidah, Magura, Kushtia, Pabna, Rajshahi, Rangpur and other districts.

In the dry season, dried fish is mostly sent to nearby regions such as

Chattogram.

After the inauguration of Padma Bridge, it is now safer to send fish by truck from Kuakata to Dhaka, as well as reduce transportation costs.

Abdur Rahman, a truck driver, said that before Padma Bridge was launched, he used to charge Tk 18,000 to Tk 20,000 per trip from Kuakata to Dhaka.

"But now we are giving a trip to Dhaka for Tk 15,000 to Tk 16,000. Because earlier we had to stand at the ferry terminal for 10 to 12 hours or more but can now reach Dhaka in only 6 hours," he added.

Rahman also said that 25 to 30 trucks transport fish from Mahipur Fish Landing station to Dhaka every day during the hilsa season.

Abdul Jalil, a fisherman from Gangamati area of Kuakata, said he puts his life at risk when fishing in the sea.

"But for so long we have been deprived of the right market due to ferry problems. We also often suffered losses when truckloads of fish went rotten. But now that Padma Bridge has launched, we no longer have that problem," he added.

Abdul Jabbar, a fish trader from Patuakhali New Market, said he buys fish caught in different rivers and sends it to different parts of the country, including Dhaka.

"But because of not getting the ferry on time, our fish often rotted and we had to count losses. We do not fear any loss in this business after the launch of Padma Bridge and hope this industry will recover from now on," Jabbar added.

Rethinking SMEs

SALEKEEN IBRAHIM

The consequence of Covid-19 is not only limited to human health and well-being; the economy has been disrupted in a massive way.

It is the greatest public health catastrophe in living memory that created a major economic disaster. There was a pause in production in the affected countries, a collapse in consumption and confidence, and stock exchanges responded negatively to heightened uncertainties.

Both global and national GDP growth have taken a significant backward step. Unfortunately, many small and medium enterprises (SMEs) have closed.

Undoubtedly, Covid-19 has severely impacted many entrepreneurs in Bangladesh just like those in other parts of the world.

So, rethinking the SME ecosystem is the demand of the hour that would take the nation to the desired destination.

And without proper and immediate support to micro, small and medium enterprises (MSMEs), it will be really difficult for the country to attain Sustainable

Development Goals, turn Bangladesh into a developed nation by 2041 and achieve the Delta Plan 2100.

SMEs, by nature, are dynamic and a rapidly progressing segment, defined by diversity. The segment is a combination of unique businesses from different sectors and functions at various phases of the business life cycle, with different desires, mixed forecasts and often with owners or leaders with distinctly diverse characters.

Keeping the complex context in mind, the post-pandemic situation needs a new look, and SME support needs to be redefined by the government, think tanks, banks, chambers and other stakeholders.



Prominent banks will rapidly create new and alternative credit scoring models that are able to better predict credit risk for smaller SMEs, leveraging cloud and artificial intelligence technologies

In addition, there has to be a holistic approach to planning, which must have synchronisation between all related parties. Different approaches by different bodies having no harmony between them will not add any value. After ensuring proper harmony, we need to redefine and rethink the issues that might be the game-changer for the SME sector.

Familiarising and proper planning for cluster-based SMEs is required at this stage. We have to keep in mind that the cost is always a big challenge for the sector.

A cluster-based approach reduces the supply and distribution costs, thanks to the demographic convenience for both suppliers and buyers. But this approach with certain business facilities and incentives must be ensured first.

The advantages and rewards from the cluster-based approach are a win-win situation for all stakeholders since the quality of the product is ensured and pricing is competitive.

Business advisory support is one of the core issues that the SME sector lacks. The world is moving very fast with a lot of changes taking place every day. In many cases, SMEs do not have proper planning and do not get accurate advice.

They do not know when to expand their businesses, when to get finance, when to go slow and how to grow big. The advisory support will at least guide them with proper information, paving the way for them to stay on the right track.

READ MORE ON B2

G7 considering ways of capping Russian oil price

German official says

REUTERS, Schloss Elmau, Germany

Leaders of the Group of Seven rich democracies are having "very constructive" discussions on a possible cap on Russian oil imports, a German government official said on Saturday shortly before the start of the annual three-day G7 summit.

The proposal is part of broader G7 discussions on how to further crank up the pressure on the Kremlin over its invasion of Ukraine without stoking global inflationary pressures.

The Ukraine war, energy and food shortages and the darkening global economic outlook are expected to dominate the agenda of the summit that is taking place this year in Schloss Elmau, an alpine castle resort in southern Germany.

The United States, Canada and Britain have already banned imports of Russian oil while European Union leaders have agreed an embargo that will take full effect by end-2022 as part of sanctions on the Kremlin over its invasion of Ukraine.

With energy prices soaring though, the West fears such embargoes will not actually put a dent in Russia's war chest as the country earns more from exports even as volumes fall.

A price cap could solve that dilemma, while also avoiding further restricting oil supply and fueling inflation, officials say, but for it to work, it requires buy-in from heavy importers like India and China. "We are on a good path to reach an agreement," the official said.



A vendor speaks on a mobile phone as he waits for customers at a fruit stall in Mumbai. India's retail inflation eased marginally in May, after touching an eight-year high of 7.79 per cent in April, but remained above the central bank's tolerance band of 2-6 per cent for a fifth month in a row. PHOTO: AFP/FILE

Inflation in India to exceed target

Governor says

REUTERS, Mumbai

India's central bank is on course to bring down prices but the retail inflation rate is likely to remain above the top end of its mandated target band until December, Governor Shaktikanta Das said in an article in the Times of India on Friday.

"We are well on track to bring down inflation and inflation expectations. Until December, CPI is expected to remain higher than the upper tolerance level. Thereafter, it is expected to go below 6 per cent as per our current projections," Das said.

Retail inflation eased marginally in May, after touching an eight-year high of 7.79 per cent in April, but remained above the central bank's tolerance band of 2-6 per cent for a fifth month in a row.

Das said despite current inflation being READ MORE ON B2