Rafiqul Islam, managing director of Shimanto Bank, handed over a donation cheque worth Tk 10.50 lakh to Smrity Karmaker, managing director (additional secretary) to the prime minister's education assistance trust, in Dhaka recently. Kazi Delwar Hossain, director (additional secretary) to the prime minister's education assistance trust, and senior officials from both of the organisations were present. PHOTO: SHIMANTO BANK

Md Rayhan, chief executive officer of Walton Plaza, Humayun Kabir, deputy managing director of Walton, and actor Amin Khan, senior executive director, handed over a key of a car to Raton Lal Bashfore, a winner of Digital Campaign Season-18, at a programme held at Walton Plaza in Dhaka on Monday. Among others, Wahiduzzaman Tanvir, deputy executive director of Walton, was present. PHOTO: WALTON GROUP

Abdul Aziz, additional managing director of First Security Islami Bank, inaugurated two agent banking outlets at Jirongacha Bazar, Kaliganj in Satkhira and Shahbazpur Bazar, Barlekha in Moulvibazar from the bank's head office in Dhaka yesterday. Among others, Md Zahurul Haque, deputy managing director, was present. PHOTO: FIRST SECURITY ISLAMI BANK

Md Enayet Ullah, director of Al-Arafah Islami Bank, cut a ribbon to inaugurate its 211th branch at Basabo, Dhaka yesterday. Abdul Malek Mollah, director of the bank, Farman R Chowdhury, managing director, Shabbir Ahmed, deputy managing director, Jalal Ahmed and Mohammad Habib Ullah, senior vice-presidents, Md Monir Ahmed, zonal head of Dhaka South, and Islamil Hossain, branch manager of Basabo, were present. PHOTO: AL-ARAFAH ISLAMI BANK

Saiful joins Shahjalal Islami Bank as DMD

STAR BUSINESS DESK

MM Saiful Islam has joined Shahjalal Islami Bank Limited (SJIBL) as a deputy managing director (DMD) on Monday.

Prior to joining Shahjalal Islami Bank, Islam was serving Al-Arafah Islami Bank Limited as a senior executive vice-president and head of corporate investment concurrently, said a press release.

He started his career with Islami Bank Bangladesh as a senior officer in 1998 and also served Bank Asia. Islam has over 25 years of experience in the industry.

He obtained an MBA degree from the Institute of Business Administration of the University of Dhaka and completed a post-graduation in Certified Financial Planning (CFP) with honours from the Centennial College, Toronto in Canada.

Sterling rises

REUTERS, *London*

Sterling rose against a weaker dollar on Tuesday, but stickier than expected British inflation remains in focus ahead of a quiet week for the country's data calendar.

Investors were largely focused on moves in the U.S. dollar as a deal to raise the U.S. debt ceiling faces its first test in Congress, and on the yen, which strengthened after an impromptu meeting of Japan's finance ministry and central bank.

"It's (sterling) caught in the crossfire of the moves in the dollar and the yen and generally it's quite weak this week" said Adam Cole, head of FX strategy at RBC Capital Markets.

At 1013 GMT, the pound was 0.5 per cent higher against the dollar at $1.2416, and 0.35 per cent up against the euro at 86.39 pence.

Small investors souring on China's recovery

REUTERS, *Shanghai/Singapore*

The last great hope for China's faltering post-pandemic rally is fading as the nation's legion of small-time investors turns bearish on equities to double down instead on safer assets amid a stuttering economic recovery.

Brokers and money managers had expected billions of yuan in excess savings would find their way to the stockmarket this year as the economy gathered pace and enough uncertainty remained over real estate to leave equities the only game in town.

Yet just as foreign cash has failed to materialise in China's stockmarket, nervous households are also turning their backs to pile into bonds and deposits - leaving equity markets adrift.

After rallying 20 per cent from October to January, Chinese blue chips are handing back gains and are down 1 per cent year-to-date.

The Hang Seng is at 2023 lows, and sovereign bond yields are falling. The

easiest trade of the year is fizzling, and the lost momentum is keeping investors' money out.

"I am quite disappointed," said Eric Yu, a programmer in his 30s in Shanghai who's been investing for around three years.

"I will not put any more money into stocks until all my losses are recovered," he said. Rather, spooked by the spectre of tech layoffs and youth unemployment, he has been putting some half of his monthly income into wealth and deposit products.

"Safety is more important at this time ... I don't want to lose my principal."

Interviews with a dozen smaller investors showed the sentiment to be reasonably widespread.

China's small investors are also such a large force - accounting for some 60 per cent of turnover, according to China Securities Regulatory Commission Chairman Yi Huiman, compared with a JPMorgan estimate of less than 25 per cent in the United States - that their lack of interest shows up in market data.

China's securities margin trading balance, a measure of risk appetite, is hovering around one-month lows. Turnover in the A-share market is at the lowest level since early March.

Brokerage account creation, while volatile, likewise dropped off in April after promising momentum in February and March, China Securities Depository and Clearing data showed. Mutual fund launches, a proxy for investor interest, also fell away.

The broad Shanghai Composite (.SSEC) trades where it did early in 2022.

PRICES OF KEY ESSENTIALS IN DHAKA CITY

	PRICE (MAY 30, 2023)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 75	0	5.47 ↑
Coarse rice (kg)	Tk 48-Tk 50	2.08 ↑	0 ↑
Loose flour (kg)	Tk 55-Tk 58	0	21.51 ↑
Lentil (kg)	Tk 90-Tk 100	0	-11.63 ↓
Soybean (litre)	Tk 175-Tk 185	5.88 ↑	-3.23 ↓
Potato (kg)	Tk 25-Tk 40	20 ↑	73.33 ↑
Onion (kg)	Tk 70-Tk 75	45 ↑	93.33 ↑
Egg (4 pcs)	Tk 47-Tk 50	10.23 ↑	18.29 ↑

SOURCE: TCB

India may cut solar panel import tax

REUTERS, *New Delhi*

India is considering cutting its import tax on solar panels by half and is seeking a rollback in goods and services taxes on the devices to make up a shortfall in local output amid rising demand for renewable energy, three government sources said.

India's renewable energy ministry has held talks with the finance ministry to approve its request to cut the import tax on solar panels from 40 per cent to 20 per cent, said the three sources, who declined to be identified as the decision has not yet been finalised.

Also, the two ministries may make a recommendation to India's Good and Services Tax Council to lower the goods and services tax (GST) on solar panels to 5 per cent, from the 12 per cent imposed in 2021, the sources said.

The change will come as a boost for Indian solar power giants such as Tata Power, Adani Green and Vikram Solar which won solar power supply contracts by quoting aggressive tariffs but face shortage of local equipment to complete the contracts.

India imposed the 40 per cent solar panel import tax in April 2022 and a 25 per cent tax on solar cells to discourage Chinese imports, in line with Prime Minister Narendra Modi's plan to become more self-reliant and cut emissions by scaling up renewable energy generation.

However, domestic capacity is falling short ... imports are required to fill in the gap," said one of the sources.

The proposal comes as Modi looks at achieving a target of 365 gigawatts (GW) of installed solar capacity by 2031-32, part of a green energy push that extends from promoting electric cars to sustainable aviation fuel.

India's finance ministry did not immediately respond to emails seeking comment. A spokesperson for the renewable energy ministry said a comment would be made as soon as possible.

India's current annual solar panel manufacturing capacity is 32 GW per annum but the requirement is of 52 GW as demand for green, cheaper energy is rising rapidly from corporate offices, industrial units and big factories.

Though solar currently makes up over half of India's renewable energy capacity, domestic component supplies have been slow to pick up, and the industry was also spooked by higher import taxes.

One of the government officials, who highlighted the necessity of changes in taxes, said India's reliance on solar panel imports in the next two years was "expected to be heavy at nearly 8-10 gigawatts per annum."

India imported $3 billion worth of solar panels in 2021-22, 92 per cent of which came from China, government data shows. The tax cuts could potentially lower the cost of imported panels by a fifth, bringing them closer to the prices of domestically made modules, the government sources said.

India's lack of jobs threatens

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This was a modest 1.2 per cent higher than the October-December 2019 period, before the start of the pandemic.

But for the self-employed, incomes have fallen to 14,762 ($178.67) rupees in the April-June 2022 quarter, according to research by Ghosh and CP Chandrashekhar, both at the University of Massachusetts, Amherst. It was at 15,247 rupees in the October-December 2019 quarter.

"The big thing that has happened is the collapse of small businesses, which were the backbone of employment," said Ghosh.

Since the Indian government's decision to demonetise 86 per cent of the country's currency in circulation in 2016, there have seen continuous attacks on the viability of small business, with the pandemic being the latest, she said.

Over 10,000 micro, small and medium enterprises shut in 2022-23 (April-March) alone, the government said in parliament in February. In the previous year, over 6,000 such units had shut. But the government did not specify whether any new enterprises were set up in those periods.

Many families in Khan's neighbourhood, typical of the urban sprawl in the city of 21 million, have been hit by job losses and lower incomes in recent years. Young workers are particularly vulnerable.

Arshad Ali Ansari, a 22-year-old student, said he saw his brother and sister lose their jobs soon after the start of the pandemic.

Sitting in a single-room with a kitchen attached, where his family of eight lives, Ansari said they survive on his 60-year old father's earnings of about 20,000 rupees a month.

His brother, who was a graduate and had worked in a bank, lost his job during the pandemic and had to join their father in painting houses.

"My brother had education, he had experience," Ansari said.

His sister, once a social worker, also lost her job and has given up hope of finding one.

India will need to create 70 million new jobs over the next ten years, wrote Pranjul Bhandari, chief India economist at HSBC, in a note earlier this month. But only 24 million will likely be created, leaving behind "46 million missing jobs."

"From that lens, a growth rate of 6.5 per cent will solve a third of India's jobs problem," Bhandari wrote.

Policy coordination to yield

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"Thus, without stabilisation of the external balances, it will be difficult to tame the price spiral."

However, a number of tariff rationalisation measures may alleviate the situation a bit.

For example, as the government tries to rationalise the subsidisation of energy prices, it may also reduce the taxes at source for liquid fuels. This may moderate the price pressure coming from the cost of energy inputs.

A former ambassador and permanent representative of Bangladesh to the World Trade Organisation and the United Nations, Bhattacharya said the revenue collection target for the elapsing fiscal year will be missed by a large margin.

About two-thirds of the collection by the National Board of Revenue (NBR) comes from indirect taxes, which took a hit due to control of public expenditure and imports. Further, collections from direct taxes were weaker than the indirect taxes uptake.

On the other hand, the implementation of the annual development programme witnessed the lowest delivery rate of the last 10 years in the July-March period of 2022-23, partly due to the imposition of expenditure restraint predicated by, among others, both local and foreign currency shortages.

Given the below-average revenue collection and public expenditure performance, the fiscal deficit is going to increase by about 1 per cent of the GDP in FY23.

"One may recall that the fiscal targets for FY23 had been less ambitious than those of the pre-Covid years. Yet these restrained fiscal targets would remain far from the designated finishing line. In fact, the revenue performance remains much lower than the potential for mobilisation as projected by the provisional GDP growth estimate," said Bhattacharya.

Nonetheless, he thinks, it must be recognised that the fiscal situation could have been worse if the expenditure and import controls were not introduced.

Arguably, this was driven by the serious deterioration of the balance of payments, current account and even the financial account. Otherwise, the fast-depleting foreign exchange reserve would have been in a worse situation.

He pointed out inadequate policies when it comes to addressing inequality and making economic development inclusive.

The latest Household Income and Expenditure Survey indicated that Bangladesh is increasingly becoming a deeply unequal society. This is true in terms of assets, income and consumption inequalities. Unfortunately, the fiscal policy played little role in preventing such a situation.

The tax-GDP ratio in Bangladesh remains one of the lowest in the world. The incremental revenue collection comes from indirect sources such as VAT, which is not mean-tested.

While the effort to broaden the tax net through improved income tax collections is in the right direction, such efforts essentially overlook taxing land and other assets, the economist said.

"Bangladesh needs to strengthen its collections from property taxes. It has to think of introducing a reasonable inheritance tax and rationalise gift tax."

However, increasing tax uptake can't be considered in isolation from improving the quality of government expenditures.

"To motivate taxpayers, we need to demonstrate that public services such as health, education, social welfare, and public safety are addressing the citizens' concerns. Making the tax system fair, just and transparent would also require radical reform of the tax administration."

Bhattacharya says he was not sure to what extent the upcoming budget can deal with the policy challenges, particularly in the wake of an electoral transition.

"Anyway, accumulated problems emanating from unattended reforms can be hardly addressed in a single annual budget framework."

Agri output up for higher budget

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"A corporate tax cut could also be an incentive for export. This may encourage foreign investors to invest in Bangladesh," he said.

"Time has come to offer an investment-friendly budget to create jobs and reduce the ongoing economic downturns and encourage people to invest extensively," he said.

Reduction of source tax on supply of raw materials to four per cent from seven per cent in the previous year enabled companies to reduce costs. Otherwise, prices would have increased further, he added.

Imposition of a 20 per cent regulatory duty on imported fruits, biscuits and cosmetics has been beneficial for local industries too. "We have seen the result instantly. People are consuming more locally produced fruits and bakery products," he said.

However, there have been some negative effects of tax measures in the current fiscal year, he said.

Imposition of a 5 per cent value added tax (VAT) on locally made refrigerators was a disincentive for the domestic manufacturers. It is affecting the advancement of the sector, he said.

Looking forward, Chowdhury urged the tax authority to withdraw an existing 2 per cent tax deduction at source on supply of all crops. He also demanded slashing the same on supply of raw materials.

Pran said it has over 100,000 contract farmers across the country.

The group, which exported $532 million-worth foods and other items in fiscal year 2021-22, also had some suggestions for facilitating exports.

Chowdhury urged the National Board of Revenue (NBR) to provide bonded warehouse benefits, meaning the opportunity of duty-free import of raw materials to make export items, at any place in the country.

He also demanded easing rules regarding import of raw materials under the bonded warehouse privilege for exporters.