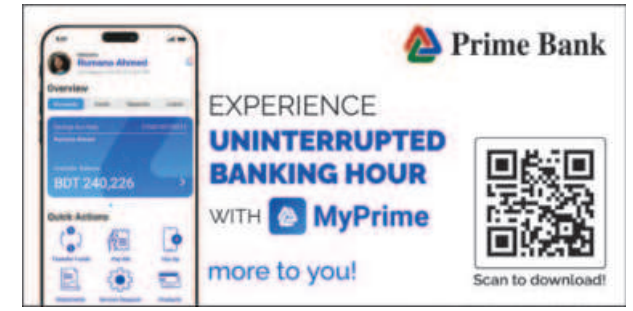


# Star BUSINESS



## Moody's cuts ratings for six local banks

STAR BUSINESS REPORT

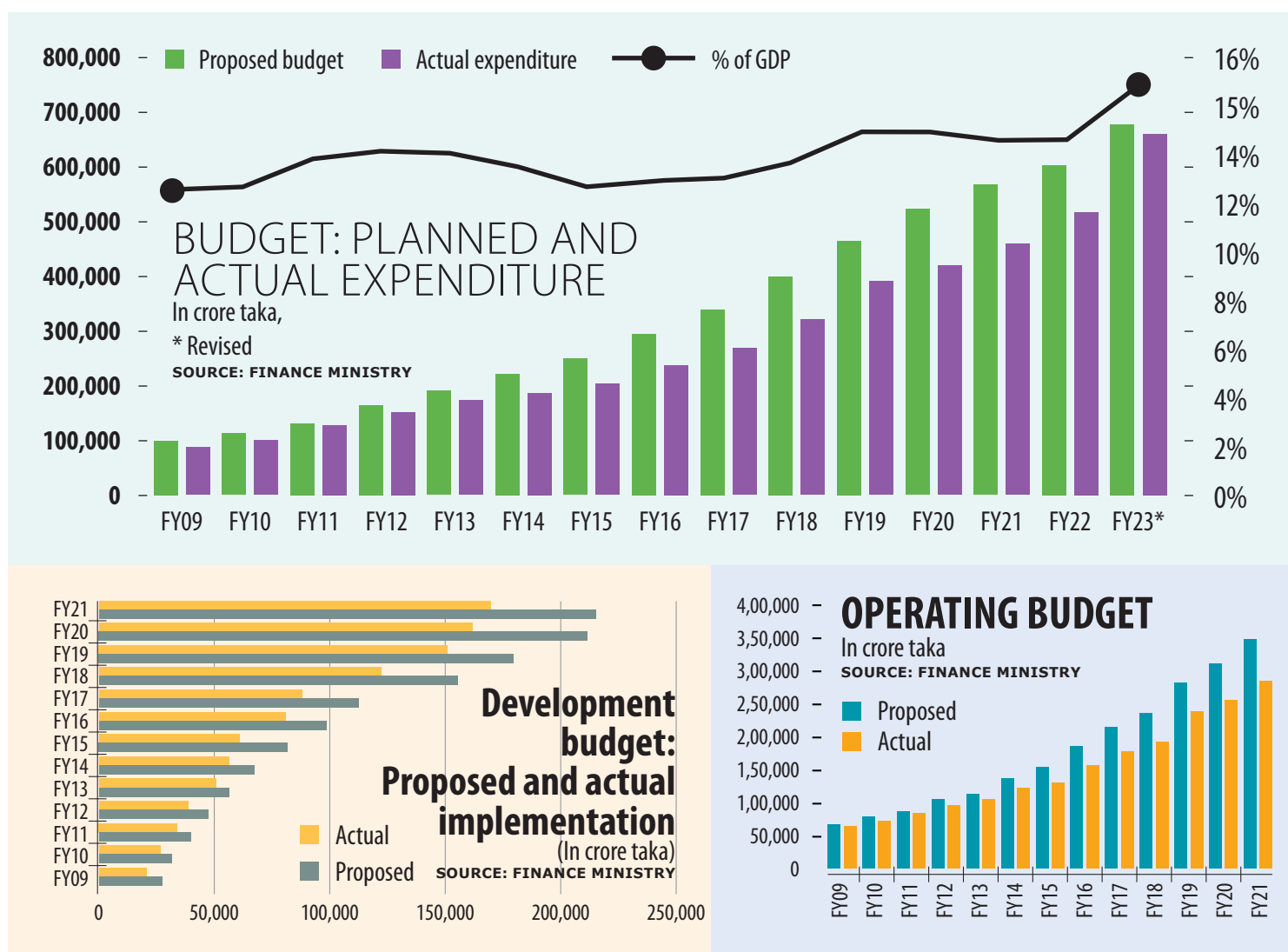
US-based global ratings agency Moody's Investors Service yesterday downgraded the credit rating of six local banks by one notch, a day after it cut the sovereign credit rating for Bangladesh.

The six lenders are Brac Bank, City Bank, Dutch-Bangla Bank, Eastern Bank, NCC Bank, and Premier Bank.

The latest rating actions on the six banks follow Moody's lowering of the long-term rating of Bangladesh to B1 from Ba3 on May 30, said the company in a report yesterday.

Selim RF Hussain, chairman of the Association of Bankers, Bangladesh, a platform for managing directors of banks in the country, says

READ MORE ON B3



## Biscuit, sweetmeat may be cheaper

STAFF CORRESPONDENT, Ctg

The value added tax (VAT) on locally made biscuits and sweetmeat is likely going to be reduced in the national budget for fiscal year 2023-24 being announced today.

Meanwhile, prices of plastic goods used in households and all types of tissue paper may be raised in the budget.

Prices of raw materials used to make biscuits and sweetmeat have increased over the past few months and a VAT reduction has been sought from 15 per cent to 7.5 per cent for sweetmeat, said a finance ministry official.

Similarly, a 5 per cent VAT will be levied on biscuits costing Tk 200 per kilogramme (kg) and cakes which cost Tk 300 per kg, which earlier were Tk 150 and Tk 250 respectively.

READ MORE ON B2

# Budget stuck in vicious cycle of non-implementation

SOHEL PARVEZ

The government is likely to fail to implement its national budget fully in the ongoing fiscal year owing to policymakers' over-optimism and a lack of capacity of public agencies.

If the current pace of execution continues in the remaining days of 2022-23, which ends on June 30, it would be the 14th consecutive year that the government would fail to implement the budget.

"Of course, it is a vicious cycle," said AB Mirza Azizul Islam, a former finance adviser to a caretaker government.

"Every year, we allocate funds but we can't utilise the entire amount. As a result, Bangladesh is deprived of the benefit it could have reaped from the full implementation of the budget."

For 2022-23, the government has lowered its overall expenditure plan to Tk 6.60 lakh crore. The revised amount is 97

per cent of the planned outlay of Tk 6.78 lakh crore set at the start of the fiscal year.

If the revised target is attained, it would equal the highest rate of implementation registered in 2011. Bangladesh's average budget implementation rate was 86 per cent since 2008-09, according to the finance ministry.

Islam, who placed budgets for 2007-08 and 2008-09, said the main reason behind the failure to implement the planned budget is the incompetence

of public officials and lack of accountability.

"You will have to introduce a system of accountability. There should be a provision for reward for success and punishment for failure."

Mustafa K Mujeri, executive director of the Institute of Inclusive Finance and Development, describes the budget-framing process as highly political.

"And the reality is that we see over-optimism in making expenditure plans as the

budget looks to accommodate the demands of all sections of society although we know it will not be implemented. Those who are involved in making the projections are aware that the targets will not be attained. Yet, they keep setting higher targets."

"Our implementation capacity is not improving. But we do not pay attention to ensure proper execution."

The former director-general of the Bangladesh Institute of Development Studies said because of a lack of full implementation, it has been difficult to keep priorities.

"A higher amount of money is being spent on building hard infrastructure such as roads and highways, while the expenditure for soft infrastructure such as education, health and social protection is not expanding to that extent. We are falling behind in these important areas."

READ MORE ON B3



# Are tax policies addressing inequality?

SOHEL PARVEZ

Bangladesh's economy has been growing at an average 6 per cent annually for the last two decades. Yet the country has witnessed a spike in income and consumption inequality.

Usually, fiscal policies, particularly those related to tax, are tools that are used to reduce inequality through the redistribution of income.

But in Bangladesh, tax policies are not able to address the issue of inequality as 77 per cent of the revenues are collected through indirect taxes which fall on rich and poor equally irrespective of their income, exemptions and evasion as well various loopholes in the income tax system, according to five economists.

Direct tax is generally progressive in principle as the tax is collected on income. On the other hand, indirect taxes such as value-added tax or supplementary duties tend to be regressive.

"Our statutory personal income tax system is more progressive than the system on the ground," said Zahid Hussain, a former lead economist at the World Bank Bangladesh.

"This is because of various tax rebates and concessions that can be used and abused to evade taxes. So, instead of equalising, our direct tax system is not progressive to the extent it is designed to be."

Although the tax rates under



People wait patiently in a queue to purchase subsidised rice and flour in Bogura. Many think the tax system in Bangladesh is not geared to reduce income inequality.

PHOTO: MOSTAFA SHABUI

the indirect taxation system are the same for the rich and the poor, the amount paid by the poor is higher in proportion to their income.

Hussain explained the rich and the poor pay the same rate when they buy a product, such as edible oil.

"But a Tk 15 VAT paid against a purchase of Tk 100 by the poor is likely to be a much higher proportion to their income than in the case of the rich. All indirect taxes tend to have this feature."

Rizwanul Islam, a former special adviser for the employment sector at the International Labour Office in Geneva, says tax policy and fiscal policy as a whole can have a significant impact on income distribution and moving towards an equitable and just society.

READ MORE ON B3



Shahidul Islam

## 'High corporate tax for banks, insurers, telcos illogical'

AHSAN HABIB

High corporate taxes on banks, non-bank financial institutions, merchant banks, insurance companies and telecommunication companies are not logical as their profit is not high compared to capital, said Shahidul Islam, chief executive officer of VIPB Asset Management Company.

Asset management companies collect funds from investors and corporates and invest them in the capital and money markets.

The government reduced corporate tax for the listed and non-listed companies by 2.5 percentage points in the current fiscal year.

"The move was good. But the corporate tax rate for financial institutions and telecommunication companies has remained unchanged. The rate is very high for them."

READ MORE ON B2

## National BUDGET FY2023-24

### Voices of poor remain unheard in policymaking

Says economist Towfiqul Islam Khan

MD ASADUZ ZAMAN



The voices of disadvantaged groups, the poor and small entrepreneurs have remained unheard when it comes to policy-making as fiscal policies have been captured by vested sections of society, alleged Towfiqul Islam Khan, a senior research fellow of the Centre for Policy Dialogue.

The government is currently implementing a loan programme of the International Monetary Fund and this requires the country to take several measures to cut subsidy expenditures, reduce tax exemptions, and enhance revenue collection.

"During these adjustments, striking a balance between the interests of various groups will be critical. But in this tug of war, the voice of the general people often can't be heard," Khan told The Daily Star in an interview.

He said this was felt during the policy adjustments in response to the ongoing crisis brought on by the Russia-Ukraine war and a lack of time-befitting measures at home.

Khan pointed out that the cuts in subsidies for petroleum products, agriculture inputs or electricity were frequent and drastic. In contrast, the government appears to be hesitant while

READ MORE ON B2

STOCKS	
DSEX ▼	CASPI ▼
0.09%	0.03%
6,339.73	18,714.52

COMMODITIES	
Gold ▲	Oil ▼
\$1,959.75	\$67.63
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.55%	▼ 1.41%	▼ 0.9%	▼ 0.61%
62,622.24	30,887.88	3,158.80	3,204.56



## Sonali Bank inks deal with Microcredit Regulatory Authority

STAR BUSINESS DESK

Sonali Bank recently signed an agreement with the Microcredit Regulatory Authority (MRA) to collect the annual subscription and other fees of various microcredit institutions certified by the MRA.

Subhash Chandra Das, deputy managing director of Sonali Bank, and Muhammed Mazedul Haque, executive director of the MRA, signed the agreement at the latter's head office in

Dhaka, said a press release.

Under the deal, the MRA-certified 731 and temporarily-certified 350 microcredit lending institutions will pay their annual and other fees online through Sonali payment gateway.

Sheikh Mohammad Salim Ullah, secretary to the financial institutions division of the finance ministry, attended the programme, where Md Afzal Karim, managing director of the bank, and Md Fashiullah, executive vice chairman of the MRA, were present.



**Md Afzal Karim, managing director of Sonali Bank, and Md Fashiullah, executive vice-chairman of Microcredit Regulatory Authority, exchange signed documents of an agreement at the latter's head office in Dhaka recently. Sheikh Mohammad Salim Ullah, secretary to the financial institutions division of the ministry of finance, was present.**  
PHOTO: SONALI BANK



**Md Murshedul Kabir, managing director of Agrani Bank, poses for photographs with the award-winning officers, who won the 'Integrity Award 2023' of the bank for implementing the national integrity strategy, at an award-giving ceremony held at the bank's head office in Dhaka yesterday. Md Anwarul Islam, Shyamal Krishna Saha and Rezina Parveen, deputy managing directors, were present.**  
PHOTO: AGRANI BANK



**Md Showkat Ali Chowdhury, chairman of Eastern Bank, presides over its annual general meeting held virtually yesterday. The meeting announced 25 per cent dividend for the year that ended on December 31, 2022. M Ghazul Haque, Mir Nasir Hossain, Salina Ali, Mufakharul Islam Khasru, Gazi Md Shakhawat Hossain, KJS Banu, Zara Namreen, Ashiq Imran, Toufic Ahmad Choudhury, Ruslan Nasir and KM Tanjib-ul Alam, directors, and Ali Reza Iftakhar, managing director, were present.**  
PHOTO: EASTERN BANK



**Mohammed Shoeb, chairman of Phoenix Insurance Company, presides over its 37th annual general meeting virtually held yesterday. The company declared 15 per cent cash dividend for 2022. Mazharul Haque, Mohammed Haider Ali, Sharmin Sultana, Manzoorul Haque, Fabiana Aziz, MA Majid, Nazmul Hasan and Iftakharul Islam, directors of the insurer, and Md Jamirul Islam, managing director, joined the meeting.**  
PHOTO: PHOENIX INSURANCE COMPANY



**Md Nazrul Islam, additional director of Bangladesh Bank, and Syed Faridul Islam, additional managing director of United Commercial Bank (UCB), posed for photographs with participants of a training programme for SME entrepreneurs organised by UCB with the support of the central bank under an entrepreneurship development programme of SEIP project in Dinajpur recently.**  
PHOTO: UCB

## Shun Shing Group appoints country chairman



Ikram Ahmed Raihan Ahmed Tahmina Ahmed

STAR BUSINESS DESK

Shun Shing Group has recently appointed Group Managing Director Ikram Ahmed Khan as the chairman of its operations in Bangladesh.

The company has also appointed one S Raihan Ahmed as vice chairman, Tahmina Ahmed as managing director and Shakib Pasha as deputy managing director, said a press release.

SSGIL is Asia's top cement and cementitious raw material trader with 35 years of experience with manufacturing investment in Bangladesh and the United Arab Emirates.

The cement and cementitious raw material trader has four cement plants in Dhaka, Chattogram, Khulna and Dubai with a capacity of 9.4 million tonnes per annum. It offers the Seven Rings Cement brand in Bangladesh and "Green Cement" in the United Arab Emirates.

## Investasia's Tk 50cr mutual fund gets go ahead

STAR BUSINESS REPORT

The Bangladesh Securities and Exchange Commission yesterday approved an open-ended mutual fund of Investasia Capital and Asset Management.

Primary target of the fund titled 'Investasia Balance Unit Fund' is Tk 50 crore. Of that, Tk 5 crore was provided by its fund manager Investasia Capital and Asset Management and the rest of the fund is open for the general investors.

Each unit price of the fund is Tk 10. The trustee and custodian of the fund is Sentinel Trustee and Custodial Services Limited.

Mutual funds pool money from investors to channel it into securities such as stocks, bonds, and other assets. Depending on the profits earned, investors are then paid their share as dividends.

## High corporate tax

FROM PAGE B1

Currently, the corporate tax rate for listed companies is 20 per cent while it is 27.5 per cent for non-listed companies. These rates are not applicable for banks, insurance companies, NBFIs and telecommunication and tobacco companies.

The tax rate for listed banks, insurance companies and NBFIs is 37.5 per cent. It is 40 per cent for the non-listed firms in the same categories. The rate is 45 per cent for telecommunication companies and tobacco companies.

"The corporate tax for the companies needs to be reduced because such a huge gap is not expected," Islam said.

He explained banks, NBFIs, merchant banks, and insurance companies face huge competition while making profits. Though their profit figure looks big, it is low compared to their invested capital.

If companies' profit compared to their capital remains low, the share price does not rise and companies

can't raise funds. As a result, their lending capacity does not broaden, said Islam.

The number of companies in the telecommunication sector of Bangladesh is only four, but Islam said they are competitive.

According to Islam, through the 2.5 percentage points reduction in corporate tax, the government has tried to create a level-playing field for the companies that follow good governance in a country where tax evasion is widespread.

But Islam also thinks instead of cutting taxes, the government needs to ensure tax compliance in a bid to establish a fully level playing field.

He called for widening the tax rate gap between the listed and non-listed companies from the current 7.5 percentage points by bringing it down further for the firms that have gone public.

"This is because a listed company is transparent and accountable and tax evasion tendency is low among them whereas it is high among the non-listed companies."

## Agro Organica

FROM PAGE B4

With the fund, the company will expand its factory, buy machineries and increase effective capital.

Agro Organica started its journey in 2015 in agro-business, consists of agricultural farming, trading, processing and manufacturing for the consumers of the local and global market.

The company is running with a well-structured factory in the BSCIC industrial area in Sherpur district of Mymensingh division along with a modern central warehouse in Dhaka.

Usually, Agro Organica is representing by the brand "Khusboo" with nearly 100 varieties of products. It produces rice, dairy products, pickle, jelly and spice.

The company's earnings per share was Tk 1.12 in the first nine months of the 2021-22 fiscal year and its net asset value per share was Tk 14.67.

The BSEC, however, attached a condition for Agro Organica, which is the company will not be allowed to issue any bonus share after three years from its listing at the SME platform. Shahjalal Equity Management is the issue manager of the offer.

The same situation prevails in other areas of economic governance.

Owing to weak economic governance, the banking sector suffered the most as loan defaults have gone through the roof.

Default loans increased by Tk 10,964 crore in the first three months of 2023 to hit Tk 131,621 crore in March thanks to a lack of corporate governance in the banking sector, data from the Bangladesh Bank showed.

Similarly, Khan said, despite repeated calls for actions and amid unprecedented foreign exchange shortage, no steps were taken to curb the hundi operation although measures were identified as part of the action plan of the government against anti money laundering.

Owing to the illegal cross border money transfer system, remittance flows to Bangladesh have not surged despite a record number of people going abroad in search of jobs in 2022.

The policy actions taken to tackle the ongoing macroeconomic crisis also favoured the vested groups, he said.

For example, the apparent attempts to regulate imports, including those of essential commodities, allegedly restricted small businesses from enjoying a level-playing field as commercial banks have not extended required US dollars to them.

"As a result, the market has become more manipulative and less competitive. Surely, this was not the original intention of the policymakers."

He said owing to deepening manipulation, the prices of essential commodities have remained high in Bangladesh despite their drops in the international markets and the government is struggling to contain higher inflation.

He alleged Bangladesh is increasingly being used to launder money owing to a lack of visible actions from the government.

## Voices of poor remain unheard

FROM PAGE B1

reducing tariffs and taxes on daily essentials or taking strong steps in curbing tax evasions or reducing direct tax exemptions for the sectors that have been enjoying such privileges for a long period.

Indeed, the current political economy circumstances do not allow the government to take required policy steps where vested groups are strong and policy implementation is difficult, he said.

According to the economist, the government's measures aimed at providing relief to low-income people in the current fiscal year have also remained inadequate despite a severe cost-of-living crisis.

He said the government has been showing an inflated budgetary allocation for the last several years by including various "non-compatible" projects in the social safety net programmes.

Considering environmental issues, the VAT on almost all types of plastic products including tableware and kitchenware has been increased from 5 per cent to 7.5 per cent, the official said.

However, tiffin boxes and water bottles will be charged a VAT of 5 per cent as before.

Similarly, a 7.5 per cent VAT instead

of 5 per cent will be applicable on toilet tissue, facial tissue, hand towels, paper towels, clinical bedsheets and tissue napkins, officials said.

Moreover, a 7.5 per cent VAT will be collected on kitchen, household and sanitaryware products made of aluminium. As a result, the prices of these products may increase slightly, officials said.

গণপ্রজাতন্ত্রী বাংলাদেশ সরকার				
বাংলাদেশ পুলিশ				
অধিনায়কের কার্যালয়				
র‍্যাপিড গ্যাকশন ব্যাটালিয়ন-৭				
পতেঙ্গা, চট্টগ্রাম				
উন্মুক্ত দরপত্র বিজ্ঞপ্তি				
"The Public Procurement Act-2006" and "Regulation-2008" এর বিধি এবং পুলিশ হেডকোয়ার্টার্স স্মারক নং-৪৪.০১.০০০০.৪৩৬.০২.২০২৩/২৩৪ (১৪৪) মোতাবেক ২০২৩-২০২৪ অর্থ বৎসরের র‍্যাব-৭, উত্তর পতেঙ্গা, চট্টগ্রাম সেক্টরের জন্য উন্নয়নমূলক বিভিন্ন সরঞ্জামের নিমিত্তে নিম্নোক্ত লক্ষ্য প্রকৃত বাংলাদেশী ব্যবসায়ী/সরবরাহকারী প্রতিষ্ঠানের নিকট হতে সীলমোহরকৃত খামে প্রতিযোগিতামূলক দরপত্র আহ্বান করা যাচ্ছে এতদসংক্রান্ত বিবরণ নিম্নে প্রদত্ত হলো।				
১।	মহালাল/বিভাগ	৷	৷	৷
২।	সংস্থা	৷	৷	৷
৩।	দরপত্র সম্পাদনকারী প্রধান	৷	৷	৷
৪।	কি কারণে দরপত্র আহ্বান	৷	৷	৷
৫।	দরপত্র সূত্র নং	৷	৷	৷
৬।	তারিখ	৷	৷	৷
কাজের বিবরণ				
৭।	দরপত্রের পদ্ধতি	৷	৷	৷
অর্থের উৎস				
৮।	বাজেট ও অর্থনৈতিক খাত	৷	৷	৷
উন্মুক্ত				
৯।	দরপত্র বিজ্ঞপ্তি প্রকাশের তারিখ	৷	৷	৷
১০।	দরপত্র বিক্রয়ের শেষ তারিখ	৷	৷	৷
১১।	দরপত্র জমা প্রদানের সর্বশেষ তারিখ ও সময়	৷	৷	৷
১২।	দরপত্র খোলার তারিখ ও সময়	৷	৷	৷
১৩।	দরপত্র মূল্যায়নের তারিখ ও সময়	৷	৷	৷
অফিসের নাম ও ঠিকানা				
১৪।	অফিসের নাম ও ঠিকানা	৷	৷	৷
১৫।	দরপত্র ডকুমেন্ট/সিডিউল বিক্রয়কারী অফিস	৷	৷	৷
১৬।	দরপত্র গ্রহণকারী/অফিস	৷	৷	৷
১৭।	দরপত্র খোলার স্থান	৷	৷	৷
১৮।	টিকাদারের প্রাক ঘোষণা	৷	৷	৷
১৬। মালমালের বিবরণ				
	ক্রমিক নং	আইটেম	পরিমাণ	দরপত্রের মূল্য (টাকা) (অফেরতযোগ্য)
	১।	উন্নয়নমূলক	প্রয়োজন অনুযায়ী	১,০০০/-
				৫০,০০০/-
				০১ জুলাই ২০২৩ হইতে ৩১ ডিসেম্বর ২০২৩ তারিখ পর্যন্ত
দরপত্র সম্পাদনকারীর বিবরণ				
১৭।	দরপত্র আহ্বানকারী কর্মকর্তার নাম	৷	৷	৷
১৮।	দরপত্র আহ্বানকারী কর্মকর্তার পদবী	৷	৷	৷
১৯।	দরপত্র আহ্বানকারী কর্মকর্তার ঠিকানা	৷	৷	৷
২০।	দরপত্র আহ্বানকারী কর্মকর্তার যোগাযোগের মাধ্যম	৷	৷	৷
২১।	বিশেষ শর্তাবলী	৷	৷	৷
ক।	নির্দিষ্ট সময়ের পর আর কোন দরপত্র গ্রহণ করা হবে না।	৷	৷	৷
খ।	কোন কারণ সর্শনো ব্যতিরেকে কর্তৃপক্ষ যে কোন দরপত্র গ্রহণ বা বাতিল করার ক্ষমতা সংরক্ষণ করেন।	৷	৷	৷
গ।	দরপত্র উন্মুক্ত যে কোন আইটেমের পরিমাণ বৃদ্ধি অথবা কমানোর বিষয়ে কর্তৃপক্ষের ক্ষমতা রয়েছে।	৷	৷	৷
ঘ।	দরপত্র পিপিআর/২০০৬ ও পিপিআর/২০০৮ ও তদীয় সংশোধনী মোতাবেক সকল শর্তাবলী কার্যকর হবে।	৷	৷	৷
ঙ।	আইটেমের দর বাজার মূল্যের সাথে সামঞ্জস্যপূর্ণ হতে হবে।	৷	৷	৷
চ।	সর্বনিম্ন সরবরাহের দর গ্রহণে কর্তৃপক্ষ সকল ক্ষেত্রে বাধ্য নয়।	৷	৷	৷
ছ।	নমুনা হিসেবে প্রদত্ত ভোক্তা তৈল সরকার কর্তৃক অনুমোদিত প্রতিষ্ঠান হতে পরীক্ষার ব্যয়ভার সরবরাহ প্রতিষ্ঠান সমূহকে বহন করতে হবে।	৷	৷	৷

## Biscuit, sweetmeat may

FROM PAGE B1

People in the bakery industry said raw material prices have gone up anywhere from 30 per cent to 60 per cent owing to a revival of demand following supply chain disruptions globally.

As a result, the businesses have been forced to reduce packet sizes or revise prices.





Bangladesh's apparel shipments to non-traditional markets rose 28.95 per cent to \$2.96 billion during the January-April period of the current calendar year. PHOTO: STAR/FILE

# Apparel exports to non-traditional markets on the rise

REFAYET ULLAH MIRDHA

Although garment shipments from Bangladesh to major destinations saw negative growth over the past few months due to inflationary pressure stemming from the Russia-Ukraine war, rising exports to non-traditional markets has emerged as a silver lining.

Bangladesh considers all markets other than the US, UK, EU and Canada as non-traditional.

During the January-April period of the current calendar year, apparel shipments to non-traditional markets rose 28.95 per cent to \$2.96 billion, which is 19.01 per cent of the country's annual garment exports.

Japan is the top destination among major non-traditional markets, fetching \$566.99 million during the four-month period, according to data from the Export Promotion Bureau and Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Exports to other non-traditional markets, such as Australia, India, South Korea and Turkey, are also on the rise but shipments to Russia, the UAE and Chile have declined in contrast, the BGMEA

said in a statement.

As Asia turned out to be an increasingly promising market for us, exports to emerging markets such as Japan, India and South Korea are in an upward trend, the association added.

During the January-April period, garment exports from Bangladesh totalled \$15.58 billion, of which shipments to the EU contributed \$7.7 billion, down 1.55 per cent year-on-year.

Of the 27 member countries that make up the EU, those that posted negative growth in garment shipments from Bangladesh are: Germany, Denmark, Poland, Latvia, Lithuania, Malta, Bulgaria and Slovenia.

Particularly, exports to Germany declined by 21.08 per cent during the first four months of the year while shipments to France and Spain increased by 9.45 per cent and 15.45 per cent respectively.

Likewise, apparel exports to the US fell 17.86 per cent year-on-year to \$2.67 billion from \$3.25 billion during the January-April period of 2022.

Meanwhile, exports to Canada saw the slightest slump of 0.21 per cent to reach \$455.48 million.

On the other hand, exports to the UK

showed growth of 9.56 per cent year-on-year, fetching \$1.79 billion during the first four months of 2023.

BGMEA President Faruque Hassan said the rising growth of exports to non-traditional markets has been offsetting the declining trend in shipments to major destinations.

For instance, Germany is the second largest export destination for Bangladesh after the US.

But as Germany is going through a recession amid recent crises, garment shipments to the country may not show positive growth any time soon.

Hassan then informed that with the growth of garment exports to Germany and the US now in negative territory, this trend could continue up till December.

But shipments to non-traditional markets, especially some in Asia like Japan, South Korea and India, will keep growing at the same time, he said.

In a statement on May 16, the Washington-based National Retail Federation (NRF) said retail sales bounced back in April, showing both month-on-month and year-on-year growth.

"Retail sales rebounded in April, reflecting consumer resilience in face of elevated

economic uncertainty," said Matthew Shay, president and CEO of the NRF.

Moderating price levels, continued labour market strength and wage gains have increased consumers' ability to spend. However, they remain cautious and concerned about the current economic environment.

As such, retailers continue to provide competitive pricing and convenience to help cost-sensitive consumers stretch their budgets," he added.

Jack Kleinhenz, chief economist of the NRF, said consumers remained engaged in April.

"Shoppers are being selective and price-sensitive, but we continue to expect that spending will see modest gains through the course of the year," he added.

Kleinhenz went on to say that while year-over-year growth has slowed partly due to upward revisions of last year's data, it is also an early indication that credit conditions are tightening and excess savings are shrinking.

The NRF is the US's largest private-sector employer, contributing \$3.9 trillion to the country's annual GDP and supporting one in four jobs, or 52 million working Americans.

## Banks raise dollar buying rate

STAR BUSINESS REPORT

Banks in Bangladesh yesterday decided they will pay Tk 107 for each US dollar purchased from exporters in a bid to implement a single exchange rate system, replacing the existing multiple rate system.

Until today, banks paid exporters Tk 106 per US dollar. In addition, the lenders decided they will pay Tk 108.50 for each US dollar purchased from remitters instead of the Tk 108 at present.

The decision was taken at a meeting of the Association of Bankers' Bangladesh (ABB) and Bangladesh Foreign Exchange Dealers' Association, according to Selim RF Hussain, chairman of the ABB. He said the new rates would become effective from today.

"We are moving towards establishing a single exchange rate instead of a multiple rate system. As a part of the move, we are reducing the exchange rate gap between remittance and export," Hussain added. He then said that remitters would be able to enjoy up to Tk 111.25 for each US dollar if the government incentive of 2.5 per cent is included.

Experts have long been requesting the central bank to establish a uniform exchange rate system to bring back stability in the country's foreign exchange market.

## DSE turnover hits seven-month high

STAR BUSINESS REPORT

Turnover at the Dhaka Stock Exchange (DSE) increased 22 per cent from the previous day and rose to almost Tk 1,200 crore yesterday after a break of nearly seven months.

However, the DSEX, the benchmark index of the DSE, fell 6 points, or 0.09 per cent, to 6,339. The DS30, the blue-chip index, dropped 0.21 per cent to 2,198 and the DSES, the shariah-compliant index, up 0.09 per cent to 1,376.

DSE's turnover, an important indicator of the market, ended at Tk 1,198 crore yesterday, up from the previous day's Tk 976 crore.

Of the traded securities, 64 advanced, 115 declined and 182 did not show any price movement.

Agri Spins increased the most posting a 10 per cent rise followed by Trust Islami Life Insurance that rose 9.94 per cent, ADN Telecom 9.93 per cent, Pragati Life Insurance 9.07 per cent and Northern Insurance 8.74 per cent.

Eastern Insurance topped the list of losers by shedding more than 9 per cent. Jute Spinners, Islami Commercial Insurance, Metro Spinning, and Prime Islami Life Insurance suffered substantial losses as well.

## Are tax policies addressing inequality?

FROM PAGE B1

Islam said some policymakers have started to recognise inequality as an issue only recently.

"Now it is important to move from there to real action. If the government is serious about the matter, it can undertake necessary measures that are well known."

He suggested raising the tax rates on higher income groups, increasing corporate tax rates, doing away with exemptions that fatten the pockets of the rich, plugging loopholes in the tax system, and introducing wealth and inheritance taxes.

Sadiq Ahmed, vice chairman of the Policy Research Institute of Bangladesh, said international research suggests that tax policy alone may not have a strong positive impact on income distribution.

"However, a combined tax and expenditure policy package may have significant positive effects in reducing income inequality."

The use of a redistributive fiscal policy is a solution to the rising inequality.

"The best examples of successful use of redistributive fiscal policies come from the experience of countries in Western Europe. These countries raise considerable tax revenues based on a progressive income tax system and combine this with a strong social expenditure programme focused on the poor, the vulnerable and low-income groups," Ahmed said.

By contrast, Ahmed said, the tax system in Bangladesh is not geared to reducing income inequality.

"While there is a progressive personal income tax system in place, due to weak implementation, the rich tend to substantially escape the tax net through various exemptions, tax loopholes, and negotiated settlements with tax officials."

Citing the Household Income and Expenditure Survey 2016, Ahmed said it showed that the top 10 per cent of the population owns 35 per cent of the national income.

Even with an effective tax rate of 10 per cent, tax revenue from personal income taxes should amount to 3.5 per cent of GDP. But actual tax collection from personal income is about 1.4 per cent of GDP, which suggests that the effective tax rate at present is about 4 per cent, he said.

"This is very low and suggests a huge non-compliance."

He said the share of personal income taxes in total taxes is very low at less than 20 per cent.

On the expenditure side, he said, the government policy is to give priority to spending on health, education, and social protection that tends to benefit the poor and has the potential to improve income distribution.

"Despite these good intentions, actual outcomes have not been very positive. Huge shortfalls in tax revenue collections over the past several years have forced the government to cut spending to contain the fiscal deficit."

In Bangladesh, the Gini coefficient is rising steadily. It was 0.36 in 1983-84 and rose to 0.46 in 2010 and 0.49 in 2022.

Selim Raihan, executive director of the South Asian Network on Economic Modeling, said Bangladesh's tax policy is in no way inequality-reducing. "It is rather enhancing."

He said reforms efforts were taken earlier but they were not successful as the beneficiary of the inequality enhancing tax system resisted the change through different ways.

"Tax policy is an important tool for redistribution of wealth. Redistribution is not taking place. Rather money is flowing into the pockets of the rich."

Raihan suggested raising tax on the rich and increasing expenditures on health, education and social protection.

Towfiqul Islam Khan, a senior research fellow of the Centre for Policy Dialogue, said although one of the key roles of tax policies is to

facilitate economic and social justice, in Bangladesh, it is overlooked.

"Our overreliance on indirect tax is the primary reason for not opting for more redistributive tax measures."

Khan said the repeated failures to mobilise the targeted tax revenue set in the budget and the tax-GDP being one of the lowest in the world make it even more difficult.

"At the same time, extending direct tax exemptions has been very common. Indeed, the overall tax policy is often a victim of vested groups."

## Budget stuck

FROM PAGE B1

Finance ministry data showed the average implementation rate of development projects was 81 per cent in the 13 years to 2020-21. In the case of operating expenditures such as salaries for public officials and interest on loans, the execution rate was 88 per cent between 2008-09 and 2020-21.

"It is okay if the budget is not implemented in one or two years. But it can't go on year after year. It means that there are some problems. It is necessary to identify them and sort them out," Mujeri said.

Fahmida Khatun, executive director of the Centre for Policy Dialogue, says the budget is stuck in the vicious cycle of non-implementation.

"It is a matter of sorrow although there is nothing to be surprised. It has become business as usual."

She said the factors behind the implementation failure are not discussed in parliament.

According to Fahmida, ensuring development expenditure is necessary as it will give a boost to economic activities, attract investment, create jobs, and raise incomes.

"The quality of life will improve if fiscal measures are executed properly. Then, we will see a lot of positive effects."



Kazi Akram Uddin Ahmed, chairman of Standard Bank, presides over its 377th board meeting at the bank's head office in Dhaka on Tuesday. Among others, Md Habibur Rahman, managing director, Md Touhidul Alam Khan, additional managing director, Mohammad Rafiqul Islam and M Latif Hasan, deputy managing directors, Md Mohon Miah, head of business development, and Md Ali Reza, acting company secretary, were present.

PHOTO: STANDARD BANK

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01.	33/2022-2023	E-Invitation	E-Invitation for E-Application for Enlistment of International Suppliers/Manufacturers to supply UV Curing Varnish with Photoinitiator for Printing Bank Note.	04/06/2023	09/07/2023 upto 11.00 AM	09/07/2023 at 11.15 AM
02.	34/2022-2023 & 35/2022-2023	Local/International e-Tender	Supply of 40,000 Reams (In Sheet Form) or 750 Metric Tons (In Reel Form) Cigarette TAX Label Paper	01/06/2023	06/07/2023 upto 11.00 AM	06/07/2023 at 11.15 AM

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(Rashid Ahmed)  
General Manager (Foreign Purchase)  
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## Moody's cuts ratings for six local banks

FROM PAGE B1

that the credit rating for local banks slipped by one notch automatically as the country's sovereign rating has been downgraded.

"The cost of doing international business is likely to increase due to the downgrade of the sovereign credit rating."

Local banks will have to pay more in charges, fees, and commissions while settling letters of credit with foreign banks, said Hussain, also the managing director of Brac Bank.

The downgrade of the sovereign rating was driven by Bangladesh's heightened external vulnerability and liquidity risks that are persistent, and the sovereign's institutional weaknesses uncovered during the ongoing crisis.

Moody's said that the downgrade of the ratings of Brac Bank, City Bank, DBBL, and EBL is driven by the cut in the sovereign rating, which measures the country's capability to provide support to banks in times of stress.

The confirmation of Brac Bank's

rating of b1 reflects its better asset quality and capital compared to peers, strong deposit base and access to funding and good liquidity, said Moody's in the report.

The confirmation of City Bank, DBBL, and EBL's b2 has reflected their moderate asset quality, profitability, and capitalisation, supported by their stable deposit bases and adequate liquidity. The lowering of rating for Premier Bank and NCC Bank to b3 from b2 points to their deteriorating asset quality.



## BGMEA, H&M join hands to reduce carbon emission by 30%

STAR BUSINESS REPORT

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and H&M Group entered into a deal yesterday to attempt a transition towards a circular and climate neutral garment industry in Bangladesh by reducing carbon emissions by 30 per cent.

Helena Helmersson, CEO of the fashion retailer, and Faruque Hassan, president of the BGMEA, inked the memorandum of understanding (MoU) in Dhaka on developing and implementing a strategic roadmap, according to a BGMEA statement.

"We need to collaborate and take joint responsibility of our industry... we will be able to accelerate the well-needed change of the industry and together tackle shared challenges," said Helmersson.

"I hope this collaboration will add pace to our journey toward sustainability," said Hassan.

"This partnership also reflects the strong commitment of Bangladesh's apparel industry to grow in a sustainable manner to have positive impacts on the industry, the economy and climate," he said.

**"This partnership reflects the strong commitment of Bangladesh's apparel industry to grow in a sustainable manner," said Faruque Hassan, president of BGMEA**

Bangladesh produced 169.06 million tonnes of greenhouse gases (GHGs) emission in 2021 and it will be 409.41 million tonnes by 2030, according to data from Nationally Determined Contributions (NDCs).

The global fashion industry emitted about 2.1 billion tonnes of GHG, which is equivalent to about 4 per cent of total global GHG emission, said a study by McKinsey in 2018. The fashion industry has to reduce its GHG emissions by 1.1 billion tonnes of carbon equivalent by 2030. Bangladesh's national contribution to global GHG emission is 0.45 per cent.

"The collaboration between H&M Group and the BGMEA will play an important role in accelerating the green growth of the RMG industry in Bangladesh," said Alexandra Berg von Linde, Swedish ambassador to Bangladesh, who attended the event.

The government of Sweden and the Swedish embassy in Dhaka would like to see the garment industry of Bangladesh continue its progress in the area of sustainability in the coming days, and will extend cooperation to accelerate the green growth of the industry, Linde said.

From H&M Group, Ziaur Rahman, Faisal Rabbi, Yosef El Natour, Karin Lind and Adam Karlsson were present at the MoU signing ceremony.

The event was also attended by BGMEA vice-presidents Shahidullah Azim and Miran Ali, directors Shehrin Salam Oishee, Inamul Haq Khan and Neela Hosna Ara and Chair of BGMEA Standing Committee on Foreign Mission Cell Shams Mahmud.



Auto packaging machines are seen at a ceramic factory in Nilphamari. An inadequate supply of natural gas in northern region of Bangladesh is prompting local ceramic makers to come up with alternative sources of fuel that are driving up production costs.

PHOTO: EAM ASADUZZAMAN

# Ceramic factories in north struggle for survival

### Gas and dollar crises fuel their production costs

EAM ASADUZZAMAN

Ceramic factories in underdeveloped regions of northern Bangladesh are struggling for survival as other than absence of natural gas, the ongoing US dollar crisis has led to a roughly 40 to 50 per cent increase in production costs.

This is because the required raw materials are not being imported as per the needs of ceramic makers, who are facing difficulty in opening letters of credit amid the US dollar crunch, according to industry people.

Besides, the unavailability of natural gas means local entrepreneurs have to adopt innovative but expensive means of collecting alternate fuels to run their units. This includes burning coal and even waste tyres to produce ceramics.

There are four ceramic factories in greater Rangpur with three based in Nilphamari -- Sanita Ceramics (Pvt) Ltd, Glory Ceramics (Pvt) Ltd and Sanita Tiles (Pvt) Ltd -- while Apple Ceramics (Pvt) Ltd is situated in Rangpur.

Excluding Sanita Tiles, the rest of these units mainly produce sanitaryware.

Sources say that due to the US dollar crisis, imports of key raw materials such as china clay and ball clay have significantly fallen this year.

As per data from the National Board of Revenue, combined imports of china

clay and ball clay fell to 9.86 lakh tonnes in the July-April period of the current fiscal, down by some 16 per cent from 11.81 lakh tonnes the previous year.

Shipments of other raw materials, including quartz stone powder, felspar, calcium carbonate, zinc oxide and barium, also witnessed a

declining trend.

Samrul Islam Shawon, managing director of Sanita Ceramics, said the first step to produce ceramics requires mixing various ingredients before melting them at a constant heat of 1,200 degree Celsius.

Any fluctuations in temperature during the melting process would hamper the quality of finished goods and so, natural gas is a cost-effective means of sustaining steady heat.

"But we are still deprived of natural gas and struggle to arrange alternative fuels to run operations," he added.

Shawon went on to say that they burn coal to generate gas for getting the required heat for melting raw materials in a furnace at their small unit.

However, this is very costly as the price of coal recently shot up to Tk 20,000 per

tonne while it was Tk 7,000 last year, he said.

Md Zikrul Huque, chairman of Glory Ceramics, said they are using pyrolysis oil to substitute natural gas at their factory.

Pyrolysis oil is made by burning waste tyres in a specialised plant.

However, this increased the production cost by 25 per cent compared to natural gas.

Besides, the US dollar price is too high now and the assessment value of customs risen as a result, making

the price of imported raw materials rise by 34 to 37 per cent.

"In this situation, our production has fallen by 40 to 50 per cent even though in usual time we have the capacity to meet the need of quality sanitary goods in local markets," Huque added.

Mozahedul Islam Faruque, chairman of Sanita Tiles, said the government should exempt them from the 15 per cent supplementary tax on the production of tiles as it is not a luxury item.

Considering the adverse reality, the Bangladesh Ceramic Manufacturers and Exporter Association (BCMEA) has been demanding as such for a long time, he added.

Sirazul Islam Molla, president of the BCMEA, said taxes on imports of clay should be calculated based on their actual weight as much of these materials are bloated with water when they arrive.

"If all drawbacks are solved, tiles made in Bangladesh could be exported as we produce quality goods," he added.

Just two decades ago, the country's demand for ceramic goods was largely met through imports. Now though, the scenario has changed as new factories are being set up with local production catering to 86 per cent of the market worth some Tk 7,250 crore.

Of the 70 ceramic factories in Bangladesh, 32 produce tiles, 20 make tableware and 18 provide sanitary goods.



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Artisans craft hand fans known as "nakshi pakha" in Bangla, which have been traditionally used in Bangladesh since ancient times to cool off in the absence of electricity. Decorated attractively with colourful designs, the fans are made of raw materials such as yarn, bamboo, cane, date palm leaves and flax. Around a couple hundred families in Chandanaish upazila of Chattogram are engaged in the craft. Prices can vary from Tk 90 to Tk 400 depending on the size and quality.

PHOTO: RAJIB RAIHAN

## National BUDGET FY2023-24

### Business-as-usual approach in meeting budget deficit won't work Says economist Zahid Hussain

REJAU KARIM BYRON

A business-as-usual approach in meeting budget deficit may stoke inflationary pressures further and deepen the US dollar crisis in the upcoming fiscal year, warned a noted economist.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, said the budget deficit has to be brought down in 2023-24. But it remains to be seen how this budget deficit would be met.

"If we want to overcome the budget deficit in 2023-24 the way we have done in the outgoing fiscal year, both inflationary pains and the dollar crisis will be more acute."

He suggested the government refrain from relying on heavy borrowing from the central bank to meet the state's expenditure.

"At the same time, if the government borrows more from commercial banks, it will crowd out the private sector."

"So, the budget deficit will have to be kept as much low as possible and there should be heightened efforts to mobilise as much low-cost foreign financing as possible and increases their utilisation."

Hussain thinks the government would have to take the structural reforms forward to secure budget support from multilateral development partners.

Some reforms have to be carried out in the coming fiscal year in the areas of energy, revenue, expenditures, and tariffs.

"It remains to be seen how much progress we can make in these areas and advance towards the finishing line," Hussain said.

He said raising a higher level of revenue will rely on how much taxpayer-friendly the government can make the tax administration and the tax policy.

"So far, there is no visible change in the tax policy. The tax policy should be reformed keeping in mind the national interest, economic progress, and redistribution of wealth."

The former World Bank official said the government has already raised the prices of energy in line with the international markets.

"So, introducing a formula-based pricing system should not be a problem. If the government goes for such a pricing mechanism, the prices may even decline. Then, it will give some breathing space to the people."

## Proper coordination of monetary, fiscal policies needed

### Says DCCI chief Sameer Sattar

MD FAZLUR RAHMAN

There should be proper coordination between the monetary policy and the fiscal policy to help the economy ride out the current challenges, said Md Sameer Sattar, president of the Dhaka Chamber of Commerce and Industry (DCCI).

The business leader said the tax net has to be expanded and the National Board of Revenue (NBR) will have to identify people with taxable incomes beyond Dhaka and Chattogram.

He welcomed the NBR's move to set up tax offices across the country.

"Skilled officials should be employed there."

Sattar said the full automation of the tax administration and processes should be completed to raise the country's tax-to-GDP ratio, which is one of the lowest in the world.

The DCCI chief recommended raising the tax-free income limit to Tk 5 lakh from the current Tk 3 lakh.

Sattar thinks there should be a focus on promoting import-substitute industries so that manufacturers can produce them locally.

"Import substitute industries can help Bangladesh go a long way in reducing the demand for imported items and saving the foreign currency reserves."

He called for reducing the corporate tax rate, saying the NBR is bringing down the rates of nominal corporate taxes but it should take steps to cut the effective tax rates.

"And conditions should be conducive so that businesses can reap the benefit of any corporate tax cuts."

He urged the government to set aside US dollars to help businesses open letters of credit in a bid to import essential goods and commodities consumed by the public and the inputs and machinery used by factories.

The government should withdraw or waive duties, where applicable, on the imported essentials so that their prices come down in the local markets, he said.

A market monitoring cell should be there to ensure essential commodities and goods are sold at logical prices, curb hoarding, and keep the supply chain smooth, Sattar added.



## Agro Organica to raise Tk 5cr from stock market

STAR BUSINESS REPORT

Agro Organica PLC has given go-ahead to raise Tk 5 crore from the stock market investors through listing with the SME board.

The DSE SME, the small-cap board, was launched on April 30 in 2019, in order to allow small and medium enterprises (SMEs) with a paid-up capital between Tk 5 crore to Tk 30 crore to raise funds from the stock market.

The agricultural company would issue 50 lakh shares worth Tk 10 each for the eligible investors.

The Bangladesh Securities and Exchange Commission (BSEC) approved the listing of the company yesterday in a commission meeting held at its head office in the capital.

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