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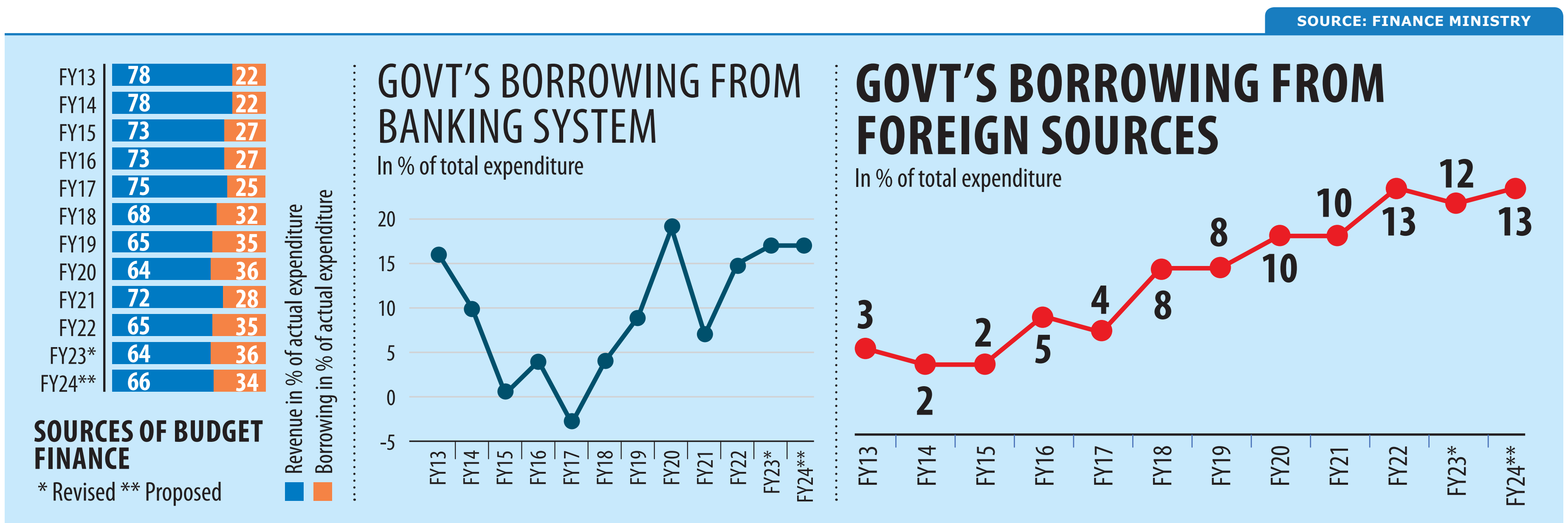

Govt's borrowing goes up amid falling revenue

SOHEL PARVEZ *and* MD ASADUZ ZAMAN

The government's dependence on borrowing to finance national budgets has increased over the past decade as revenue collection has failed to keep pace with the ballooning public expenditure.

Finance ministry data showed that taxes raised by the National Board of Revenue (NBR) and other public agencies could fund 74 per cent of the government's total expenditure of Tk 174,013 crore in the fiscal year of 2012-13.

The rest of the expenditure was met through debts from the domestic source and foreign loans and grants, which accounted for 22 per cent and 4 per cent, respectively.

A decade later, in 2021-22, the contribution of revenue generation to actual expenditure declined to 65 per cent. On the other hand, the share of borrowing from internal and foreign sources rose to 35 per cent. The trend continued in the subsequent years as well.

The government plans to meet 34 per cent of its expenses set for 2023-24 on the back of borrowing, mainly from the domestic banking system.

Sadiq Ahmed, vice-chairman of the Policy Research Institute of Bangladesh, said by and large, fiscal deficits have been kept at below 5 per cent of gross domestic product.

"However, the inability to mobilise adequate revenues despite securing rapid GDP growth has weakened the quality of fiscal management. This issue has become important over the past several years as the tax-to-GDP ratio continues to fall, whereas fiscal deficit, public debt and interest cost as shares of GDP are rising."

The fiscal deficit increased from 3.7 per cent of GDP in FY19 to 5.1 per cent in FY22.

Total revenues are expected to remain at 8.5 per cent of GDP in FY23. Although revenues are expected to gradually increase, this ratio remains among the lowest in the world.

According to Ahmed, a matter of immediate concern is the ongoing macroeconomic instability reflected in a persistently high inflation rate and pressure on the balance of payments.

"In this environment, the government needs to reduce aggregate demand pressure to reduce inflation and contain the pressure on the balance of payments."

The new budget proposes to keep the fiscal deficit at 5.1 per cent of GDP.

But Ahmed thinks the actual fiscal deficit for the next fiscal year could be higher since the lofty target of increasing tax revenues is not likely to be achieved.

Revenue growth averaged 10 per cent annually between FY2017 and FY2023 and the NBR has not been able to reach its revenue generation goal in the past one decade.

"This approach to fiscal policy management is clearly inconsistent with the task of restoring macroeconomic stability. Growing fiscal deficit

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Online cattle sales rising ahead of Eid

MAHMUDUL HASAN

With Eid-ul-Azha fast approaching, online cattle sales are gaining momentum as many are looking to buy their sacrificial animals from the comfort of their homes.

As such, online marketplaces and e-commerce and Facebook-based platforms have boosted their own capacities to provide services -- from offering livestock for sale to processing meat alongside its delivery.

Bengal Meat is already witnessing huge demand from online customers.

"We have already met two thirds of our target," said Shaikh Imran Aziz, head of marketing at Bengal Meat.

The meat processor provides end-to-end online services, starting from enabling purchase of sacrificial cattle through online payments to processing the meat for delivery, so that customers can avoid the hassles of going to haats.

In addition to its other services, the company

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STOCKS (WEEK-ON-WEEK)	DSEX ▲	CASPI ▲
	0.62%	0.52%
	6,319.25	18,657.34

COMMODITIES (AS OF FRIDAY)	Gold ▲	Oil ▲
	$1,920.80	$73.85
	(per ounce)	(per barrel)

ASIAN MARKETS (FRIDAY CLOSINGS)	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
	▼ 0.41%	▼ 1.45%	▼ 1.31%	▼ 0.96%
	62,979.37	32,781.54	3,197.90	3,191.60

Challenges remain despite drastic cuts in customs duty

Says Unilever Bangladesh CEO

SOHEL PARVEZ

National BUDGET FY2023-24

Over the years, the government has significantly eased customs duties to facilitate local industries but a lot of challenges still exist, said Zaved Akhtar, chief executive officer and managing director of Unilever Bangladesh Ltd.

"In many cases, the duties of raw materials are equivalent to those of finished products."

He cited the example of disodium sulphate, an essential raw material used in manufacturing detergent powder.

In the fiscal year of 2021-22, the customs duty on disodium sulphate rose from 15 per cent to 25 per cent, with an additional imposition of 20 per cent in the form of supplementary duty and another 3 per cent as the regulatory duty.

"The current duty structure for the raw material is the same that is levied on imported detergent powder in finished goods form," he said while sharing his reactions on the proposed budgetary and tax measures for the next fiscal year.

The top official also cited the examples of industrial fragrances for soaps, shampoos, creams, lotions and other items, which face a customs duty of 25 per cent.

Benchmark carried out with 40 countries, including South Asian nations, reveals that the duty in Bangladesh is the highest among them, he said.

> **The imposition of such a high duty rate on raw materials increases the cost of production and makes the products expensive to sell.**
>
> **Zaved Akhtar**
> CEO and MD of Unilever Bangladesh

"The imposition of such a high duty rate on raw materials increases the cost of production and makes the products expensive to sell."

Akhtar said materials generated from vegetable oils and by-products such as crude palm kernel oil and refined bleached deodorised palm stearin are the most basic materials and are required to make soaps.

The materials are used in the initial stage of production. Currently, they are classified as intermediary products and the customs duty stands at a 10 per cent slab although they are basic raw materials and should see a duty of 5 per cent, he said.

Unilever is one of the world's largest consumer goods companies and it produces more than 95 per cent of the consumer goods that it markets here in plants in Bangladesh.

He said Bangladesh has a significant opportunity to increase the consumption of hair and skin care products as it has the lowest consumption among comparable Asian countries.

Per capita use of the products is 99 grammes in Bangladesh against 167 grammes in India.

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Bashundhara enters toiletries business

JAGARAN CHAKMA

Bashundhara Group, one of the conglomerates in Bangladesh, will start offering toiletries and personal care products in order to have a share of the growing market for the consumer goods.

Bashundhara Toiletries Limited (BTL), a new concern, is expected to launch over a dozen products today.

"Our toiletries line has been planned to cater to the everyday needs of the people," said Safwan Sobhan Tasvir, vice chairman of Bashundhara Group.

According to him, the BTL will market a range of products, including detergent powder, toilet cleaner, dishwashing liquid and bar, air freshener and toothpaste.

Tasvir said they have already invested Tk 50 crore to set up the production line of home, personal, hair and oral care products creating employment for around 5,000 people.

He also said they have a plan to invest Tk 1,000 crore in phases over the next five years.

> **The company has already invested Tk 50 crore and has a plan to splurge Tk 1,000 crore in the next five years**

According to a paper of the Federation of Bangladesh Chambers of Commerce and Industry in March, the market size of fast-moving consumer goods in the country is $3.6 billion with an annual growth rate of 9 per cent.

And there is a lot of headroom in the sector as per capita consumption remains lower than comparable markets: Bangladeshis only spend $23 per capita on FMCG while in India it is $44 and more than $100 in China and Indonesia, according to a senior executive of a multinational company.

The beauty and personal care industry in Bangladesh is growing steadily with greater availability of disposable income, rapid urbanisation and changing lifestyles. The industry includes products such as skin, hair and oral care, bath and shower products.

Multinational companies such as Unilever and Marico hold a lion's share of the market while local companies such as Square Toiletries and Kohinoor Chemical operate in the fast-moving consumer goods market.