

Star BUSINESS

Sales growth of listed food and allied companies halved in the last financial year despite an upward adjustment of prices



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WEEKLY INTERVIEW



Saiful Islam

'Floor price for stocks should not be reintroduced'

AHSAN HABIB

Floor price for stocks is neither an investor-friendly nor market-friendly mechanism so it should not be reintroduced again, said Saiful Islam, president of DSE Brokers' Association (DBA).

If the macroeconomic situation deteriorates and the performance of listed companies falls, then the prices of their stocks fall simultaneously, he said.

"It is obvious," Islam opined.

The regulator should not reintroduce the floor price across the board again, he said, adding that buyers will invest if a stock price falls below its actual value. It is normal for the stock market, he said.

Floor price distorts the market mechanism and natural price movement, which is not expected in any stock market, Islam said in an interview with The Daily Star.

The Bangladesh Securities and Exchange Commission (BSEC) launched the floor price, which is the lowest price at which a stock can be traded, for the second time in July of 2022 to halt the free-fall of the indices amid uncertainties brought on by the lingering fallout of the coronavirus pandemic and the Russia-Ukraine war.

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CHALLENGES

- Rising bad loans in banks
- Exchange rate volatility
- Energy crisis
- Attracting FDI
- Containing inflation
- Reining in capital flight
- Rationalisation of tariff
- Ensuring smooth taxation
- Shortage of gas in industries
- Low tax-GDP ratio
- Restoring confidence among businessmen

RECOMMENDATIONS

- Introduce floating exchange rate
- Merge some weak banks
- Ensure food safety
- Contain inflation
- Reduce tariff on import of industrial raw materials
- Rationalise fuel costs
- Diversify export
- Halt mega infrastructure projects for a few years
- Stop providing subsidy to some conglomerates
- Ease rules for bringing dollar/gold from abroad

Economic ills demand urgent action

At a Prothom Alo discussion, analysts call for ending energy crisis, tackling higher inflation

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The new government urgently needs to establish the rule of law, end the energy crisis, attract foreign direct investments, and control inflation to restore macroeconomic stability, said speakers yesterday.

Ensuring the safety of capital, reining in default loans, ensuring a stable exchange rate, and stopping capital flights are the other major challenges that need to be taken care of, they said.

"The challenges have been identified a lot earlier. Now, the time has come to address them for the stabilisation of the economy," said Ahsan H Mansur, executive director of the Policy Research Institute.

He alleged that most of the challenges have been created by the government.

The economist spoke at a discussion titled "Economy: Challenges for the New Government" organised by the Prothom Alo, a Bangla national daily, at its office in Dhaka.

Stabilising the financial account, tackling inflation, bringing back confidence in the banking system, and stabilising the exchange rate are important in the short term, Mansur said.

The former official of the International Monetary Fund said the food prices in the local markets went up due to two reasons: the volatile exchange rate and the shortage of supply.

"The government should

immediately form a task force to address the ills of the banking sector and loopholes in the taxation system."

He said it would not be possible for Bangladesh to be a developed nation under the current tax-to-GDP ratio.

At about 9 percent, Bangladesh has one of the lowest tax-to-GDP ratios in the world.

Mansur urged the government to review the power purchase agreements and make them public.

Prof Shamsul Alam, the

immediate past state minister for planning, said many bankers go to Canada's Begum Para and leave there after retiring as managing directors because of a lack of safety for individuals and capital in Bangladesh.

Syed Nasim Manzur, managing director of Apex Footwear Limited, said investment is disappearing, so restoring the confidence of investors is needed.

"Only the owners of large industrial units are invited to consultation. But small and medium enterprises should also be invited."

Manzur called for speeding up government processes to make doing business easier.

The entrepreneur said he is negotiating an order of shoes worth \$23 million and his buyer is offering a price that is lower than that offered to Chinese manufacturers.

He needs a quick response from the revenue department. But it is delaying for some reasons, so confirming the order is taking more time although the buyer is calling for a quick execution, he said.

Manzur thinks tariff rationalisation is important as an average tariff of 27.6 percent is too high compared to 9.8 percent in low-income countries, 7.2 percent in middle-income countries, 2 percent in developed nations, and 6 percent globally.

He said shipping companies have increased the freight charge by 40 percent due to the Red Sea

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No need to panic over economy: DCCI

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The Dhaka Chamber of Commerce and Industry (DCCI) said that there was no need to panic about the ongoing economic crises in Bangladesh as the country has experience in overcoming such obstacles.

Bangladesh is currently facing various challenges, such as difficulties in opening letters of credit (LCs), amid low foreign currency reserves and high inflationary pressure.

Besides, the country continues to struggle with a high rate of non-performing loans (NPLs), volatility in the financial market, poor balance of payments and depreciation of the taka, the local currency.

However, the inflationary pressure is not exclusive to Bangladesh as it has affected countries worldwide.

"And compared to them, we were less affected," said DCCI President Ashraf Ahmed while briefing reporters about the current economic climate at his office in Dhaka yesterday.

The new government and Bangladesh Bank see inflation as a major challenge. So, taming the consumer price index is a priority task for them.

On the other hand, the DCCI head believes this situation to be the new normal.

Inflation in the country has been running at well above 9 percent since March last year.

When unveiling the new monetary policy on January 17, Bangladesh Bank Governor Abdur Rouf Talukder informed they are not concerned about the country's GDP growth and aim to bring down inflation to the desired level.

"Bangladesh has changed over the last 15 years. We are no longer an agriculture dependent country as the industrial sector's contributions to the economy have increased," Ahmed said.

Additionally, the country's forex reserve did not fall drastically as its current volume is still sufficient for covering the import bills of more than three months.

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STOCKS		WEEK-ON WEEK
DSEX ▲	0.56%	6,336.76
CASPI ▲	0.75%	18,806.36

COMMODITIES		AS OF FRIDAY
Gold ▲	\$2,029.63	(per ounce)
Oil ▼	\$73.51	(per barrel)

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▲ 0.42%	▲ 1.40%	▲ 0.4%	▼ 0.47%	
71,488.70	35,963.27	3,152.29	2,832.28	

Bowing to corruption remains the norm for businesses

DWAIPAYAN BARUA and JAGARAN CHAKMA

After working for several years in a Chattogram-based manufacturing firm, a young executive decided to quit his job and pursue his dream of becoming an entrepreneur by setting up an export-oriented shoe factory in 2017.

He had some bank deposits and also applied for loans to set up the business, but when he began looking for suitable parcels of land in Dhaka and Chattogram, he was met with exorbitant prices and fake land owners.

Finally, after nearly six months, he found a suitable, undisputed plot for his dream factory.

But just when it seemed that things were looking up, the real hurdles appeared.

As he began applying for licenses, certificates and permissions from various government departments, he faced numerous hurdles.

At least 32 certificates are required to open an export-oriented factory and the would-be entrepreneur had to lobby or pay bribes for most such certificates. He also

faced long delays in getting all the utility connections.

For example, although an importer's licence should require only 10 to 15 days to approve, it took him over one and a half months to secure it.

All told, over two years had passed before he could finally set up the factory and begin trial operations in 2020.

But even before he could start his business and hunt for customers, the young dreamer felt the burden of repaying instalments for his bank loan since the one-year grace period had

already expired.

Like this first-generation businessman, most established businesspeople also consider corruption as the greatest impediment to conducting business in Bangladesh.

They believe corruption is adding to the cost of doing business, hampering smooth business activities, and lowering confidence among businesspeople.

According to a survey, styled "The state of the business environment in Bangladesh",

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Dhaka int'l trade fair begins today

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The 28th Dhaka International Trade Fair (DITF) is set to begin today at the month-long event's permanent venue in Purbachal for the third year straight.

Prime Minister Sheikh Hasina will inaugurate the fair as chief guest at the Bangabandhu Bangladesh-China Friendship Exhibition Centre.

State Minister for Commerce Ahsanul Islam Titu yesterday announced the event through a press briefing.

The DITF is co-organised by the Ministry of Commerce and Export Promotion Bureau. The showcase normally begins on the first day of January,

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The venue for the Dhaka International Trade Fair, the Bangabandhu Bangladesh-China Friendship Exhibition Centre, has been colourfully decorated ahead of the start of the event from today.

PHOTO: SK ENAMUL HUQ



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