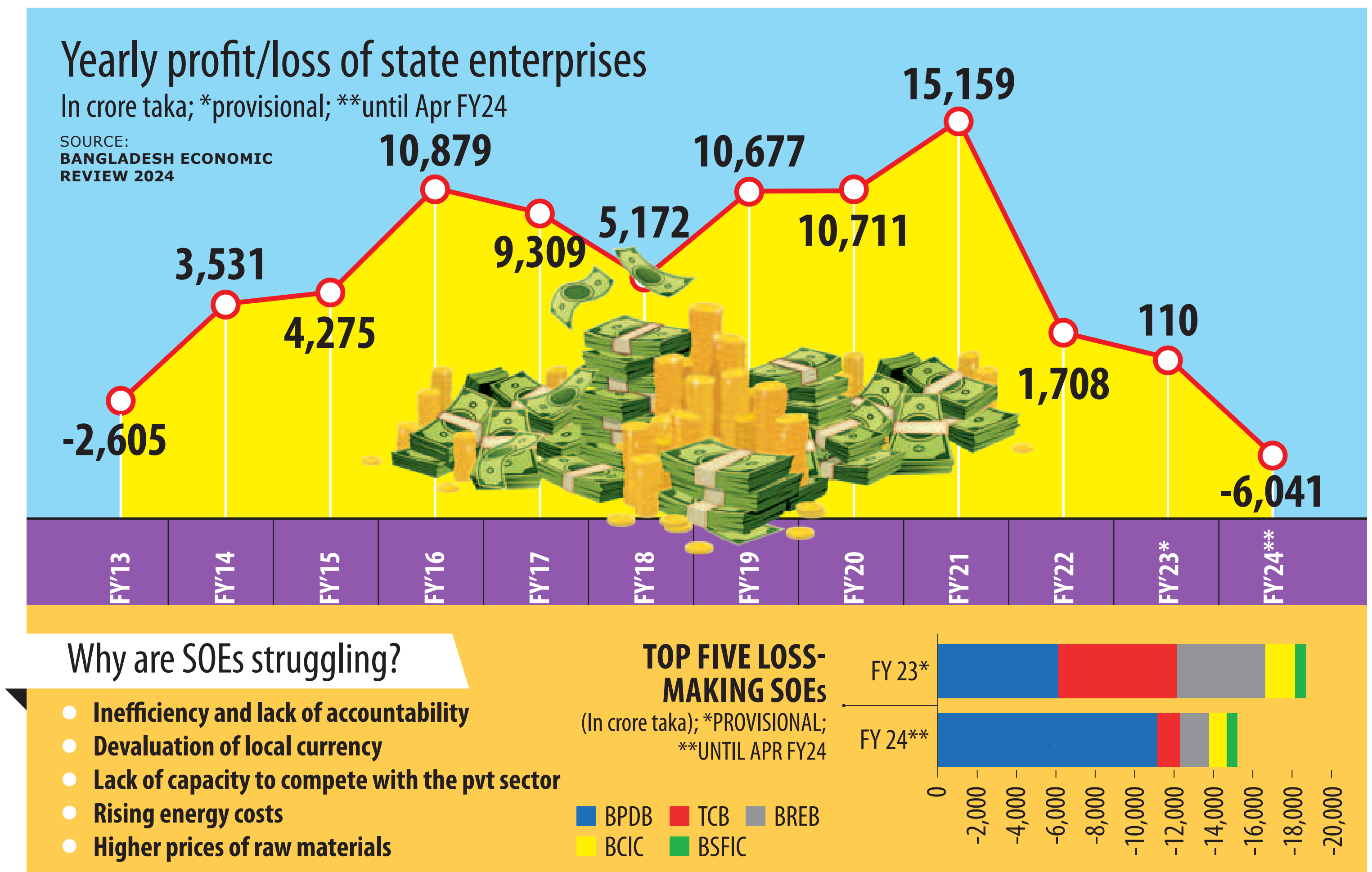
Star BUSINESS

Operational activities at the Patenga Container Terminal (PCT) will officially begin on Monday under a Saudi operator

Story on B4

Most state enterprises turned a profit. That was overshadowed by loss-makers



AHSAN HABIB

Three-fourths of state-owned enterprises (SOEs) in Bangladesh posted profits in July-April of the current fiscal year but their success has been dimmed by those in the red.

Out of 49 SOEs for which the financial data for the first 10 months of 2023-24 was available, 12 incurred combined losses of Tk 19,395 crore. The rest 38 firms logged profits of Tk 13,353 crore, according to the Bangladesh Economic Review 2024.

Of the successful SOEs, Bangladesh Petroleum Corporation logged the highest profit of Tk 4,875 crore. The Bangladesh Bridge Authority came second after netting Tk 3,163 crore while the Chittagong Port Authority registered a profit of Tk 1,881 crore.

The Land Port Authority, the Bangladesh Shipping Corporation, the Dhaka WASA, the Civil Aviation Authority of Bangladesh, the Bangladesh Export Processing Zones Authority, and the Bangladesh Economic Zones Authority also made hefty profits.

By contrast, the highest loss, at Tk 6,118 crore, was incurred by the Bangladesh Power Development Board (BPDB) in July-April of the fiscal year. Its provisional loss was Tk 11,163 crore in the full year of 2022-23.

The Trading Corporation of Bangladesh (TCB) witnessed a loss of Tk 6,033 crore while the Bangladesh Rural Electrification Board's (BREB) losses widened to Tk 4,499 crore. Bangladesh Chemical Industries Corporation reported a net loss of Tk 1,509 crore.

AB Mirza Azizul Islam, a former adviser to a caretaker government, said some of the SOEs are incurring losses because they lack good governance and accountability.

"They also lack efficiency. However, their top officials manage to retain their positions, and none holds them accountable. Possibly, there is corruption there too."

Owing to the massive losses, the government needs to inject liquidity into the companies by freeing up funds either from the revenue budget or the development budget, said Islam, who placed national budgets twice.

Among other companies, the loss of Bangladesh Sugar & Food Industries Corporation (BSFIC) was Tk 517 crore, the Bangladesh Jute Mills Corporation suffered losses of Tk 226 crore, the Bangladesh Inland Water Transport Authority's loss amounted to Tk 126 crore, and the Bangladesh Road Transport Corporation witnessed a loss of Tk 117 crore.

The Rural Development Academy, the Bangladesh Inland Water Transport Corporation, the Bangladesh Textile Mills Corporation, and the Bangladesh Film Development Corporation incurred losses in July-April, figures from the economic review showed.

The main reason for the loss of BPDB is it has to pay capacity charges, and the scarcity of natural gas has forced it to import liquefied natural gas in order to generate power, said Shameem Hasan, spokesperson of the state-run agency.

"Currently, we have no large power plant. Therefore, we need to import power. This also leads to losses."

The spokesperson also blamed the local currency depreciation for the loss.

"We will have to frame a long-term strategic plan to reduce the loss, and we are drawing up the plan."

READ MORE ON B3

ICAB backs amnesty for companies to whiten black money

STAR BUSINESS REPORT

The Institute of Chartered Accountants of Bangladesh (ICAB) yesterday extended support to the government's move to allow companies to whiten money without facing scrutiny by paying a 15 percent tax.

"The amnesty to whiten black money by paying a 15 percent tax is logical for companies as they could not show their legal income before 2021 due to the introduction of the document verification system (DVS)," said Mohammed Humayun Kabir, council member of ICAB.

He made the comments at a post-budget media briefing at the ICAB office in Dhaka.

> 'Companies used to prepare three separate financial statements -- one for the NBR and another for banks while keeping the original for their own use -- before the introduction of the DVS'

However, he did not remark about the same amnesty for individual taxpayers.

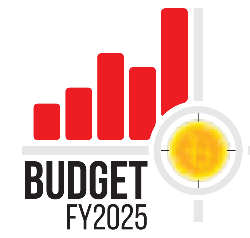
According to the former ICAB president, companies used to prepare three separate financial statements -- one for the National Board of Revenue and another for banks while keeping the original for their own use -- before the introduction of the DVS, which is an electronic method of validating the authenticity of audit reports.

Because of such practices, they could not show their actual incomes after the DVS was launched.

READ MORE ON B2

Govt's higher bank borrowing to affect private credit flow: FBCCI

STAR BUSINESS REPORT



The higher bank borrowing by the government will hinder credit flow to the private sector which will adversely affect investment and employment, according to the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

FBCCI President Mahbubul Alam said the deficit in the proposed budget is Tk 256,000 crore, which is 4.6 percent of GDP. However, in the current financial year, the budget deficit was 5.2 percent, he said in a post-budget press briefing at the FBCCI office in Motijheel yesterday.

To meet the deficit, the government will take Tk 160,900 crore from internal sources. Of the sum, Tk 137,500 crore will be taken from the banking sector.

"Apart from that, the government will have to bear the previous interest burden. Higher borrowing from the banking sector will also hinder credit flow to the private sector. As a result, both investment and employment will be adversely affected," Alam said.

He suggested the government borrow from foreign sources at a lower interest rate in order to finance the deficit instead of borrowing from local banks.

Alam added that the GDP growth target had been set at 6.75 percent in the proposed budget while the inflation target had been set at 6.5 percent, but opined the latter would be harder to achieve.

"In the budget for the current fiscal year, the inflation target was fixed at 6.5 percent as well. But inflation stood at 9.89 percent in May this year. We consider it a huge challenge to reduce this inflation and achieve the target.

READ MORE ON B3

STOCKS (WEEK-ON WEEK)

DSEX ▲	CASPI ▲
0.28%	0.02%
5,251.9	14,942.83

COMMODITIES (AS OF FRIDAY)

Gold ▼	Oil ▼
$2,293.84 (per ounce)	$75.38 (per barrel)

ASIAN MARKETS (FRIDAY CLOSINGS)

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 2.16%	▼ 0.05%	▼ 0.00%	▲ 0.08%
76,693.36	38,683.93	3,330.77	3,051.28

Why have loan defaults risen sharply?

MD MEHEDI HASAN

Default loans in the banking sector have hit a historic high at a time when the Bangladesh Bank has just provided a roadmap to reduce the volume of bad debts.

In line with conditions set by the International Monetary Fund (IMF) for securing a $4.7 billion loan, the central bank in February unveiled a roadmap consisting of 17 action plans for reducing non-performing loans (NPLs).

However, NPLs rose 38.5 percent year-on-year to Tk 1,82,295 crore by the end of March, accounting for 11.11 percent of the total loans disbursed in the banking system, according to central bank data.

THE WEEKLY VIEW

If written-off and rescheduled loans and loans with court injunctions are added, the actual volume of bad debts will be as much as Tk 5 lakh crore, industry people said.

This raises the question as to why NPLs have increased abnormally at a time when the government has promised to the IMF it would reduce it to a tolerable level by 2026.

There is no quick and easy answer in this regard as the problem persisted even after the central bank introduced a relaxed loan rescheduling and one-time exit policy for defaulters in 2019.

Under the policy, defaulters were allowed to regularise their loans for 10 years by only paying a 2 percent down payment instead of the existing 10 to 15 percent. And while this was a big benefit for defaulters, it acted as a slap in the face for good borrowers.

With bad loans in the banking sector amounting to Tk 94,330 crore when the policy was introduced, the then Finance Minister AHM Mustafa Kamal had said NPLs were a matter of grave concern but still manageable.

READ MORE ON B3

Power Grid gets large sums as govt prioritises transmission, distribution

ASIFUR RAHMAN

Around a third of the budgetary allocation set aside for the power division is going to the Power Grid Company of Bangladesh (PGCB) as the government plans to make the most of installed generation capacity by expanding grids and making some of the existing facilities smart.

The finance minister has set aside Tk 29,230 crore for the power division for 2024-25, down 13 percent year-on-year. PGCB will get Tk 10,634 crore.

Coal Power Generation Company of Bangladesh, which is implementing the Matarbari power plant in Cox's Bazar, received the second-highest allocation.

Centring the power plant project, PGCB is implementing several projects in Chattogram, upgrading grids. It has received Tk 1,500 crore to carry out the tasks.

The Barapukuria-Bogura-Kaliakair 400kv project has been given Tk 2,356 crore and the power evacuation facilities project Tk 646 crore.

Among the PGCB's schemes, the highest Tk 3,555 crore has been earmarked for the Power Network Strengthening project, which started in 2016.

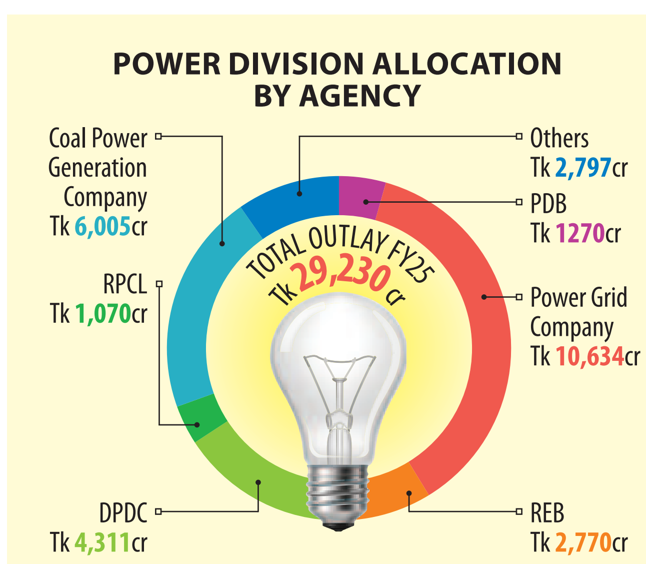
In Bangladesh, the power generation capacity increased to 30,277 megawatts in 2023-24 from 4,942 MW in 2009, said Finance Minister Abul Hassan Mahmood Ali in his budget speech.

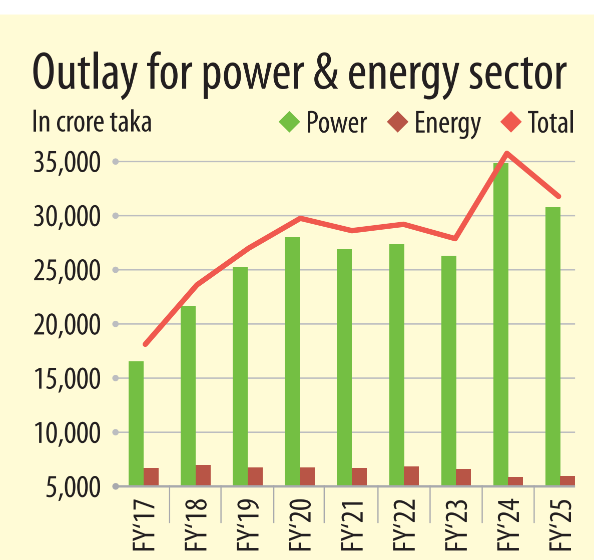
Currently, 27 plants with a combined capacity of 9,144 MWs are under construction. Most of them are in the private sector.

In the Mymensingh region, the power supply situation is worse than in other parts of the country. There is a gas-fired power plant there, but it doesn't get enough supply of the energy. A pipeline project, initiated to improve the supply of gas, has received Tk 1,070 crore from the power division's budget.

Bangladesh Power Development Board (BPDB) will finance two electricity plants, five distribution projects, and two pre-paid metre-related projects.

READ MORE ON B3





bKash launches student account for 14 to 18-year-olds

STAR BUSINESS DESK

bKash recently launched a "Student Account" in a bid to bring the new generation under digital financial inclusions, aiming to create a cashless society.

Teenagers from 14 to 18 years of age can open this account, which will be linked to their mother or father's bKash account. A digital birth certificate, active bKash account number of a parent and their consent are required to open the account.

The customers will get a slew of services, including payment of school-college fees, daily small purchases, mobile recharge, send money and bill payment from the MFS provider.

As per the regulations of the central bank, a maximum of Tk 30,000 can be kept in this account and transact Tk 5,000 per day and a maximum of Tk 25,000 per month.

About this new service, Maj Gen (retd) Sheikh Md Monirul Islam, chief external and corporate affairs officer of bKash, said: "We welcome this timely initiative of the central bank to prepare the future generation for digital financial transactions."

The sooner the teens become familiarised with the digital payment ecosystem, the more proficient they will be in their daily transactions as well as financial management.

"The opportunity to open a 'Student Account' with bKash for teenagers will remain a milestone in the initiative of financial inclusion in the country," he added.

Prime Bank, OPUS Technology sign deal on payroll banking

M Nazeem A Choudhury, deputy managing director of Prime Bank, and Md Jafar Iqbal, managing director and CEO of OPUS Technology, pose for photographs after signing an agreement at the bank's corporate head office in Dhaka recently. PHOTO: PRIME BANK

STAR BUSINESS DESK

Prime Bank recently signed an agreement on payroll banking with OPUS Technology.

M Nazeem A Choudhury, deputy managing director of the bank, and Md Jafar Iqbal, managing director and CEO of OPUS Technology, penned the deal at the bank's corporate head office in Dhaka, said a press release.

Under the agreement, OPUS Technology's employees will enjoy preferential banking services, including credit card and loan facilities from the bank.

They will also enjoy "PrimePay" a digital portal to pay seamless automated salary as well as carryout corporate payments conveniently round the clock.

Anup Kanti Das, head of payroll banking of the bank, Sabina Easmin, head of Bashabo branch, and Md Rashedul Islam, assistant general manager for finance and operation of OPUS Technology, along with other officials from both organisations were also present.

Zahir becomes chairman of National Finance

STAR BUSINESS DESK

Sharif Zahir has recently been elected as the chairman of National Finance at the company's 207th board meeting.

Zahir is the managing director of Ananta Group, a prominent name in the apparel and textile industry of Bangladesh.

He previously worked for United Commercial Bank and Vanguard Asset Management.

Under his dynamic leadership, Ananta Group has diversified into real estate, banking and e-commerce, setting new benchmarks in each sector.

Sharif will bring substantial expertise in financial management and strategic growth to his new role at National Finance, the NBFI said in a press release.

He obtained bachelor's and master's degrees in economics and finance from the University of Texas at Austin.

The non-bank financial institution also appointed Maruf Akter Mannan to the post of vice-chairman.

As an eminent businessman, he serves as director of OMC Group of Companies, one of the leading solution providers in the field of science and technology with over 44 years of experience having diversified activities in healthcare, steel, textile, footwear, life science and construction sectors.

Mannan completed his bachelor's degree in finance and information systems management from North South University and master's degree in finance and information systems management from the New Jersey Institute of Science and Technology at Newark in the US.

PHOTO: MERCANTILE BANK

Morshed Alam, chairman of Mercantile Bank, receives a licence from Syed Mohammad Kamal, country manager of Mastercard Bangladesh, at a function held at the bank's head office in Dhaka recently.

Mercantile Bank gets Mastercard licence

STAR BUSINESS DESK

Mercantile Bank has joined hands with Mastercard to secure a licence from the global payment technology service provider as its principal member.

Syed Mohammad Kamal, country manager of Mastercard, handed over the licence to Morshed Alam, chairman of the bank, at a function held at the bank's head office in Dhaka, according to a press release.

Under this partnership, the bank can now provide enhanced payment facilities to its customers worldwide alongside the existing VISA card services.

Customers can enjoy ATM and POS transaction facilities globally wherever Mastercard is accepted.

Akram Hossain (Humayun) and Md Abdul Hannan, vice-chairmen of the bank, MA Khan Belal, chairman of the executive committee, Md Anwarul Haq, chairman of the risk management committee, ASM Feroz Alam, chairman of Mercantile Bank Securities, M Amanullah, chairman of Mercantile Exchange House (UK), Mosharref Hossain and Mohammad Abdul Awal, directors, and Jalal Hossain Khan, shareholder, were present.

PRICES OF KEY ESSENTIALS IN DHAKA CITY

	PRICE (JUNE 8, 2024)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 78	-1.43 ↓	2.22 ↑
Coarse rice (kg)	Tk 50-Tk 54	0	6.12 ↑
Loose flour (kg)	Tk 40-Tk 45	6.25 ↑	-20.56 ↓
Lentil (kg)	Tk 105-Tk 110	0	13.16 ↑
Soybean (litre)	Tk 145-Tk 150	-1.67 ↓	-18.06 ↓
Potato (kg)	Tk 55-Tk 60	13.86 ↑	51.32 ↑
Onion (kg)	Tk 80-Tk 90	21.43 ↑	17.24 ↑
Egg (4 pcs)	Tk 50-Tk 52	10.87 ↑	9.68 ↑

SOURCE: TCB

China exports jump in May but imports slow

AFP, *Beijing*

China's exports accelerated far more than expected in May but imports slowed, official figures showed Friday, in further evidence of an uneven recovery for the world's number two economy.

Overseas shipments surged 7.6 percent on-year in dollar terms, the General Administration of Customs said -- much better than April's 1.5 percent and also beating the 5.7 percent forecast in a Bloomberg survey of analysts.

Exports have historically served as an important economic engine in China, with overseas sales performance having a direct impact on employment for thousands of companies.

The latest figures represent a second consecutive month of growth, following a brief year-on-year decline of 7.5 percent in March.

But various headwinds facing China's trade outlook remain, with combined exports and imports with the United States down 1.4 percent in May amid continuing geopolitical spats between the superpowers.

Trade between China and Russia grew 2.9 percent last month, though Chinese exports to its neighbour fell for the first time since 2020.

Md Mofiz Uddin Ahmed, additional secretary to the ministry of finance, poses for photographs with participants of a training programme organised by the Bangladesh Insurance Academy for Midland Bank's officials at the BIA's head office in the capital's Mohakhali recently. PHOTO: MIDLAND BANK

BIA organises training on bancassurance for Midland Bank's officials

STAR BUSINESS DESK

The Bangladesh Insurance Academy (BIA) recently organised a training programme on bancassurance for Midland Bank's officials at the former's head office in the capital's Mohakhali.

Md Mofiz Uddin Ahmed, additional secretary to the ministry of finance, attended the programme as chief guest. A total of 52 executives and officers of the bank and faculties of the BIA participated in the three-day training Programme.

Zahid Hossain, joint secretary and director (additional duty) of the Bangladesh Insurance Academy, chaired the event.

Md Ahsan-uz Zaman, managing director and CEO of the bank, and SM Nuruzzaman, chief executive officer of Zenith Islami Life Insurance, were present as special guests.

Md Rashed Akter, head of bancassurance department of the bank, and Shahadat Hossain, head of bancassurance department of Zenith Islami Life, along with other officials from both the organisations were also present.

ICAB backs amnesty

FROM PAGE B1

Because tax authorities, banks and other regulatory bodies can check the authenticity of the accounts.

About the overall budgetary measures, the ICAB said the proposal to finance the budget deficit by borrowing from internal sources may lead to inflation in the next fiscal year.

The government plans to finance the deficit by borrowing Tk 160,900 crore, or about 20 percent of the total outlay, from local sources.

"The country's inflation rate is currently over 9 percent, which is indicative of hyperinflation. And local borrowing may fuel inflation," said Mohammad Forkan Uddin, president of ICAB.

He added that they appreciated several practical initiatives, including introducing tax rates that are applicable for two years, reducing tax rates for private companies and one-person companies, and reducing the withholding tax on consumer goods.

The ICAB also lauded changes in the VAT and supplementary duties act, such as allowing the payment of 10 percent instead of 20 percent of the demand without penalty while appealing to the customs, VAT appeal commissionerates and appellate tribunal.

The ICAB also praised the government initiative to set up Electronic Fiscal Device Management Systems (EFDMS) in a bid to expand the VAT net.

It further said the government took the challenge of implementing a development budget of Tk 265,000 crore despite global economic uncertainties, which is a very encouraging step.

Besides, the ICAB welcomed the enactment of the new Customs Act 2023 and its implementation from June 6, 2024, which introduced provisions for self-assessment, reduced initial duty or tax from 50 percent to 10 percent in case of appeals against claimed duty and tax or penalty, and extended the period for claiming refunds from six months to three years.

Shubashish Bose, chief executive officer of ICAB, said the proposed budget was tightened because of external factors.

He said the target to increase private sector investment by 29 percent would be very difficult to achieve because of the liquidity crunch in the banking sector.

Snehasish Barua, managing director of SMAC Advisory Services, said the income tax burden is increasing day by day as the government has been reducing indirect tax.

Regarding the tax-free income limit and tax tiers, he said lower middle-income people would suffer due to inflationary pressures as the tax-free limit remained the same, which means higher and middle-income groups would be comfortable.

Global Islami Bank opens two branches

STAR BUSINESS DESK

Global Islami Bank recently opened two branches at Tajpur of Sylhet and Naogaon respectively.

Syed Habib Hasnat, managing director of the bank, virtually inaugurated the operation of the branches as chief guest from the bank's head office in Dhaka.

The bank will provide quality service to customers and expand its network at home and abroad to provide 'Banking with Faith' to its stakeholders through the latest technological support, the bank said in a press release.

Kazi Mashiur Rahman Jayhad, additional managing director of the bank, Ataus Samad and Sami Karim, deputy managing directors, were present. Divisional heads, branch managers, sub-branch in-charges and distinguished clients, among others, were also present.

Syed Habib Hasnat, managing director of Global Islami Bank, cuts a ribbon to virtually inaugurate two branches of the bank from the bank's head office in Dhaka recently. PHOTO: GLOBAL ISLAMI BANK

Achieving inflation target will be a challenge: BCI

STAR BUSINESS REPORT

Achieving the targets for inflation and gross domestic product in the proposed budget for the fiscal year 2024-25 will be challenging for the government, according to the Bangladesh Chamber of Industries (BCI).

"The government proposed an inflation target of 6.5 percent for FY25 and a GDP growth target of 6.75 percent. But achieving those targets will be challenging as the inflation rate has been hovering at over 9 percent for the last 14 months," said Anwar-Ul-Alam Chowdhury, president of the BCI, according to a press release.

Chowdhury added that the budget lacked the provisions to keep industries running during these challenging times, especially given that the number of unemployed has risen by almost 1.20 lakh since most factories are operating at 60-70 percent of their capacity due to inadequate supply of electricity and gas supplies.

Data from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) indicate that the export situation is not favourable. At the same time, remittances are also decreasing.

Chowdhury urged the government to reconsider imposing a one percent duty on raw materials and capital machinery imports.

He also expressed concerns about the lack of initiatives taken to ensure the survival of micro, small and medium-sized enterprises (SMEs).

"Despite discussions about climate change and energy efficiency, the budget imposes taxation on locally manufactured bulbs, LED lights, air conditioners, and refrigerators. This move is expected to cause losses to the local industry and put pressure on consumers."

The proposed budget deficit stands at 4.6 percent of the GDP, with around Tk 160,900 crore expected to be financed from local sources.

As such, Chowdhury suggested the government should reduce expenses to decrease the deficit and borrow from foreign sources.

He warned that sourcing large amounts from local sources could eat away at private sector investment.

A customer inspects a fishing net at a makeshift stall during a weekly market in the Bagribazar area of Jhalakathi's Rajapur upazila recently. Locals purchase fishing nets, locally known as tona jal, to catch fish from canals and ponds during the rainy season. The nets, which are made of thin nylon fibre and bamboo twigs, are sold for Tk 300 to Tk 1,000 depending on size. PHOTO: TITU DAS

Corrective measures taken, but many elements missing

Experts say at BIDS seminar

STAR BUSINESS REPORT

Corrective measures were taken in the proposed budget to reduce inflation through demand management and encouraging supply response, said Binayak Sen, the director general at the Bangladesh Institute of Development Studies (BIDS).

He said the proposed budget is embedded in a conscious framework of policy-coordinated action across five dimensions -- a move towards a flexible exchange rate regime, removal of interest control, fiscal realism, enhancing supply response by boosting production, especially in agriculture and domestic industry via policy incentives, and preparing the country in the post-LDC context.

"But adjustments take time. It is not possible to reach a new equilibrium overnight."

He added that there were things missing from the budget such as private health insurance for all salaried workers, and smart family cards for urban industrial workers via the Trading Corporation of Bangladesh.

He also said extreme poverty had fallen. As a result, although inflation is close to double digits, there is no significant risk.

He was speaking at a discussion on the proposed national budget for fiscal year 2024-25 and the medium-term economic outlook of Bangladesh, held at the BIDS office in Dhaka.

In reply to a question about whether booming default loans were pushing inflation, the BIDS chief said there are two types of defaulters.

"One is the first-generation entrepreneur, who took loans, failed in the industry, and became a defaulter. The other group will take money, but will not repay it. They are willful defaulters. The two groups should be separated."

He added that as the government has cut expenditure for stabilisation, it should take steps to protect soft sectors.

"Agriculture, social protection, education and health should be protected. Bring down the physical infrastructure investment, cut unnecessary expenditure like buying cars,"

Sen further said that setting a fixed tax rate to legalise undisclosed wealth without scrutiny has violated tax equity and questioned the origin of the proposed 15 percent tax rate.

According to a proposed provision, no authority can raise any question if taxpayers, including companies, pay a 15 percent tax on cash, bank deposits, financial securities, or any other forms of previously undisclosed wealth.

This rate could be 15 percent for some, 10 percent for others, and 30 percent for others, depending on the specific circumstances, he said.

He added that various factors lead to some money remaining unaccounted for in legitimate processes. So, Sen was in support of the opportunity to legalise undisclosed wealth.

Mohammad Yunus, a research director at BIDS, said that very little allocation has been given to the agriculture sector compared to total national income.

If the agricultural sector falls into a crisis, food insecurity will increase, he said.

SM Zulfiqar Ali, another research director, said that despite the contractionary budget, the allocation for the education and health sectors increased.

However, what matters is how this allocation is used. In the past, allocations have shown that infrastructure spending is higher than improving service quality, he added.

Higher effective tax rate contributes to capital flight

Allege entrepreneurs

STAR BUSINESS REPORT

A higher effective tax rate is driving away potential investors from Bangladesh, and it may contribute to capital flight and discourage reinvestments, businesspeople and analysts warned yesterday.

Despite the cuts in corporate tax rates, the imposition of a minimum tax and withholding taxes, especially at import stage, has created a higher tax burden for taxpayers and investors, they said.

"We have been paying around 40 percent effective income tax for the last 15-20 years," said AKM Fahim Mashroor, a former president of the Bangladesh Association of Software and Information Services.

He made the observation at a post-budget discussion at The Westin Dhaka hotel in Gulshan. The Policy Exchange Bangladesh (PEB) and SMAC Advisory Services Limited, a consultancy firm, jointly organised the event.

Mashroor said it seems that only the compliant firms are forced to pay higher taxes. "On the other hand, a vested group can whiten black money by paying 15 percent tax."

The imposition of a minimum tax and withholding taxes has created a higher tax burden for taxpayers and investors

"This is unfair. Why will an investor invest in this country instead of resorting to capital flight?"

The entrepreneur warned that although the government reaps benefits in the short-term from the higher effective tax rate, it inspires capital flight in the long-run. However, he welcomed the exemption extended to the IT sector.

The tax exemption facility for the software and information technology-enabled services sector has been extended by three more years to 2027.

While moderating the event, M Masrur Reaz, chairman of the PEB, said the proposed budget has undertaken some good steps like a smaller development budget, which may contribute to taming inflation.

"But the budget has not paid heed to ensuring a conducive business environment," he said, calling for steps to accelerate trade competitiveness.

Snehasish Barua, director of SMAC Advisory, said the National Board of Revenue has brought some changes to the Finance Bill which will bring about a paradigm shift in tax collections.

He cited the introduction of the prospective tax, saying this will offer some predictability. A lack of predictability in the tax system had been standing in the way of attracting foreign direct investments, he added.

Fazlee Shamim Ehsan, vice-president of the Bangladesh Knitwear Manufacturers and Exporters Association, urged the government to bring NBR officials who try to harass to businessmen under accountability.

Former NBR members Md Farid Uddin, Alamgir Kabir and Zakia Sultana and Chittagong Stock Exchange President Asif Ibrahim also spoke.

India central bank holds rates as inflation risks linger

AFP, *Mumbai*

India's central bank kept interest rates unchanged for the eighth time in a row on Friday, as inflation risks continue to linger in the world's fifth-largest economy.

The Reserve Bank of India (RBI) said its benchmark repo rate, the level at which it lends to commercial banks, would remain steady at 6.50 percent.

Two major central banks have started bringing down interest rates, including the European Central Bank which on Thursday cut rates for the first time since 2019.

Inflation in India has cooled from its 2022 peak of 7.8 percent but still remains above the RBI's four percent target.

RBI governor Shaktikanta Das said the bank "remains vigilant to any upside risks" of inflation, particularly from food prices.

The decision comes days after Prime Minister Narendra Modi's Bharatiya Janata Party failed to secure an outright majority in the national elections, forcing it to depend on coalition partners to govern.

Experts believe that may force Modi's next administration to resort to populist spending to shore up its support base and mollify allies, which could stoke inflation.

Govt's higher bank

FROM PAGE B1

The rise in inflation must be curbed. If not, the pains and sufferings of common people will be increased."

Although a raft of steps has been taken to rein in inflation, such as by controlling the import of luxury and non-essential goods and reducing expenditure in unproductive and non-essential sectors, the government's austerity policy needs to be strengthened, the FBCCI president said.

"Taking into consideration the cost of living, inflation and the overall economic condition, we had requested to increase the tax-free income limit from Tk 350,000 to Tk 450,000. But the proposal was not taken into consideration. At present, considering inflation, we urge the government to reconsider the tax-free income limit."

He also urged the government to reconsider its proposal to abolish Advance Income Tax (AIT) and Advance Tax (AT) at the import level as such taxes are increasing business costs.

Alam said they proposed to reduce the tax deduction at source on all exports to 0.5 percent from 1 percent now, but it was not reflected in the budget.

He said the imposition of a one percent duty on capital machinery imported by firms in economic zones and hi-tech parks would discourage investors and send the wrong message to foreign investors.

Responding to a question about the FBCCI's stance on loan defaulters, Alam said they were not in favour of businessmen who default on loans.

The banks as well as the authorities concerned should follow up on the loan performance of borrowers, so they do not become defaulters, he said.

"We think banks should scrutinise the prospects of businesses thoroughly and understand their intention before granting loans," he added.

Other senior leaders of the FBCCI were also present at the press conference.

Why have loan defaults risen

FROM PAGE B1

"From today, NPL will not increase," he added while announcing the policy.

Other than the relaxed rescheduling policy, the BB unveiled several policy measures over the years in favour of borrowers and other vested quarters who influenced the policymaking.

For example, the cheaper loans thanks to the 9 percent lending rate cap, the loan moratorium facility amid the Covid-19 pandemic, and the loan classification facility were major policy supports. However, rather than reining in NPLs, these measures seem to have only motivated defaulters.

The central bank in April 2020 introduced the 9 percent lending rate cap that remained until June 2023. Borrowers who took loans during that period have to pay more than 16 percent now in interests. This perhaps has motivated many to refrain from paying their instalments.

Besides, borrowers enjoyed a loan moratorium benefit amid the Covid-19 pandemic from 2020 to 2022. At the time, businesspeople did not have to repay bank loans. But when this facility was withdrawn, borrowers faced a sudden pressure to pay back and many eventually became defaulters.

For a long time, borrowers enjoyed easy repayment terms due to the loan classification facility. However, recently, the BB tightened the loan classification rules to be in line with the IMF prescription.

In April this year, the central bank tightened the definition of overdue term loans to conform to international best practices.

As per the new rules, banks have to treat a loan as overdue if a borrower does not make any instalment payment within three months after the due date while it was six months previously.

Additionally, irregularities, scams and weak corporate governance in the banking sector alongside the lack of proper monitoring by the BB are also responsible for the record levels of bad loans.

Most state enterprises turned a profit

FROM PAGE B1

Humayun Kabir, the spokesperson of the TCB, said the enterprise is selling many essential commodities at prices that are around 50 percent lower than the market rates.

"So, we have no other option but to secure funds from the government in the form of subsidy."

Currently, the TCB is selling goods at subsidised rates among one crore families.

According to Kabir, since the price increased, the subsidy also went up. "If the price drops, the loss may narrow."

An official of the BSFIC said almost all the sugar mills under the corporation are 60 years to 70 years old and their economic lifespan ended many years ago. "Modernisation of the mills is needed."

On the other hand, the cost of sugar production is higher than the going rate of the sweetener. "Therefore, we are making losses," he said, adding that the government wants to keep the mills operational so that the private sector can't dictate prices.

Mirza Azizul Islam recommended ensuring accountability at the SOEs so that they can make profits while giving services to the people.

Power Grid gets

FROM PAGE B1

The Sustainable and Renewable Energy Development Authority (SREDA) has been given Tk 11 crore.

Bangladesh Rural Electrification Board's (REB) irrigation with solar power project has seen allocation doubling to Tk 330 crore.

Most of the state-run enterprise's projects are related to distribution.

Companies under the power division also include Rural Power Companies of Bangladesh, and North-West Power Generation Company, which are executing some generation projects, including the Rupsha 800MW power plant.

Other distribution companies are executing projects either on pre-paid metre or upgradation.

Mohammad Hossain, director-general of the Power Cell, said the government has mainly prioritised transmission and distribution-linked projects in FY25.

"We have 100 percent people under our coverage. Now our priority is to provide a sustainable and reliable electricity supply. We want a smart grid network across the country."

About the reduction in the allocation, he said, "Owing to the volatile market situation globally, we sought a lower-than-usual budgetary allocation. However, we have got what we require."

The proposed increase of Tk 93 crore for the energy and mineral resources division in the budget is not enough for the explorations needed to discover domestic gas and other mineral resources, said experts.

Citing the volatile fuel market, they said the budget allocation predominantly focused on importing fuel to cover needs when sourcing primary energy like gas and coal from the domestic front was needed.

The allocation for the Ministry of Power, Energy and Mineral Resources declined 13 percent to Tk 30,317 crore in FY25.

Khondaker Golam Moazzem, research director at the Centre for Policy Dialogue, welcomed the government's focus on transmission and distribution instead of raising generation.

"Due to a lack of adequate transmission networks, there are many areas where disruption takes place in the supply system. It is common that power plants go into operation long after their construction due to a lack of infrastructure."

He also lauded the Tk 100 crore special allocation for renewable energy research and development activities.

The economist, however, added it was upsetting that the SREDA, which works to promote renewable energy, was given the lowest allocation. "It comes at a time when wind power installations should get attention."

"The government says it is focusing on renewables, but the budget allocation doesn't reflect it."

Moazzem added that there are organisations which receive funds for renewable research. "There should be an assessment to find out how these funds are spent."

Prof Mohammad Tamim, a former adviser to a caretaker government, said in the current context, it is clear that local gas exploration and extraction is more important than the import of high-cost LNG and other fuels. However, the allocation is miniscule for the energy division.

He added that as there is overcapacity in the power sector, there is no need to increase the budget for electricity generation.

"It is time to invest in the transmission system and the primary fuel supply chain. The government has prioritised the first one. However, the second one has been neglected."

Prof M Shamsul Alam, energy adviser of the Consumers Association of Bangladesh, said the huge gap in allocation between the two divisions reflects that the government is raising power generation capacity without securing the energy supply chain.

PCT to begin operations on Monday

DWAIPAYAN BARUA, *Ctg*

Operational activities at the Patenga Container Terminal (PCT) will officially begin on Monday under Saudi operator Red Sea Gateway Terminal (RSGT), potentially ushering in a modern era of smart and speedy port operations in the country.

It will mark the first instance of a foreign firm handling operations at a port terminal in the country.

The long wait came to an end last week when the National Board of Revenue (NBR) provided temporary approval to RSGT Bangladesh Limited, allowing them to conditionally start operational activities under the supervision of the Chittagong Port Authority (CPA).

CPA Secretary Md Omar Faruk said the Saudi firm was set to start operations by handling cargo aboard the Maersk Davao container vessel on Monday.

The Singapore-flagged vessel, carrying 1,747 TEUs of import containers from the Port of Tanjung Pelepas in Malaysia, arrived on Saturday and is berthed at jetty No. 9 of the port's General Cargo Berth (GCB).

After unloading the import containers, the vessel will berth at a jetty at the PCT on Monday, where it will be loaded with around 1,000 TEUs of export containers, including empty ones.

It will leave for Indonesia two days later, informed port officials.

Initially, only geared vessels equipped with onboard cranes can be handled at the PCT as the Saudi firm needs two more years to bring and install quayside gantry cranes.

An official of a foreign shipping firm said container handling at the PCT would be quicker and smoother as RSGT plans to receive export containers from ICDs three days prior to the arrival of ships.

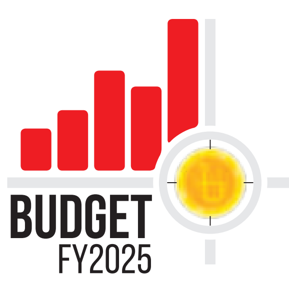
Currently, several export containers reach the jetties just a few hours before ships have departed, causing hassles in the smooth stacking of containers.

Sources said around 300 TEUs of empty containers and some export-laden containers bound for the Maersk Davao had arrived at the PCT from different ICDs yesterday.

According to NBR conditions, all imported LCL (less-than-container load) containers need to be physically examined before being sent to the South Container Yard while all FCL (full container load) containers must be physically examined as per the customs risk management system until the installation of a scanner at the PCT.

A partial view of the Patenga Container Terminal, the country's latest terminal that boasts three container jetties and a dolphin jetty. Saudi firm RSGT has been appointed to equip and operate the terminal for 22 years. Given its close proximity to the Karnaphuli estuary, the PCT is more easily accessible than other port jetties and promises faster loading and unloading of containers. PHOTO: RAJIB RAIHAN

Textile, garment makers urge govt to reconsider their demands



STAR BUSINESS REPORT

Textile millers and garment makers in Bangladesh yesterday demanded that the government include some of their recommendations in the new national budget as many of the issues they raised remain unaddressed.

For instance, garment exporters had demanded the reduction of source tax from the existing 1 percent to 0.5 percent for the upcoming fiscal year, which starts on July 1.

They also sought the continuation of cash incentives on export receipts until 2032 as the World Trade Organization (WTO) will allow graduating least-developed countries (LDCs) to enjoy trade benefits as LDCs till then.

As these demands were left unmet in the proposed budget for FY25, the textile millers and garment makers have asked the government to reconsider their recommendations on the grounds that such measures would improve businesses.

SM Mannan Kochi, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said one of the proposed measures in the budget would allow customs officials to levy a 400 percent fine if an exporter is found using inaccurate documentation.

"Such a proposal will only increase the harassment of exporters for simply making a mistaking when filing documents for the export procedure," he added.

Kochi was speaking at a post-budget press conference jointly organised by the BGMEA, Bangladesh Textile Mills Association (BTMA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) at the BGMEA office in Dhaka.

The BGMEA president also demanded food rationing for garment workers as persistently higher inflation has increased essential commodity prices in domestic markets.

He also suggested the government introduce a special scheme for both saving and fostering the growth of small and medium enterprises in the textile and garment sectors.

BKMEA Executive President Mohammad Hatem said although the government takes advanced income tax, the amount charged is often not returned as per the rules.

Besides, many textile and garment factories are facing serious difficulties due to a severe gas crisis.

BTMA President Mohammad Ali Khokon said there is an opportunity to bolster earnings from the 15 million kilogrammes of garment waste generated across the country each year as many global buyers want apparel made from recycled materials.

But the VAT on this type of product has been affecting the sector, he added, demanding the withdrawal of a 15 percent VAT on sales of garment waste and yarn.

Khokon also informed that the domestic primary textiles sector can typically supply $30 billion worth of raw materials to export-oriented garment makers every year.

However, their production has been suffering severely due to the ongoing gas and energy crises.

On the other hand, they welcomed the proposed rebates on imports of 17 textile products and the proposed reduction of the VAT Appellate Tribunal fee to 10 percent from 20 percent.

However, they also demanded the import duty on chillers be reduced to 1 percent from the proposed 10 percent. Previously, chillers faced an import duty of 104.68 percent.

Good budget, bad budget

MAMUN RASHID

The finance minister on Thursday placed the budget for fiscal year 2024-25, which is 4.6 percent bigger than the ongoing one. The increase is much lower than the average inflation seen in the last few years, reflecting the monetary constraints the government is facing as well as some of the realities of the crisis which commands a certain extent of belt-tightening.

The focus of the budget obviously had to be the restoration of macroeconomic stability, reduction of inflation, and containment of ongoing pressure on our foreign currency reserves.

Besides, the minister emphasised the need to curb corruption. On the other hand, he also offered a black money whitening facility. This once again raised the question: Why is the budget favouring the corrupt over honest and hardworking ones? And why are our laws continuously being formulated in a way that makes honest individuals lose out to corrupt ones?

It would not be unjust for honest taxpayers to ask: What is the point of paying taxes every year when those who are evading taxes can get away with paying a much lesser amount on their undeclared income to bring it into the mainstream.

Through budget allocations, the government, on the one side, had to rein in its expenditure. On the other side, people were unhappy to see where the government's priorities truly lie. The allocation for education actually went down from 1.76 percent of GDP in the current budget to 1.69 percent in the proposed one, the lowest in the last 16 years. Many felt it conflicted with "Smart Bangladesh," vision.

The same applies to the healthcare sector, whose budgetary allocation went slightly up from 5 percent of GDP in the current budget to 5.19 percent of GDP in the ensuing one. In a country having one of the highest out-of-pocket healthcare expenditures in the world and experiencing rising inflation simultaneously, healthcare costs have become a massive burden for the people.

However, it is good to see the government allocate Tk 2,000 crore for health emergencies, which we hope will be used properly to provide some relief to struggling ones. Additionally, we are encouraged to see the government allocate Tk 1,000 crore on health research, like the current one.

However, questions remain over the ministry's ability to utilise its budget as there was a significant decrease in budgetary usage compared to the allocation in the last fiscal year.

The corporate income tax has been brought down to 25 percent and new slabs have been created in the income tax incidence structure. This should help companies leave more money to distribute among employees and tax-paying employees.

The budget deficit is historically lower than the earlier budgets, depicting that the authorities have taken a very practical stance. But again, the way the allocations have been made shows that the authorities have failed to take into account what common people are most concerned about.

While the government's growth estimates seem to be more practical compared to previous overly optimistic ones, a 6.5 percent inflation target seems far from the current reality, with the average inflation around 9 percent for the past two years.

These contradictions and inadequacies, as well as the lack of specific strategies to address what has been the worst economic crisis facing the country since the pandemic, show that even though the budget admits to the existence of this crisis, it does not provide much way out.

We hope that before giving the final seal of approval on the budget, the esteemed public representatives in the parliament, along with the government, will debate enough among themselves and genuinely take these and other public interest concerns raised by experts and many into account.

The author is an economic analyst.

ECB still has 'long way to go' to tame inflation: Lagarde

AFP, *Berlin*

The European Central Bank (ECB) still has "a long way to go" to tame inflation, its president Christine Lagarde said Friday, a day after the body announced its first interest rate cut since 2019.

In an op-ed published Friday evening in several European newspapers, Lagarde said that inflation had "slowed significantly" and was expected to fall to the target level of two percent by next year.

"But there is still a long way to go until inflation is squeezed out of the economy. It will not be an entirely smooth ride," she continued.

"Interest rates will therefore have to remain restrictive for as long as necessary to ensure price stability on a lasting basis. In other words, we still need to have our foot on the brake for a while, even if we are not pressing down as hard as before."

The ECB on Thursday lowered the eurozone's record high key deposit rate by a quarter of a point to 3.75 percent after having kept borrowing costs on hold since October. The cut is expected to provide a much-needed boost for the beleaguered eurozone economy.

However, the bank reiterated that it would "keep policy rates sufficiently restrictive for as long as necessary" to hit its inflation target, adding the rate-setting governing council "is not pre-committing to a particular rate path".

"We have made major progress, but our fight against inflation is not over," Lagarde said in her op-ed.

"As the guardian of the euro, we are committed to ensuring low and stable inflation for the benefit of all Europeans."

Banks say growing reliance on Big Tech for AI carries new risks

REUTERS, *Amsterdam*

The boom in artificial intelligence will increase banks' dependence on big US tech firms, creating new risks for the industry, European banking executives said.

Excitement around using artificial intelligence (AI) in financial services - widely used already for detecting fraud and money-laundering - has soared since the launch of OpenAI's viral chatbot ChatGPT in late 2022 as banks examine ways to deploy generative AI.

But at a gathering of fintech executives in Amsterdam this week, some expressed concerns that the amount of computing power needed to develop AI capabilities would make banks rely even more on small number of tech providers.

ING's chief analytics officer, Bahadir Yilmaz, who is in charge of the Dutch bank's AI work, told Reuters he expected to rely on Big Tech companies "more and more going forward", for infrastructure and machinery.

"You will always need them because sometimes the machine power that is needed for these technologies is huge. It's also not really feasible for a bank to build this tech," he said.

Banks' dependency on a small number of tech companies was "one of the biggest risks", ING's Yilmaz said, emphasising that European banks in particular needed to ensure they could move between different tech providers and avoid what he called "vendor lock in".

Britain last year proposed rules to regulate financial firms' heavy reliance on external technology companies, such as Microsoft, Google, IBM and Amazon. Regulators are worried that problems at a single cloud computing company could potentially bring down services across many financial institutions.

A person walks past the Bank of England in London. Last year, Britain proposed rules to regulate financial firms' heavy reliance on external technology companies such as Microsoft, Google, IBM and Amazon. PHOTO: REUTERS/FILE

"AI requires huge amounts of compute and really the only way that you're going to be able to access that compute (computing power) sensibly is from Big Tech," Joanne Hannaford, who leads technology strategy at Deutsche Bank's corporate bank, told an audience at the Money20/20 conference earlier this week.

Hannaford said that there are requirements for the bank to notify regulators when they move data into the cloud, which could become much more complicated as the use of cloud computing increases.

Banks also need to communicate to regulators the risk of not leveraging cloud computing's power, which would be an opportunity cost, she added.

AI was top of the agenda at the Amsterdam conference.

The CEO of French AI startup Mistral AI, seen as France's answer to OpenAI, told attendees there were "synergies" between its GenAI products and financial services.

"We see a lot of opportunities in creating analysis and monitoring information ... which is really something that bankers like to do," Arthur Mensch said.