

Star BUSINESS



VAT hike to minimally impact goods prices Salehuddin says

STAR BUSINESS REPORT

The recent hike in value-added tax (VAT) and supplementary duty (SD) rates will not have any significant effect on the prices of goods, said Finance Adviser Salehuddin Ahmed yesterday.

"What is the worst that could happen?" he told journalists after a meeting of the Advisers' Council Committee on Government Purchase at the Bangladesh Secretariat.

The National Board of Revenue (NBR) increased VAT and SD on nearly 100 goods and services on January 9, leading to apprehensions that it would stoke inflation, put further strain on consumers' wallets, and slow down businesses.

The NBR raised the indirect taxes at a time when overall revenue collection fell by 2.62 percent in the July-November period, increasing pressure on the government to borrow from domestic and foreign sources.

The VAT increase also aligns with the recommendations of the International Monetary Fund (IMF) as part of a \$4.7 billion loan it approved for Bangladesh in January 2023.

Regarding the criticisms of

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SMEs lose credit appetite amid economic turbulence

SUKANTA HALDER

How have local private sector businesses fared in recent years?

To gain a micro-level understanding, ask the question to houseyard workshops, rural handicraft units, tiny grocery stores and small leather and footwear ventures.

These businesses have been struggling for over three years, gasping for air amid a challenging economic climate.

This is because high prices have eroded consumer demand, while increased power and utility bills have increased operating costs.

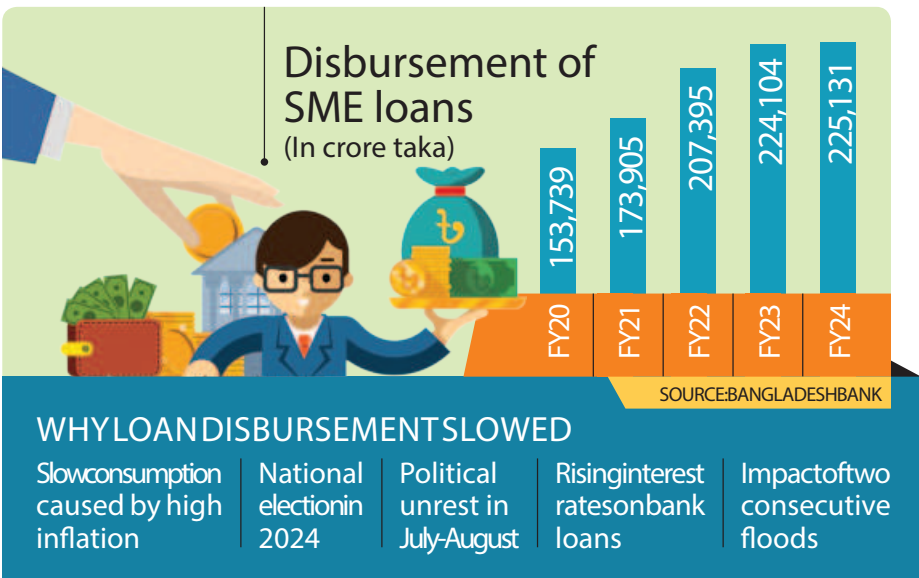
Access to bank loans has also become increasingly difficult for these small ventures, officially categorised as Cottage, Small, and Medium Enterprises (CSMMEs).

Instead of easing, the situation for around 78 lakh CSMMEs across the country, which contribute one-fourth of the gross domestic product (GDP) and employ 40 percent of the total workforce, has worsened in late 2024.

On top of the stubbornly high inflation, nationwide protests, violence, curfews, recurrent flooding and punishingly high interest rates on bank loans have brought the CSMMEs to their knees.

Credit data from the central bank also shows the economic disaster facing the CSMMEs.

During the April-June period of fiscal



year 2023-24, small businesses received Tk 54,526 crore in bank loans. This figure plummeted to Tk 42,950 crore in the subsequent quarter, according to Bangladesh Bank (BB) data.

Compared to the same period in FY23, loan disbursement in April-June of FY24 witnessed a 13.10 percent decline.

BB data also shows that CSMMEs borrowed Tk 2.25 lakh crore in FY24, a mere 0.46 percent increase compared to the previous year's Tk 2.24 lakh crore.

Meanwhile, private sector credit growth in November of last year reached a three-year low due to weakened credit demand, a dearth of new investment, and a surge in government T-bills and bonds.

According to Syed Abdul Momen, deputy managing director and head of SME Banking at BRAC Bank, businesses mainly seek loans for

two purposes: managing operations and expanding their businesses.

"Given the current economic situation, there is little to no demand for loans aimed at business expansion," said the banker.

"Entrepreneurs are now focused on securing the minimal financial support required to meet their working capital needs," he added.

Similar to Momen, Sanjib Kumar Dey, the head of the SME and Agri-banking division at Mutual Trust Bank, said that high inflation and costly loans have compelled small businesses to shelve their expansion plans over the past three years.

"Business owners have been primarily focused on survival rather than growth," Dey said. "Banks, too, are exercising caution in lending amidst the prevailing economic uncertainties."

'SITUATION IMPROVING SLOWLY'
Compared to July or August of last year, when a nationwide protest culminated in a government ouster, the current

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BTRC initiates telecom licensing reforms for better services

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The Bangladesh Telecommunication Regulatory Commission (BTRC) has launched efforts to reform the country's telecom licensing regime to align with contemporary demands.

A committee, led by BTRC Commissioner Brig Gen (retd) Iqbal Ahmed, has already held three meetings to restructure the network and licensing roadmap.

Maj Gen (retd) Md Emdad Ul Bari shared this information at a press conference at the commission's office in Dhaka yesterday.

"Currently, we observe that many licences are functioning as intermediaries, increasing costs instead of promoting cost efficiency. We intend to review this and strive for a licensing framework that is streamlined, effective, and efficient," he said.

Bari said that the reforms aim to safeguard consumer interests rather than protect

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STOCKS	
DSEX ▲	CASPI ▲
0.13% 5,202.61	0.43% 14,511.52

COMMODITIES	
Gold ▲	Oil ▼
\$2,719.49 (per ounce)	\$76.27 (per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.60% 75,838.36	▲ 0.32% 39,027.98	▼ 0.33% 3,795.37	▼ 0.05% 3,242.62



PHOTO: MD QUAMRUL ISLAM RUBAIYAT

If the government continues to allow import of potato, farmers will suffer severely.

Potato imports facilitated despite massive price fall

MD ASADUZ ZAMAN and KONGKON KARMAKER

The National Board of Revenue (NBR) has allowed the use of nine more customs stations for the import of potatoes, specifically from Nepal and Bhutan, aiming to diversify supply sources and reduce dependency on India.

The nine stations include Rohonpur in Chapainawabganj, Sonahat in Kurigram, Dhanua Kamalpur in Jamalpur, Nakugaon in Sherpur, Gobraakura and Karaitoli in Mymensingh, and Tamabil, Zakiganj, and Sheola in Sylhet.

Earlier, potato imports were allowed through four customs stations, including Benapole and Bhomra.

This facility will remain in effect till March, according to a gazette issued on Monday.

Traders had sought the initiative last December, when prices of the tuber reached a record high of Tk 80 per kilogramme amidst a usual drop in stocks ahead of the harvest season between February and April.

Now the facility will have little effect as prices have fallen by a massive margin across the country, and farmers fear massive losses amid bumper harvests.

Azizul Islam, who heads a farmers' association in Dinajpur, expressed his frustration at the NBR's move.

"Why is the government still allowing imports now, when potatoes are available at cheap rates in Bangladesh?" he asked.

Islam, who hails from Gopalganj village in Dinajpur sadar upazila, highlighted the plight of local farmers.

"There has been massive production this year, and there aren't enough buyers... If the government continues to allow imports, farmers will suffer severely," he warned.

Potatoes in Dinajpur are currently being sold at Tk 13 per kilogramme (kg) at the fields and around Tk 15 per kg at retail markets.

"If farmers are forced to accept such low rates, they won't recover even the money spent on potato seeds, let alone make a profit amidst rising labour and land costs," he said.

Islam urged the government to immediately halt potato imports and support farmers through state purchases.

"The government must prioritise farmers and take the necessary steps to safeguard their livelihoods," he stressed.

Regarding the time taken for the facility to come about, Kazi Mostafizur Rahman, an NBR member of international trade (currently in charge), said, "The NBR took the move based on businesses' demand when the prices were high."

"But we received the official request to extend new routes from businesses at the end of December. We needed 20-22 more days for processing as we had to conduct vetting on this issue," he said.

This year, acreage increased to a record high of 5.21 lakh hectares of land.

Annual demand stands at 85 lakh tonnes to 90 lakh tonnes, whereas harvests amount to around 106 lakh tonnes.

In fiscal year 2023-24, 1.5 lakh tonnes were imported from India.

EBL CLIMATE CHANGE ACTION AWARDS 2025

The EBL Climate Change Action Awards 2025, initiated in partnership with the US, German, French, and Danish embassies, aims to recognize and celebrate outstanding contributions towards tackling the most pressing challenges of climate change and promoting sustainability in Bangladesh. The awards will honor individuals, businesses, and organizations excelling in five different categories, thereby fostering innovation and leadership in addressing climate challenges.

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Submission closing: January 31, 2025

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