



Zaved Akhtar

Budget should draw clear roadmap for smooth LDC GRADUATION

Says FICCI President Zaved Akhtar in an interview with The Daily Star

MD ASADUZ ZAMAN

The upcoming national budget must outline a comprehensive roadmap to prepare for the country's graduation from the least developed country (LDC) club in 2026, prioritising tariff rationalisation, tax reform, and sustainable fiscal policies, according to a leading business leader.

"As Bangladesh approaches LDC graduation, the budget must demonstrate our readiness through tariff rationalisation and tax reforms," said Zaved Akhtar, president of the Foreign Investors' Chamber of Commerce and Industry (FICCI).

In an interview with The Daily Star, Zaved emphasised fiscal measures that support compliant labour practices, sustainable business models, and alignment with environmental, social, and governance (ESG) standards — key considerations for the post-LDC landscape.

First and foremost, he said that Bangladesh's tax system must be simplified by introducing a unified national value-added tax (VAT) rate.

"Our tax structure is complex, with multiple VAT rates across sectors. We need to simplify it by adopting a single national VAT rate, akin to the goods and services tax (GST) model used in other countries," said the FICCI president.

The existing system, fragmented by varying rates, creates confusion and compliance issues, according to the business leader. The question now, he said, is how effectively this transition

can be implemented.

"We cannot impose a unified VAT nationwide overnight. Instead, we should pilot it in a specific region, assess its impact on revenue collection, and then gradually expand to other areas and sectors," suggested Zaved, who is also the chairman and managing director of Unilever Bangladesh Ltd.

He advocated for reducing reliance on indirect taxes by broadening the direct tax base.

that connects all tax departments."

Currently, these departments rarely communicate, hindering effective revenue collection, he commented.

"Better coordination with other government agencies could unlock significant revenue potential. If such interconnection is enabled, different government verticals could synchronise their services," Zaved said.

On the National Board of Revenue's (NBR) push towards cashless

Therefore, he urged the authorities to raise the Tk 36 lakh cap on annual cash transactions to qualify for the reduced 25 percent corporate tax rate.

"We are hopeful that the NBR will introduce a forward-thinking, investor-friendly revenue policy — one that curbs leakages while encouraging a competitive tax environment," he said.

'POLICY CONSISTENCY A MUST FOR ATTRACTING FDI'S'

Foreign direct investment (FDI) in

TAKEAWAYS FROM INTERVIEW

Taxation & fiscal policy

- Budget must show LDC graduation readiness through tariff rationalisation and tax reform
- A single national VAT rate is needed to replace the current complex system
- Shift from indirect to direct taxes is essential to expand tax net
- Customs must evolve from just revenue collection to a facilitative agency

Digitalisation & reform

- An integrated digital network is needed to unify the tax wings
- Poor inter-agency coordination hampers revenue collection
- VAT payments should be fully digital, but the infrastructure isn't ready

Investment climate & policy consistency

- Frequent policy shifts hurt investor confidence and FDI inflow
- Sudden withdrawal of incentives can disrupt business plans mid-course
- A single, efficient investment agency is crucial to reduce bureaucratic hurdles

"We need to focus on expanding the tax net to capture more taxpayers, instead of over-relying on regulatory and supplementary duties," he said.

Zaved also called for transforming customs from a revenue-centric body to a facilitative agency.

"There's a misconception that customs only exist for revenue collection. It must also act as a facilitator," he said, adding, "We need an integrated digital information network

transactions, he said, "We talk about a cashless society, yet the infrastructure is far from ready. So how can we realistically transition to it?"

Sharing a personal experience, the Unilever Bangladesh chairman said, "Despite all the talk of a 'cashless market', when I pay VAT to the government, it can't be done digitally. I have to withdraw cash and pay the relevant officials. Why can't it go through the system directly?"

Bangladesh has remained persistently low, hovering below 1 percent of gross domestic product (GDP).

"We're even trailing behind Pakistan in attracting FDI," Zaved said.

But Bangladesh holds huge potential to draw foreign investment in sectors such as leather and agricultural processing, from farm-level operations to the full supply chain.

"To tap into this potential, policy

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When banks stop lending, nations stop growing

MAMUN RASHID

Ships are safest in the harbour, but that is not what they are meant for.

Similarly, banks are not meant to play it safe while the economy drifts. Yet, in recent months, headlines in Bangladesh have been dominated by news of record profits in the banking sector. Several financial institutions have reported impressive earnings, much of it derived from investments in government treasury instruments. At first glance, this might seem like a positive sign for the economy. But behind the numbers lies a growing disconnect between these profits and the actual needs of the country's economic engine.

Rather than focusing on lending to businesses, which is meant to be the main role of banks, many are parking their funds in government securities. The income of one particular bank from these securities more than doubled over the past year. Several other banks have also expanded their holdings in a similar manner. These investments are attractive because they offer presumably safe and steady returns. But by choosing this path, banks are diverting funds away from the vital arteries of the economy that could genuinely drive growth.

Banks exist to channel savings into productive ventures. When a bank lends money to a manufacturer, a small business owner, or an entrepreneur, it sets off a chain of activity. Factories produce more, jobs are created, salaries rise, and people spend more. This is how real growth happens. But when banks prioritise lending to the government, where they earn around 12 percent while paying depositors about 8 or 9 percent, they make money without taking much risk. This may be good for their balance sheets, but it does little for the broader economy.

We are already seeing the consequences of this shift. Entrepreneurs, especially those running small and medium enterprises, say that they are finding it increasingly difficult to get loans. Interest rates are high,

lending conditions are stricter, and, in some cases, they are simply turned away. This

is occurring at a time when Bangladesh is

trying to recover from global economic shocks and a depreciating currency. Without

access to credit, factories cannot expand, startups struggle to launch, and service businesses stagnate.

The result is not just missed opportunities but also slower

growth, fewer jobs, and a weaker private sector.

The deeper issue is that this behaviour is being rewarded. From the banks' perspective, it is logical. Why take a risk on a business that might falter when the government is offering safer returns? This creates a system where banks earn more by doing less. They are not incentivised to support businesses or encourage innovation. Instead, they are rewarded for keeping their money idle.

Over time, this leads to an economy that appears strong on paper but is hollow underneath. Banks report solid profits, but young jobseekers remain frustrated, small businesses feel neglected, and innovation slows. The economy begins to lose its dynamism.

There is still time to change course. The Bangladesh Bank, the Ministry of Finance, and other economic institutions need to intervene. There should be caps — and for international banks, there are — on how much banks can hold in government securities. Lending to the government should also be contingent upon proper due diligence. On the other hand, credit risk management must improve so that banks feel more confident in supporting businesses.

Banks must reassess their purpose. Making money is not inherently wrong but making it while the rest of the country struggles is. The goal should be to build, support, and create. By prioritising real impact over easy returns, banks can help lift the entire economy. This is especially important given Bangladesh's commitment to a private sector-led economy with a vast pool of SME entrepreneurs.

Bangladesh cannot afford to let its financial system remain stagnant. Banks must step out of the harbour and sail into deeper waters to help move the economy forward. Meanwhile, the government should exercise caution in borrowing large sums from banks at higher rates.

Mamun Rashid is an economic analyst and Chairman at Financial Excellence Ltd.

BATBC Q1 profit drops 23%

STAR BUSINESS REPORT

British American Tobacco Bangladesh Company Ltd (BATBC) saw its profit drop in the first quarter of 2025 due to declining sales.

The leading tobacco producer reported a 23 percent year-on-year decline in profit to Tk 318 crore in the January-March quarter.

Earlier, BATBC posted a profit of Tk 1,750.68 crore in 2024, reflecting a 2 percent fall from the previous year.

Its earnings per share (EPS) stood at Tk 5.89 in the January-March quarter, down from Tk 7.65 in the same quarter a year ago, according to a price-sensitive information (PSI) disclosure posted by the company.

BATBC attributed the EPS decline to a drop in sales volume during the quarter.

Its net operating cash flow per share (NOCFPS) stood at negative Tk 17.62 in the first quarter, compared to negative Tk 10.49 in the same period last year.

Lower collections from sales as well as higher excise and tax payments caused the fall, the company said in the PSI.

As of March 31, 2025, sponsors and directors held 72.91 percent of the company's shares, while institutional investors held 14 percent, foreign investors 4.26 percent, and the rest by the government and general public investors, according to Dhaka Stock Exchange data.

Linde Bangladesh posts 17% decline in Q1 profit

STAR BUSINESS REPORT

Linde Bangladesh Ltd's profit fell in the first quarter of 2025 due to lower sales and higher operating expenses.

The company posted a profit of Tk 8.05 crore in the January-March quarter, down 17 percent year-on-year, according to its financial statement.

The industrial and medical gas supplier reported revenue of Tk 55.03 crore during the period, down 5 percent year-on-year.

Its earnings per share (EPS) declined to Tk 5.29 from Tk 6.39.

The company attributed the drop in EPS to lower sales and increased costs stemming from an inadequate natural gas supply and frequent power interruptions by the Rural Electrification Board at its Rupganj plant.

Higher operating expenses also weighed on profitability, it said in the financial statement.

Its net operating cash flow per share (NOCFPS) was Tk 1.80 in the January-March quarter, a decline from Tk 3.22 a year earlier.

Linde Bangladesh said the drop in NOCFPS was driven by higher payments made during the current quarter.

As of March 31, 2025, sponsor-directors held 60 percent of the company's shares, institutional investors owned 21.9 percent, and the public held 18.1 percent, according to data from the Dhaka Stock Exchange.

Linde Bangladesh is a subsidiary of Linde PLC, a leading global industrial gases and engineering company incorporated and registered in Ireland.

It has operated for over 70 years in Bangladesh, supplying sectors from healthcare to manufacturing through its production facilities and market presence, according to its website.

IMF approves \$1b Pakistan payout

AFP, Washington

The International Monetary Fund (IMF) on Friday approved a loan program review for Pakistan, unlocking around \$1 billion in much-needed funds and greenlighting a new \$1.4 billion bailout despite India's objections.

Pakistan came to the brink of default in 2023, as a political crisis compounded an economic downturn. It was saved by a \$7 billion bailout from the IMF — its 24th since 1958.

"The authorities have demonstrated strong program implementation, which has contributed to improving financing and external conditions, and a continuing economic recovery," the IMF said in a statement.

Wary investors hope US-China talks cool high-stakes trade war

REUTERS

Investors are hopeful that US-China trade talks will cool a trade war between the world's two largest economies and dispel some of the uncertainty clouding financial markets, though few expect a major breakthrough just yet.

The highly anticipated meeting in Switzerland could mark one of the biggest developments since US President Donald Trump launched sweeping tariffs on April 2, which threw the global trade landscape into chaos and set off extreme market volatility.

"This is the mother of all negotiations," said Alejo Czerwono, chief investment officer, Emerging Markets Americas, at UBS.

"There are hundreds of billions of dollars of trade on the line, a 145 percent tariff on Chinese exports that amounts to some sort of de facto embargo and grievances that extend well beyond trade."

The US-China trade talks in Geneva had adjourned for the day and were set to continue on Sunday, a source familiar with the discussions told Reuters.

US President Donald Trump said late on Saturday that the two countries had negotiated "a total reset ... in a friendly, but constructive, manner."

He added that "great progress" was made, without elaborating.

Recently, investors have expressed optimism that the worst-case trade scenarios would not come to pass, and pointed to signs of de-escalation between the US and China as a reason behind a rebound in equities.

But despite comments by Trump ahead of the talks suggesting a lower level of Chinese tariffs, and a trade deal announced on Thursday between the US and Britain, many market participants said they were not expecting major breakthroughs this weekend.

Rather, they confined themselves to hoping that nothing goes wrong when the two sides come face-to-face for the first formal round of what may be protracted negotiations.

"We're still doubtful that direct US-China negotiations will lead to a 'grand compromise,'" said Thierry Wizman, global FX and rates strategist at Macquarie, in a note to clients.

Both the US and China may want, or even need, to reach a deal, said Liqian Ren, director of Modern Alpha at WisdomTree Asset Management. At this early stage, however, there seems to be little incentive to do so rapidly, she added.



People walk next to a screen with a stock indicator in the Jing'an district of Shanghai on April 7. Investors have pointed to signs of de-escalation between the US and China as a reason behind a rebound in equities.

PHOTO: AFP

"Each still wants to see how the other side copes with negative headwinds," Ren said.

"Right now, the market is maybe a little bit too optimistic in terms of what China and the US can achieve and how fast events will move."

Trade tensions between the two nations escalated last month, when the US boosted tariffs on all Chinese imports to a whopping 145 percent, and China then raised levies on US imports to 125 percent.

On Friday, comments by Trump that an 80 percent tariff on Chinese goods "seems right" — making his first suggestion of a specific alternative to the 145 percent levies — created some hope of progress toward resolving the dispute.

The benchmark S&P 500 stock index has already erased the steep losses seen in the immediate aftermath of the tariffs announcement on April 2, although businesses continue to warn investors of their impact, and the uncertainty they create, in earnings-related comments.

The S&P 500 remains down about 8 percent from its February all-time high and roughly 4 percent for the year.

Amid the tariff chaos, weak consumer sentiment surveys and other "soft data" have raised concerns about US growth, although most economic data has indicated resilience in the economy.

Volatility, meanwhile, remains. The Cboe Volatility Index, the options-based measure of investor anxiety, hovered around 22 late on Friday — well below its recent closing high of 52.33 in early April, but above its longer-term median of 17.6.

One of the factors curbing that volatility so far has been the high cost of establishing short positions betting on future market declines, said WisdomTree's Ren.

"When a single (social media post) from the president can make the market move 10 percent, it becomes very costly" to establish those positions, Ren said. Equities soared on April 9 after Trump paused many of the harshest tariffs for 90 days.

Still, markets were poised for more volatility ahead, said Matt Gerten, head of geopolitical strategy at BCA, a macroeconomic investment research firm.

Gerten said the firm's best advice was to "sell on strength."

Any signs of progress in the initial discussions would be welcome, and allow China to devote more energy to its domestic economic problems, said Andrew Mattock, a portfolio manager at Matthews Asia.