Ahsan Khan Chowdhury

Budget falls short on raising industrial competitiveness

Pran-RFL Group Chairman & CEO Ahsan Khan Chowdhury tells The Daily Star

AHSAN HABIB

The government must prioritise boosting the competitiveness of all industries if it wants to create more jobs, capture a bigger share of global markets, and strengthen the economy.

However, this focus was absent from the national budget for the fiscal year 2025-26, despite hopes from the business community, according to Ahsan Khan Chowdhury, chairman and CEO of Pran-RFL Group.

Speaking to The Daily Star after the budget was announced earlier this month, Chowdhury said the country must strengthen its income-generating sectors to become a developed nation.

"To create thousands of small entrepreneurs and make export-oriented industries more competitive, we needed stronger initiatives such as modernising the Chattogram port and upgrading three other ports to the same standard," said the CEO.

He believes drastic budgetary measures, like a 90-day action plan to increase global competitiveness, could have been taken up. "But that kind of mindset was not reflected in the new budget," he said.

"For example, take the garments industry — a sector that makes up more than 80 percent of exports. Couldn't we have aimed for double-digit growth or doubling the size of it in three years? Absolutely we could," Chowdhury added.

"To create thousands of small entrepreneurs and make export-oriented industries more competitive, we needed stronger initiatives such as modernising the Chattogram port and upgrading three other ports to the same standard."

He said businesspeople have long been crying out for reliable electricity and gas to increase exports.

"These are basic necessities for business, just like water and infrastructure. But I didn't see a sincere effort in the proposed budget to bring about the massive infrastructure overhaul we require," he said.

"As a businessman, I face many hurdles just to get a gas supply line extended. I have to go from office to office. It's exhausting. Yet I receive no clear direction about gas. This harms the business environment," said the CEO while sharing his experience.

Chowdhury's Pran-RFL Group is one of the leading local conglomerates. It has an annual turnover of about $3 billion. The group, which includes around 34 companies, employs more than 1.5 lakh people across various sectors. It exports goods worth about $550 million to 145 countries annually.

"As businesspeople, we prefer to put it in bullet points: give us gas, security, efficient ports, better Dhaka-Chattogram connectivity, improved logistics from the north, and protection from extortionists. These don't all have to be in the budget, but the budget should indicate that direction," he added.

According to the businessman, the new budget is much like previous ones, though the people had hoped for something different.

The CEO said people want reforms, fundamental change, fair distribution of wealth, and innovative budget plans that create jobs.

"But from my perspective, this is a conventional, routine budget. I commend those who prepared it, given the many constraints, but I don't think it will bring significant change to Bangladesh's business landscape," he commented.

The businessman said the new budget does not contain fresh efforts to widen the tax net. Without such moves, the government will continue to burden existing taxpayers.

On small businesses, Chowdhury — who is also the chairman of Midland Bank — said he works closely with farmers and rural entrepreneurs. Given the high interest rates, small businesses are under serious strain.

He called for greater access to microcredit to support collective efforts that can move the country forward.

At the same time, he advocated for higher investment in education. "If you compare Bangladesh with Vietnam or the Philippines, their spending on education and health is much higher."

The CEO believes Bangladesh does not need to depend solely on foreign investors.

"We are a country of 18 crore people, with countless capable entrepreneurs who can drive transformation — but they face obstacles. If we want to change the business environment, we must act boldly. Without initiative, we will not unlock new opportunities."

He pointed to sectors such as furniture, which have export potential but still rely mainly on local sales. "Without bond facilities, these industries will never be able to expand into exports. Sectors with export potential should be given bond facilities."

On the increase in turnover tax to 1 percent, he said he views it "very negatively."

"Very few SMEs in Bangladesh make a 10 percent profit margin. A 1 percent turnover tax essentially forces them to pay high effective taxes."

Addressing the NBR, he questioned how much profit small ventures make. "If they have to pay 1 percent on total sales, is that viable?"

He thinks this could create a system of leakages and unhealthy practices. "We waste too much time in this game of thieves and police. We understand the challenges the NBR faces. But we must create opportunities for businesses to grow."

"If we can raise compliance, income levels, and business momentum, we can expand the tax net," added Chowdhury.

He cited Taiwan as an example. "It has a smaller population but exports far more than Bangladesh. That doesn't mean we do not have talent. Bangladesh's youth and workers are incredibly capable."

He admitted that doing business in Bangladesh is extremely difficult.

"But despite all challenges, the country is rising. No matter how hard it gets, how adverse your family's situation is, or how difficult it is to repay loans, keep moving forward. Stay positive. Give the country a chance. Invest here, and through your investment, help move the country forward."

If that happens, he said, the nation may avoid the kind of public outcry seen this year. "Otherwise, one protest will follow another, and we will fail to progress."

The top businessman urged young people to focus on constructive economic development.

"Reforms will come, those responsible will do their part. Your job is to study. Focus on education and technical skills. Focus on the knowledge that interests you."

"Let's drive Bangladesh forward through true economic development. Only then will we see real progress," he concluded.

TAKEAWAYS FROM INTERVIEW

BUDGET AND POLICY GAPS

- Budget lacks concrete steps to boost business competitiveness
- No bold reforms were visible to ensure better business environment
- Routine budget offers little hope for meaningful change in business landscape
- Budget missed opportunity to expand tax net

INFRASTRUCTURE NEEDS

- Businesses need gas, logistics, efficient ports, and security for survival
- Massive infrastructure overhaul was absent despite being long overdue
- Export-ready sectors like furniture still lack bond facilities to go global

SMEs, TAX AND FINANCING

- 1% turnover tax is harsh for SMEs with low profit margins
- High interest rates are crippling small businesses
- Microcredit must be expanded

VISION

Govt should focus more on education, technical skills, and entrepreneurship

Budget offers little to build national capital

MAMUN RASHID

The interim government has presented its first national budget, possibly the last under this setup. Despite widespread calls for urgent reforms and the need to move beyond outdated public financial management architecture, the new budget offers little in terms of a clear roadmap for the future or in building the strong equity base needed to support growth.

We all know that the July revolution, driven by youth and other political forces, significantly raised expectations for structural change and a fresh vision. Yet this budget has largely failed to align with those aspirations. What we see instead is a continuation of old practices, merely repainted to appear new.

Some explanations lie in structural limitations: low government earnings, heavy public borrowing, weak foreign aid disbursement, and dwindling foreign direct investment (FDI). Bangladesh's persistently low tax-to-GDP and revenue-to-GDP ratios continue to hamper economic growth.

The National Board of Revenue (NBR) has been unable to broaden its tax base effectively. The number of active taxpayers remains critically low, and the rate of company listings on the stock market is stagnant. Many firms prefer to stay outside the formal tax net, often manipulating figures to avoid the high tax burden. The pressure is unfairly skewed towards the middle and emerging middle class, mainly private sector executives and salaried professionals, who are already struggling under rising tax obligations. Because of the shortfall in direct tax earnings, the revenue authority remains overly dependent on indirect taxes, creating additional burdens.

Dividend tax from the stock market is also unreasonably high, discouraging investment and making companies reluctant to go public and share their successes. Meanwhile, the thresholds for lower income tax brackets remain outdated, offering little relief to salaried professionals. This system, in effect, demotivates young professionals from opening a tax identification number (TIN) or becoming tax-compliant unless compelled.

The introduction of a 1 percent turnover tax raises serious concerns about viability in a country like Bangladesh. In practice, it penalises those who are already compliant, registered businesses with BINs, while many others operate outside the system without consequence. This does not encourage the mainstreaming of the economy. A major portion of our economy thus remains in the shadows, masking its real potential.

Our textbooks tell us that a fair and progressive tax system is a prerequisite for building national capital and expanding the investment base. Unless reforms are made to simplify compliance, widen the tax base, lower tax rates and protect honest taxpayers from disproportionate burdens, national capital formation will remain a distant dream. Financing growth will continue to elude us.

Not all these blemishes can be attributed to the interim government. Poor governance frameworks, ineffective monitoring, low technology use, weak accountability, a failure by politicians to enforce laws, and a trust gap between the public and private sectors have constrained our budget and planning process for a long time. Capacity building is also an issue.

Successive governments have shied away from thinking beyond the box and have failed to lower tax rates or innovatively broaden the tax base. Integrating national identity cards with bank accounts, as India's "Aadhaar" scheme has done, could have paved the way for more transparency and stronger revenue collection, but we made little progress.

Saying goodbye to a culture of tax waivers, rewarding higher tax payments at the individual level, and maintaining better expenditure discipline could have set us on a stronger path.

That did not happen, due to divisions within the revenue administration and a lack of synergy among economic management agencies. Last-minute number-crunching rather than deep, forward-looking planning also contributes to this ineffective budgetary process.

The writer is an economic analyst and chairman of Financial Excellence Ltd.

Stocks slide after Israel strikes Iran

AFP, *New York*

Oil prices soared and stocks sank Friday after Israel launched strikes on Iran, prompting retaliation from Tehran and stoking fears of a full-blown war.

Oil futures rocketed more than 13 percent at one point before coming back to gains nearer seven percent, reigniting worries about a renewed spike to inflation.

After a down day in Europe and Asia, Wall Street indices spent the entire day in the red before finishing the day down more than one percent.

"After having a pretty solid run in May and the first part of June, markets found an excuse to take some profits," said Art Hogan, chief market strategist of B. Riley Wealth.

Shares in major airlines tumbled after flights around the Middle East were suspended.

The dollar climbed higher, while gold -- viewed as a safe haven investment -- was close to its record high of above $3,500 an ounce set in April, having added around 30 percent since the start of the year.

The drop in equities and rise in safe-haven assets "all go to show just how fragile sentiment remains in the face of major geopolitical events," said David Morrison, senior market analyst at financial services provider Trade Nation.

"The question now is whether investors view this flare-up as a relatively contained incident within the longstanding animosity between Israel and Iran, or if this is the spark that ignites a conflagration across the Middle East and then beyond?"

On Friday, Iran fired a barrage of ballistic missiles at Israel in a counter-strike just hours after the Israeli strikes targeting the Islamic republic's nuclear facilities and bases.

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Opec+ would struggle to cover major Iranian oil supply disruption

REUTERS, *London*

Oil market participants have switched to dreading a shortage in fuel from focusing on impending oversupply in just two days this week.

After Israel attacked Iran and Tehran pledged to retaliate, oil prices jumped as much as 13 percent to their highest since January as investors price in an increased probability of a major disruption in Middle East oil supplies.

Part of the reason for the rapid spike is that spare capacity among Opec and allies to pump more oil to offset any disruption is roughly equivalent to Iran's output, according to analysts and Opec watchers.

Saudi Arabia and the United Arab Emirates are the only Opec+ members capable of quickly boosting output and could pump around 3.5 million barrels per day (bpd) more, analysts and industry sources said.

Iran's production stands at around 3.3 million bpd, and it exports over 2 million bpd of oil and fuel. There has been no impact on output so far from Israel's attacks on Iran's oil and gas infrastructure, nor on exports from the region.

But fears that Israel may destroy Iranian oil facilities to deprive it of its main source of revenue have driven oil prices higher.

A crude oil tanker arrives at the port in Qingdao, in China's eastern Shandong province. Oil prices soared by more than 8 percent to $75 a barrel on Friday on the news of Israel's attacks on Iran. PHOTO: AFP/FILE

The Brent benchmark last traded up nearly 7 percent at over $74 on Friday.

An attack with a significant impact on Iranian output that required other producers to pump more to plug the gap would leave very little spare capacity to deal with other disruptions - which can happen due to war, natural disasters or accidents.

And that with a caveat that Iran does not attack its neighbours in retaliation for Israeli strikes.

Iran has in the past threatened to disrupt shipping through the Strait of Hormuz if it is attacked. The Strait is the exit route from the Middle East Gulf for around 20 percent of the world's oil supply, including Saudi, UAE, Kuwaiti, Iraqi and Iranian exports.

Iran has also previously stated that it would attack other oil suppliers that filled any gap in supplies left due to sanctions or attacks on Iran.

"If Iran responds by disrupting oil flows through the Strait of Hormuz, targeting regional oil infrastructure, or striking US military assets, the market reaction could be much more severe, potentially pushing prices up by $20 per barrel or more," said Jorge Leon, head of geopolitical analysis at Rystad and a former Opec official.

Oil prices have surged after Israel struck Iran, but what could escalation in the Middle East mean globally?

The abrupt change in calculus for oil investors this week comes after months in which output increases from Opec and its allies, a group known as Opec+, have led to investor concern about future oversupply and a potential price crash.

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