

Pay attention to bringing investible companies

Stakeholders say at BRAC conference

STAR BUSINESS REPORT

Foreign investors and stakeholders yesterday urged authorities to take initiatives to bring healthy companies to the market to make the stock market vibrant and sustainable.

"From an equity market perspective, we believe Bangladesh is about two to three years behind Pakistan and more than three years behind Sri Lanka," said Mattias Martinsson, chief investment officer at Tundra Fonder, a Swedish asset manager.

"I think the major hurdle right now is, of course, the elections," he also said at a conference on the economy, politics, and capital market ahead of the parliamentary election scheduled for February 12. BRAC EPL Stock Brokerage Ltd organised the event at Sheraton Dhaka.

He said there are a few quality banks and pharmaceutical companies that attract some interest.

Another disincentive is the high capital gains tax. "And the depth of Bangladesh's market is thin," said Martinsson, suggesting mandatory annual briefings by all listed companies to improve transparency and enhance investor interest.

BNP Standing Committee Member Amir Khasru Mahmud Chowdhury, also a former commerce minister, said not only state-owned firms, companies with strong financials should be listed to improve the depth of the capital market.

To make it easy, all stakeholders such as brokers, investors, and merchant bankers will have to act responsibly, and all vital institutions will have to play their due roles professionally, he added.

"There are many government projects for which funds can be raised from the capital market. Many foreign investors are eager to invest here, but they are waiting for the election," he said.

On the country's economic situation,

he said, "Bangladesh is at a low level of equilibrium. Lifting the economy from there will be the main challenge for the next government."

For this, his party will focus on further liberalisation, transparency, accountability, and deregulation, he said.

Mohammad Abdur Razzaque, chairman of Research and Policy Integration for Development (RAPID), said three critical transitions are reshaping Bangladesh's macro-political horizon: political transition, macroeconomic transition, and graduation from least developed country status.

"How these are managed will define the opportunity for Bangladesh in the coming days," he said.

He noted that the transition is occurring amid a rapidly changing global environment, marked by trade fragmentation, geopolitical competition, aid retrenchment, and reconfigured

supply chains.

"If navigated well, this convergence can expand Bangladesh's opportunity space, strengthen resilience, and open new pathways for investors and exporters," he added.

Mashrur Arefin, chairman of the Association of Bankers Bangladesh, expressed hope that the banking sector will revive in the coming years.

He said some banks are still in good shape, with non-performing loan ratios below 4 percent, and their returns on assets are high.

Answering a question about whether Jamaat-e-Islami will follow a Shariah-based economic model, Atiqur Rahman, secretary general of Bangladesh Shramik Kalyan Federation, said they will not change the discourse overnight.

"Their policy is to make the economy helpful for the poor and reduce inequality," he added.

Special loan

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fraud, willful default, or loan manipulation will not be eligible for the facility, BB clarified. Before approving any rescheduling, banks must conduct a special inspection to verify whether the borrower was genuinely affected by circumstances beyond their control. Islamic banks have been asked to apply the same policy in line with Shariah principles.

Bankers say the move could provide breathing space to the struggling shipbuilding sector, which has significant export potential but has faced financial stress in recent years due to global market volatility.

At the end of 2024, total outstanding loans in the shipbuilding and ship-breaking industry stood at Tk 20,506 crore, of which Tk 8,031 crore had become defaulted, according to BB data.

Spinners, apparel

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be possible through double transformation, such as producing garments from locally spun yarn.

BGMEA countered that value addition of up to 60 percent can be achieved even when garments are made from fabrics produced using imported yarn. The association said double transformation is possible with imported inputs as well.

BTMA President Russell said that before the commerce ministry issued its letter to the NBR, several meetings involving senior government officials and leaders of BTMA, BGMEA and BKMEA reached a consensus that the government should withdraw the bonded facility for yarn imports where local mills are fully capable of meeting demand.

NBR misses target

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imports following the easing of restrictions.

However, speaking on condition of anonymity, an NBR official said the half-yearly growth was "usual", largely reflecting a low base caused by last year's political turbulence.

He also blamed the subdued government development spending and weak private investment for missing the target.

"Slow public sector projects have weighed on VAT and customs revenue, while cautious investment has constrained corporate tax growth," the official said, adding that revenue gains are likely to remain modest until economic activity strengthens further.

Experts also caution that the growth is not enough to celebrate.

"A 14 percent growth sounds encouraging, but in reality, it is not a major achievement. It largely reflects a shift from negative to positive territory," said Fahmida Khatun, executive director of the Centre for Policy Dialogue (CPD).

She said the recovery is welcome, but warned against overstating it, pointing out that last year's revenue collection had been depressed for a prolonged period due to political unrest and broader instability.

Khatun added that the growth rate is not particularly high when compared with earlier periods of sustained positive expansion. "It shows that collections can improve with effort, but it is not something to celebrate excessively."

Going against the usual practice and history, the interim government raised the revenue collection target for the fiscal year by 5 percent, taking the goal to Tk 588,000 crore from the original Tk 564,000 crore.

The upward adjustment followed stronger-than-expected performance in the July-September period, when revenue rose by 17.6 percent, far higher than the 4.94 percent recorded in the same period a year ago.

On the higher target, Khatun said setting ambitious goals without matching capacity has become a recurring pattern.

"This has turned into a tradition - setting ambitious targets and then failing to meet them. Repeating this only exposes institutional weaknesses," she said.

"If the capacity to collect does not align with the target, it points to gaps in manpower, institutional strength and systems," she added.

While revenue mobilisation must increase and the tax-to-GDP ratio improve, Khatun said achieving that would require deeper reforms, including stronger institutions, improved human resources and technological upgrades. "Without these reforms, revenue shortfalls will persist."

A recent study by the Office of the United Nations High Commissioner for Human Rights said Bangladesh could collect taxes equal to 14 percent of its GDP, almost double the present rate of 6.6 percent.

Instead, the tax-to-GDP ratio has fallen, reflecting the country's heavy dependence on indirect taxes and limiting funds for essential services such as education and healthcare.

rate stable," he added.

Private sector credit growth remains subdued, while short-term foreign borrowing has declined, he said. Although lower interest rates could support investment, persistently high inflation limits the scope for such moves.

Meanwhile, Bangladesh Bank's dollar purchases have injected liquidity into the banking system, but sluggish credit demand has contained inflationary risks for now, he noted.

Md Ezazul Islam, director general of the Bangladesh Institute of Bank Management (BIBM), said the central bank should maintain its tight monetary stance for at least the next six months, or at least three months, to rein in inflation.

With an election schedule approaching, demand for credit is likely to rise, he said, commenting that any rate cut at this stage could add to inflationary pressure.

Comparative data presented at the workshop shows Bangladesh uses less energy per unit of GDP than some regional peers, indicating relatively higher efficiency.

Besides, the study states that private power producers currently account for nearly half of installed generation capacity, operating more than 70 plants with combined capacity exceeding

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"This heavy dependence on imported energy has made its economy highly vulnerable to global price shocks," said Selim Raihan, executive director of Sanem.

He urged a renewable energy transition and stronger, comprehensive efficiency policies, also noting that high tax incidence on renewable energy components remains a key barrier to adoption.

The division will also monitor revenue trends and assess emerging

BB to unveil monetary policy

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The monetary authority, tasked with managing currency, money supply, and interest rates to maintain price stability, will unveil the policy amid renewed price pressures.

In December, inflation rose to 8.49 percent from 8.29 percent a month earlier, according to the Bangladesh Bureau of Statistics (BBS).

Industry insiders said inflation is showing signs of heating up again despite the central bank's tight monetary stance, pointing to supply-side constraints rather than excess demand as the primary driver of rising prices.

The central bank has kept the policy rate unchanged at 10 percent since October 2024, resisting calls from business groups for a rate cut.

Zahid Hussain, a former lead economist at the World Bank's Dhaka office, said the central bank has little room to ease policy while inflation is high.

Cutting the policy rate at this stage could add to inflationary pressures rather than stabilise prices, he said, adding that the central bank is likely to keep the rate at 10 percent in the near term.

"Inflation is not being driven only by excess demand; supply-side bottlenecks and global supply chain disruptions are also playing a major role in keeping prices elevated," said the economist.

On exchange rate management, Hussain said Bangladesh Bank is prioritising stability rather than allowing the taka to strengthen against the US dollar.

"Despite steady remittance inflows and improved dollar availability, the central bank is avoiding taka appreciation. While a stronger taka could have reduced import costs, it could also hurt exporters' earnings and discourage remittance inflows, prompting the central bank to keep the exchange

rate stable," he added.

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He urged a renewable energy transition and stronger, comprehensive efficiency policies, also noting that high tax incidence on renewable energy components remains a key barrier to adoption.

The division will also monitor revenue trends and assess emerging

patterns of tax avoidance and evasion.

On the other hand, the Revenue Management Division will be responsible for the operational aspects of revenue administration, including the collection and enforcement of income tax, value-added tax (VAT) and customs duties. Its mandate will also cover audit functions and overall revenue management.

The move to reform the tax system is an initiative taken to comply with a condition set by the IMF, tied to a \$5.5 billion loan to Bangladesh.

The interim government, initially after issuance of the ordinance, faced prolonged protests by NBR officials last year, which disrupted customs operations and tax collection for nearly two months, significantly affecting revenue inflows. The agitation stemmed from concerns over administrative restructuring, career progression, and institutional autonomy.

Following the unrest, the government introduced amendments and enacted the Revenue Policy and Revenue Management Ordinance, 2025, on September 1 of last year.

According to the NBR officials, the newly staffed structure proposal called for a major expansion of the Revenue Policy Division, where the number of staff would rise from 117 to 287 -- a 145 percent increase -- to strengthen research, policy development, and economic analysis.

Meanwhile, the Revenue Management Division would grow by 28 percent, from 615 to 790 officials, to strengthen compliance, expand the tax base, and reduce evasion.

Stubborn and sticky

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Zahid Hussain, a former lead economist at the World Bank's Dhaka office, said there is little room for policy easing. A rate cut at this stage would risk fuelling inflation rather than containing it, leaving the central bank likely to hold rates at 10 percent in the near term.

"Inflation is not being driven only by excess demand; supply-side bottlenecks and global supply chain disruptions are also playing a major role in keeping prices elevated," Hussain added.

The economist said that while dollar purchases have boosted liquidity, weak private credit demand has so far prevented a sharper inflationary surge. But with supply constraints unresolved and the government's thirst for credit still rising, monetary policy alone is failing to contain persistent price pressures.

Serious power

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