

Middle, lower income people to suffer: economists

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BRAC Business School holds a dialogue on proposed national budget at BRAC Centre in Dhaka on Friday. — New Age photo
Economists on Friday said that country's middle-income and lower-income people would bear the brunt of various measures proposed in the national budget for the financial year 2019-20 placed in the Jatiya Sangsad on Thursday.

At a post-budget dialogue, organised by Brac Business School at the Brac Centre Inn in the city, they said that income disparity was growing in the country but there were no measures in the proposed budget to address the situation.

The prices of all products and services would increase due to the proposed rates of Value Added Tax, putting pressure on the middle and lower- middle-income groups of the population, former Bangladesh Bank governor Salehuddin Ahmed said.

‘Income disparity is rising in the economy. Growth is there but problem lies in distribution.’ He said.

Salehuddin said that deficit financing in the budget is growing and the government borrowing from banks would hinder the growth of the private sector.

‘If investment does not come in the private sector, employment won’t be created,’ he said.

Regarding the banking sector situation, Salehuddin said that the rules and regulations of the Bangladesh Bank are of international standard but those were not being implemented.

The central bank failed to take timely action to prevent corruption in the financial sector, he added.

Former caretaker government adviser Akbar Ali Khan said that strict implementation of laws remained absent in the recent years and it did not appear that the government was determined to eliminate the non-performing loans.

It was a prime concern that growers were not getting fair prices for their produces but there was no indication in the budget to ensure just prices of the agricultural crops, he said.

Akbar added that there was also no indication in the budget to ensure good governance in the country.

‘If you consider the short-term impact the budget is good but for the long term there are many weaknesses in the budget,’ he said.

He also opined that the commitment to achieve 10 per cent growth in the Gross Domestic Product was unrealistic as the [necessary] environment was completely absent in the country to attain the growth.

‘The budget size has been increasing over the years while the implantation capacity has been falling,’ former caretaker government adviser Mirza Azizul Islam said.

Citing the experiences of the budget implementation in previous years, he said that it would not be possible to achieve the proposed tax revenue target.

‘State-owned companies should be the prime source of non-tax revenue but the companies have been incurring huge losses every year due to corruption, irregularities and political influence,’ he observed.

Mirza Aziz said that private sector investment had remained stagnant for the last one decade due to lack of infrastructure, shortage of gas and electricity, poor governance and lack of ease of doing business.

‘Infrastructure development and gas and electricity supply have improved in recent times but there is no indication in the budget to improve governance and ease of doing business,’ he said.

Mirza Aziz further observed that while private sector credit growth was decreasing due to increasing non-performing loans enforcement of [the relevant] laws remained absent, for which the situation did not improve. ‘The government has promised in the proposed budget to take stern action against wilful defaulters but there was no criteria proposed to differentiate between wilful and un-wilful defaulters,’ he said.

Citing misuse of allocations in the social safety net programmes, Mirza Aziz said that specific indicators were needed in the budget to address the problem.

He also said that there was no indication in the budget to check growing income inequality and to eliminate regional poverty.

Mominul Islam, managing director of IPDC Finance Limited, proposed to introduce Key Performance Indicators to ensure quality spending of the Annual Development Programme projects.

‘Some specific measures on road safety were required in the proposed budget but unfortunately the issue remained unaddressed,’ he added.