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Experts: Tame inflation by adjusting interest rates while ensuring proper implementation of social safety net

They said the government also needs to address its revenue collection shortfall by reducing the tax burden on selective taxpayers and widening the tax base



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The budget should have been more focused on taming inflation through revision of bank deposits and lending rates as fiscal or monetary policies can't address such kind of inflation which is mostly externally driven.

Besides, the government should address the issues of corruption and appropriation of safety net or rationing funds as allegations of misappropriation of such funds are rampant.

Experts and economists said this at a post-budget discussion on the proposed budget for the fiscal year 2022-23 on June 11, organized by the Brac Business and Economics Forum of Brac University.

Dr Mirza Azizul Islam, professor of Brac Business School (BBS) and former caretaker government adviser, as well as Mominul Islam, CEO of IPDC Finance, spoke at the program moderated by Shamim Ehsanul Haque, the assistant professor of BBS.

The speakers referred to this year's budget as important and said although there are many positive things in this budget, implementation will be one of the biggest challenges for the government.

“Overall, I think all the targets set in the budget are acceptable but there are problems with its implementation,” Dr Mirza said.

He also pointed out that the budget estimates a GDP growth at 7.5%, but the objective is to ensure food security and the effective disbursement of funds under the social safety net.

On the budget deficit, the economist said: “In the current context, even if the budget deficit is 6%, that’s alright.”

The economist further pointed out that the Russia-Ukraine war and various other factors have disrupted the global supply chain, including fuel, which has led to a rise in prices and an increase.

In that regard he said, it is necessary to increase social security and ensure proper management so that the people who are actually suffering can enjoy the benefits.

According to the economist, the government also needs to address its revenue collection shortfall by reducing the tax burden on selective taxpayers and widening the tax base.

“Of about seven million registered taxpayers with TIN, only half contributes to the government revenue, with some registered businesses having BIN avoid paying VAT, and the budget had not addressed that,” said Azizul Islam.

He also pointed out that the income inequality and regional inequality have increased in Bangladesh, “40% of the people in Rangpur and Barisal region live below the poverty line which is much less in Dhaka, Narayanganj and Chittagong. The implementation of the UN SDGs will not be possible without reducing regional disparities.”

Mominul Islam, the CEO of IPDC also pointed out that the budget should focus even more on living standards, and purchasing power and not on growth, and the central

bank should give a thought to adjusting interest rates, likewise free-floating exchange rate.

The NBF top-brass also pointed out that the country needs to raise the tax-GDP ratio as Bangladesh currently has one of the lowest in the segment amongst neighbouring countries which have far less growth.

“Out of 2.2 million job seekers, the economy has the ability to absorb only 1.2 million leaving one million unemployed, and hence apart from GDP growth, job creation needs to be focused on especially with the pandemic disrupting several industries that had to resort to layoffs,” Mominul said.

Mominul further pointed out that the government should not be scared about currency devaluation and depreciation as neighbouring countries like India, Pakistan, Turkey and Afghanistan among others have seen a depreciation of the currency in the range of 70% to 120%, whereas Bangladesh only had a 34% of value drop in currency.

He also said according to the proposed budget, private universities would have to continue paying VAT on tuition fees, which is now being brought under income tax.

“It is a matter of concern. As a result, in the future, these private universities may become completely profit-oriented,” said IPDC top-brass, demanding an increase in the tax-free income limit for lower-middle-income people.