

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY	
0.03%	0.04%	\$1,724.58	\$41.19	34,208.05	22,355.46	2,665.66	2,939.32	83.95	93.22	104.26	11.71	
3,960.57	6,818.50	(per ounce)	(per barrel)					BUY TK	84.95	97.02	108.06	12.31



# Star BUSINESS

DHAKA FRIDAY JUNE 19, 2020, ASHAR 5, 1427 BS • starbusiness@thedailystar.net

## Please don't go for pay and job cuts

### BB solicits bank chief executives

SOHEL PARVEZ

The adult has finally entered the room. Earlier this week, like a bolt from the blue, an extraordinary notice from the Bangladesh Association of Banks (BAB), a forum of bank sponsors, instructing lenders to cut the salaries of staff who draw a gross salary of more than Tk 40,000 monthly by 15 per cent, knocked the stuffing out of bankers all over the country.

With the view to tackling the dent in revenue brought on by the pandemic, the BAB recommended banks to go for the pay cut for the period of July 1 this year through to December 31, 2021 as well as suspend promotion, increment and incentive bonus and put a freeze on all sorts of hiring including ongoing hiring.

But now, the Bangladesh Bank (BB) has stepped in and implicitly asked banks' chief executive officers and managing directors to ignore the BAB notice.

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## BB asks banks to continue identifying good borrowers

STAR BUSINESS REPORT

The central bank has asked banks to continue their activities to identify good borrowers and investors to facilitate providing incentives to them.

The instruction came as the Bangladesh Bank said good borrowers would only get the 10 per cent rebate on interest or profits as of September 30 last year.

In 2015, the BB unveiled a new policy to provide good borrowers with incentives, including the 10 per cent rebate on interests, to eliminate willful loan default culture.

Before this, the central bank formulated various policies to rescue struggling big borrowers but never did they come up with

any institutional policy to encourage a good lending culture in Bangladesh.

In May 2019, the BB instructed banks to provide 10 per cent rebate on the interest or profit accrued from working capital, demand and term loans and investments from October to September of a year.

But after enforcing the cap on lending and deposit rates from April 1, the central bank decided that a good borrower or investor would get the rebate as of September 30, 2019.

But banks would have to continue the task to identify the good borrowers and investors, the BB said in a notice yesterday.

Now, banks would identify good borrowers or investors at the end of December every year.

A good borrower would have to have their working capital loans as non-classified as of December of a year and the preceding four quarters and there has to be a satisfactory transaction in the loan account.



In case of demand loans, all credits would have to be adjusted as non-classified until December and in the previous four quarters. The term loan borrowers would have to have 12 preceding instalments

cleared on time and their loans would have to carry the status of non-classified in the preceding four quarters, to be eligible as good borrowers.

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## Subsidy spending climbs for crisis-related expenditure



REJAUJ KARIM BYRON and MD FAZLUR RAHMAN

The government's subsidy spending would go up by 26.25 per cent to Tk 56,051 crore in the next fiscal year, on the back of taxpayer-funded allocation for food, interest and agriculture sectors.

The allocation was Tk 44,400 crore in the original budget for fiscal 2019-20.

Next fiscal year's subsidy outlay is 15.57 per cent higher than Tk 48,500 crore set aside in the revised budget for fiscal 2019-20 and accounts for 9.87 per cent of

the total budget.

Subsidies and transfer play an important role in achieving pro-poor and inclusive economic growth, according to a macroeconomic policy statement of the government.

The government gives priorities while allocating subsidies and incentives to the sectors that create positive externalities for other sectors, it said.

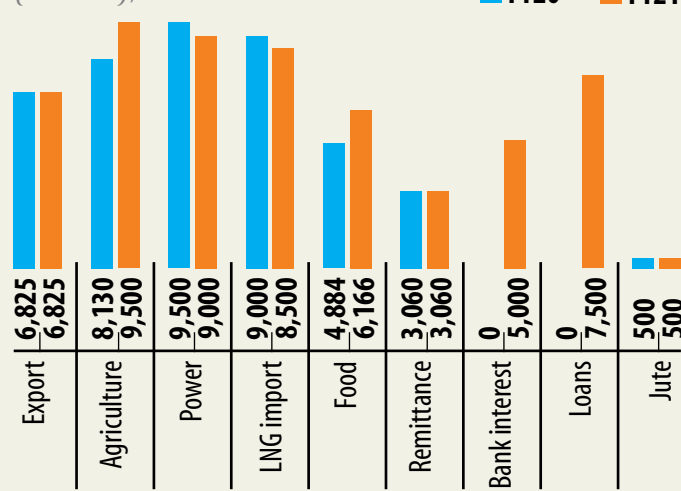
Transfers are set aside for the not-for-profit companies that provide service at the households' levels.

Usually, sectors such as food, fertiliser and rural electrification receive subsidies through budgets.

The Bangladesh Power Development Board, the Bangladesh Petroleum Corporation and the Bangladesh

### Subsidy recomposition in FY21

(in Tk cr); SOURCE: FINANCE MINISTRY



Jute Mills Corporation get financial assistance in the form of loans.

Agriculture and export sectors receive the government support every year as the engines of the economy.

The next fiscal year's subsidy budget would be mostly going towards taxpayer-funded spending for agriculture, food support for the poor and loans for large industries and SMEs.

The move to provide low-cost loans to pandemic-hit micro, small, medium and large entrepreneurs, farmers and exporters would increase the subsidy spending on interests to Tk 5,000 crore in the upcoming fiscal year. There has been no such allocation in the ongoing fiscal year.

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## Bangladesh to post highest GDP growth in Asia this fiscal year

### Says ADB in its latest publication

REJAUJ KARIM BYRON and MD FAZLUR RAHMAN

The Asian Development Bank, it seems, is rather certain that Bangladesh's economic recovery from the coronavirus-induced downturn would be V-shaped.

While its fellow multilateral lenders remained circumspect of Bangladesh's growth prospects in the near term, the Manila-based lender looked at the bright side.

In its Asian Development Outlook Supplement (ADOS), which was unveiled yesterday, it said that the country would grow at 7.5 per cent next fiscal year that begins on July 1, helped by strong manufacturing.

Earlier this month, the World Bank projected that the economy would grow at just 1 per cent in fiscal 2020-21 and the International Monetary Fund 5.7 per cent.

The government though is holding out for an 8.2 per cent growth next fiscal year.

This fiscal year, the Bangladesh economy would grow at 4.5 per cent, the highest in Asia, according to the ADB, again closely trailing the government's projection of 5.2 per cent.

## Advance tax weighs heavy on businesses amid pandemic

### Refund claims of about Tk 800 crore held up in bureaucratic tangles

SOHEL PARVEZ

The government's decision to slash the advance tax (AT) when importing raw materials from 5 per cent to 4 per cent for the upcoming fiscal year will encourage local manufacturers by reducing their financial burden.

However, even with reduced rates, the tax will still block a portion of working capital and increase operating costs.

Businesses belonging to sectors with low-value addition will get refunds on the tax as the amount

of AT paid during import will be higher than the total payable amount of value-added tax (VAT) on final products.

"But getting refunds is a lengthy and cumbersome process," said various industry insiders.

The government's decision to decrease AT comes at a time when companies from various industries, such as steel and shipbreaking, are pressing for refunds on the excess amount of VAT paid.

The AT related refund claims amount to nearly Tk 800 crore

as disbursements have remained stuck at the National Board of Revenue's (NBR) field offices due to bureaucratic tangles.

As per a previous NBR directive, field offices dealing with VAT were supposed to open accounts with the Bangladesh Bank through the Office of the Controller General of Accounts (CGA) to receive cheque books.

The NBR offices would then be required to disburse AT refunds by issuing cheques to the respected taxpayer.

However, months after this

decision was made, the field offices are yet to open their central bank accounts because of administrative issues, said two VAT commissioners yesterday.

As a result, businesses are suffering from a lack of working capital and increased operation costs, according to numerous entrepreneurs and business executives.

"We wanted a full exemption from AT for the next fiscal year along with waivers for advance income tax during imports and sales as the flow of funding is

becoming seriously narrow," said Manwar Hossain, chairman of the Bangladesh Steel Manufacturers Association (BSMA).

The association represents Bangladesh's steel manufacturing industry, which produces 60 lakh tonnes of the product annually.

The NBR had initially introduced a 5 per cent AT charge under the new VAT laws on importing goods for fiscal 2020-21 to encourage businesses to keep proper and updated records of their accounts.

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## Offshore banking units to get more funds from banks' local operations

STAR BUSINESS REPORT

The central bank yesterday eased rules allowing banks to transfer more funds from their domestic operations to offshore banking units (OBUs).

As per a central bank's notice issued yesterday, banks would be able to transfer up to 30 per cent of their total regulatory capital to OBUs, up from previous 20 per cent.

An offshore banking unit is a bank's shell branch that conducts regular banking activities but in foreign currency. The central bank also eased rules on taking foreign currency loans from OBUs by the bank's own subsidiaries not resident in Bangladesh.

A bank's own subsidiary now can avail loans without letter of credit from a licensed bank abroad with acceptable credit rating or foreign exchange brought in from abroad and deposited in a bank in Bangladesh, which are required for the juristic persons not resident in Bangladesh.

A juristic person is an entity, such as a corporation, that is recognised as having legal personality and is capable of enjoying and being subject to legal rights and duties, according to Oxford Reference.

Offshore banking transactions with the juristic persons not resident in Bangladesh shall include nothing other than accepting deposits and borrowings, the BB said.

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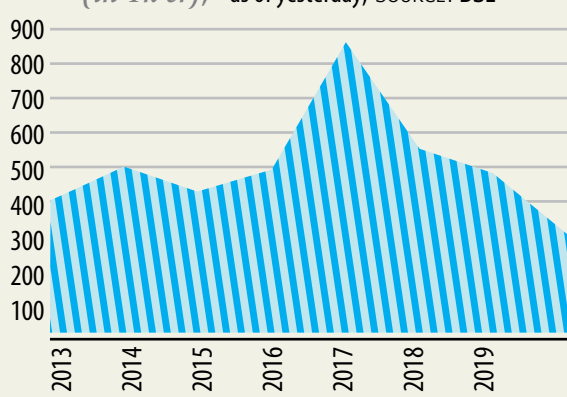
## Stockbrokers call for slashing advance income tax

AHSAN HABIB

Stockbrokers have urged the government to reduce the advance income tax on the volume of trade as most of them are incurring losses amid the bearish trend in the market.

### DHAKA BOURSE'S AVERAGE TURNOVER OVER THE YEARS

(in Tk cr); \*as of yesterday; SOURCE: DSE



The stockbrokers now pay 0.05 per cent advance income tax, which means they have to pay Tk 50 for every Tk 1 lakh in their turnover. When the tax was introduced in 2010, turnover of the market was more than Tk 1,000 crore, said Sharif Anwar Hossain, president of the DSE Brokers' Association.

But it has been hovering around the Tk 500 crore-mark for the last couple of years.

"So the government should bring down the tax as soon as possible," he said.

Subsequently, in a letter to the finance minister on Wednesday, the platform of brokers called for bringing down the advance income tax to 0.015 per cent.

Many stockbrokers were compelled to shut their branch offices to reduce cost amid the steep fall in turnover in the stock market, Hossain said, adding that the situation has taken a turn for the worse due to the pandemic.

The turnover of the Dhaka Stock Exchange has been below Tk 100 crore since trading resumed on May 31 after more than two months of government-announced holidays to curb the spread of the novel coronavirus.

"Stockbrokers didn't earn a single penny during the time, but had to spend on employee salaries and count other charges," said Hossain, who is also the managing director of Shahidullah Securities.

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As per the IMF's projection, growth would be 3.8 per cent, and as per the WB's projection, just 1.6 per cent.

Bangladesh's economy recorded the highest GDP growth in Asia in fiscal 2018-19 of 8.2 per cent. Despite the downward projections, the country is expected to retain the position in fiscal 2019-20 among 46 economies.

In fiscal 2020-21, Bangladesh's GDP growth would be the second-highest in the continent, lagging behind only the Maldives, which would grow by 13.7 per cent if the pandemic peters out.

As many as 33 economies in Asia would post negative growth in fiscal 2019-20.

Bangladesh had strong growth before the pandemic, but coronavirus has hit export earnings and remittances are likely to have fallen sharply in March and April, the ADOS said.

The government has revised the GDP growth rate for the current fiscal year downward to 5.2 per cent, up from 8.2 per cent initially projected.

"However, in view of the post-COVID recovery, the growth rate is projected at 8.2 per cent for fiscal 2020-21 in line with the long-term plans," Finance Minister AHM Mustafa Kamal said in his budget speech on June 11.

India, the largest economy in South Asia, would contract 4 per cent in fiscal 2019-20 before rebounding to 5 per cent in fiscal 2020-21.

In Bhutan, GDP growth is projected at 2.4 per cent in fiscal 2019-20 before falling to 1.7 per cent in fiscal 2020-2021, the ADOS said. In Nepal, growth in fiscal 2020-21 is projected at 3.1 per cent.

Pakistan's economy is projected to contract by 0.4 per cent in fiscal 2019-20 and would grow by 2 per cent in fiscal 2020-21.

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