

557

674

957

DHAKA WEDNESDAY OCTOBER 14, 2020, ASHWIN 29, 1427 BS 🔵 starbusiness@thedailystar.net 🛘 🛮

IMF lowers GDP growth forecast to 4.4pc

AKM ZAMIR UDDIN

The International Monetary Fund vesterday lowered its economic growth forecast for Bangladesh to 4.4 per cent for the current fiscal year as the country is still struggling to pull itself out of the wreckage caused by the coronavirus

The new projection is 1.3 percentage points lower from its previous forecast of 5.7 per cent.

The IMF came up with the projection in its latest World Economic Outlook published on its website yesterday.

The lender's projection is much lower than the government's target of 8.2 per cent for the current fiscal year of 2020-21.

The IMF usually forecasts Bangladesh's GDP growth based on a calendar year. But it projected the economic

output for the first time on the basis of the fiscal year. The country's GDP growth may stand at 7.3 per cent in

READ MORE ON B3

GPH Ispat to ship 25,000 tonnes of billet to China

It's a record for a local firm

SOHEL PARVEZ

fiscal 2024-25, the IMF said.

GPH Ispat, one of the country's leading steel makers, is going to export billet to China in what will be the biggest-ever outgoing shipment of raw materials by any Bangladeshi company.

The company said it decided to ship 25,000 tonnes of MS billet to the world's second largest economy for \$10.17

"It is the first time that a bulk cargo of billet will be exported from Bangladesh," GPH Ispat said in its disclosure

to the Dhaka Stock Exchange (DSE). After the news broke, the company's share prices rose 3.16 per cent to Tk 26.10 as of yesterday.

The steel maker's disclosure came a month after it expanded its annual billet production capacity from 2.1 lakh tonnes in 2018 to more than 10 lakh tonnes this year. READ MORE ON B3

Recovery from loan write-off plummets

AKM ZAMIR UDDIN

Recovery from loan write-offs plunged to at least a 66-month low in the second quarter of 2020 as banks faced troubles in realising the delinquent loans because of the countrywide shutdown.

In contrast, lenders wrote off a large amount of loans between April and June to clean their balance sheets.

Banks collectively recouped Tk 48 crore from their written-off loans in the April to June quarter, down 66 per cent from three months ago and 87 per cent from a year earlier, according to data from the central bank.

This is the slowest recovery from the written-off loans since 2015. Loan recovery data before 2015 was not available.

Banks wrote off Tk 992 crore in the second quarter, the highest since January 2019. Loans amounting to Tk 2,057 crore were written off in the last quarter of

The write-off is a tool that allows banks to clean their balance sheet by removing bad

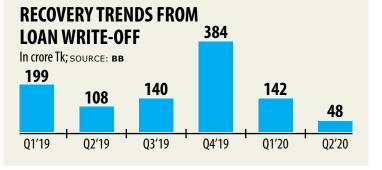
assets. Lenders have to keep 100 per cent provisioning against the delinquent loans.

There is no realistic prospect of recovering them and the majority of loans are now owned by the habitual defaulters. These loans are shifted to off-balance sheet records.

The module of loan writeoff has become a better tool than the loan rescheduling as some defaulters now frequently regularise their non-performing loans by taking advantage of the relaxed facility, experts said.

In many cases, banks do not keep 100 per cent provisioning





against the rescheduled loans, putting an adverse impact on the financial health of lenders, they "Banks will have to sacrifice

profits to write off defaulted loans as they have to maintain a large amount of provisioning," said Emranul Huq, managing director of Dhaka Bank.

But, the recovery from such loans has created a worrisome situation for the banking sector as a major portion of the writtenoff loans is owned by the habitual defaulters, he said. The recovery from all types

of loans declined in the second quarter due to the shutdown put in place to contain the spread of the coronavirus pandemic. Huq, however, said loan

recovery is improving in the third quarter as the economy is picking up again.

"Realising written-off loans is usually tough and the trend has worsened in the recent months due to the business slowdown," said Syed Mahbubur Rahman,

managing director of Mutual Trust Bank.

LOANS WRITTEN OFF

In crore Tk; SOURCE: BB

Q1′20 **33.49**

The judicial process was hampered in the second quarter due to the pandemic. This has also slowed down the recovery, he

Banks have to file lawsuits against the defaulters before writing off loans.

"A good amount of the writtenoff loans were recovered as per the verdict given by the courts," said Rahman, also a former chairman of the Association of Bankers, Bangladesh, an organisation of the top executives of banks.

As of June, the banking sector's total written-off loans stood at Tk 55,804 crore, up 2.5 per cent from a year earlier. Banks have failed to realise

77.54 per cent of the total writtenoff loans since January 2003, when the central bank introduced the policy. Únrealised delinquent loans

stand at Tk 43,272 crore as of Despite keeping 100 per cent hardship.

their NPLs significantly. The policy allowed defaulters to reschedule their classified loans

provisioning, the write-off is not

a solution to tackle the defaulted

loans, a central bank official

If defaulted loans can be

Non-performing loans totalled

The relaxed rescheduling

checked, the written-off loans will

Tk 96,116.65 crore as of June, up

1.91 per cent six months ago and

facility offered by the central bank

last year helped banks bring down

14.50 per cent one year earlier.

go down automatically, he said.

with a down payment of 2 per cent of the outstanding amount instead of the existing 10-50 per Under the relaxed policy, banks

rescheduled defaulted loans of more than Tk 50,000 crore last The central bank has also

granted a moratorium facility to borrowers for this year so that they can tackle the ongoing economic

Govt softens stance on low-priority projects

REJAUL KARIM BYRON

The finance ministry has softened its stance on the disbursement of funds from the annual development programme for the low-priority projects bowing down to pressures from the line ministries and also because of the improvement in revenue collection.

Now, 25 per cent of the allocation from the ADP would remain halted for the ministries because of the lingering pandemic, down from 30 per cent previously.

The finance ministry would not issue any circular to this effect but has already communicated with the line ministries about the relaxation, said a finance ministry official. The government has also allowed

the line ministries to reprioritise their project list. Now a ministry can move up a project from the low-priority list to the medium or high priority lists.

If a ministry moves up a project from the low-priority list, it has to move down a project from the medium or high priority lists to the low-priority list so that the allocation is not affected.

In July, the government put a hold on the implementation of the lowup funds for the productive sectors amid widening revenue shortfall caused by the devastating impacts of

AT A GLANCE

- ADP projects were categorised as high, medium and low priority
- This was done to ensure best use of limited resources
- Govt had earlier decided to put on hold low-priority projects of Tk **40,000**cr
- The objective was to free up funds for productive sectors
- Govt changed its stance as revenue situation improved
- Finance ministry will review its cost-cutting measures in December

the pandemic.

The projects under the health and agriculture sectors, the two most priority areas for the government in its fight against the deadly virus, have been spared from the cost-cutting move.

The latest relaxation from the priority development projects to free finance ministry came after ministries and divisions expressed dissatisfaction over the decision to put on hold the implementation of the low-priority

projects, said a planning ministry official recently.

Because of the halt, implementing ministries and divisions have been facing problem as they can't clear bills for contractors since the finance ministry is not disbursing funds against the projects, said the official.

Recently, the roads transport and bridges ministry asked the finance ministry to reconsider its decision.

The recent improvement in the revenue collection situation also prompted the finance ministry to soften its tone.

Revenue collection grew 7.85 per cent year-on-year in August and the recovery is expected to keep up the momentum as the economic activities are picking up although the uncertainty caused by the pandemic

The growth is, however, 0.16 per cent year-on-year in the July-August period of the current fiscal year, data from the National Board of Revenue showed.

"As the fund position is better, we are giving more concessions," said the finance ministry official, adding that revenue collection would grow in September as well.

The fund disbursement for the lowpriority projects has been postponed for a temporary basis, he said.

READ MORE ON B3

LankaBangla BANGLADESH 16th - 17th October, 2020 UMMIT REGISTRATION FEE PER PERSON - BDT 2000 +880 1925 969 444, +880 1717 449 569 Shaping Future of Finance for People STUDIES

Adcomm faces VAT evasion charges and seized commercial documents of that the total amount of the indirect

STAR BUSINESS REPORT

The VAT intelligence has filed a case against leading advertising agency Adcomm on allegation of evasion of value-added tax (VAT), said a senior official of the field office of the National Board of Revenue (NBR).

The agency did not properly deposit the VAT collected from clients, said Moinul Khan, director general of the VAT Audit, Intelligence and Investigation Directorate (VAIID), in an email press statement yesterday.

The ad agency, however, said it believed that it paid VAT as per guidelines till date.

The NBR's field office said it

the firm.

The VAAID considered in its audits the accounts of the Adcomm for five years since the year 2013-14.

It said that the seized commercial documents were cross-examined with the VAT returns submitted by the company to the VAT circle.

The NBR's field office said it found in its audit that the advertising agency did not deposit Tk 2.33 crore VAT against advertisements. At the same time, the agency avoided Tk 1.11 lakh VAT on space rentals, Tk 41.5 lakh as VAT at source, according to the VAAID statement issued by Khan.

"Adcomm dodged a total of Tk conducted a drive at Dhaka's Tejgaon 2.96 crore of VAT on various heads," office of the agency on April 14, 2019 said Khan in the statement, adding

tax payable by the company stood at Tk 5.76 crore as 2 per cent monthly interest was payable on the VAT amount because of the failure of the firm to deposit the tax timely to the state coffer.

"The case has been filed under VAT law following a long investigation,"

The VAAID sent the case to the VAT Commissionerate Dhaka South for settlement.

Khan said this was a charge sheet and the company would be required to pay the claimed VAT amount along with fines once it was proved through legal process that the company had unpaid VAT.

READ MORE ON B3