



BUSINESS

DHAKA MONDAY JULY 17, 2017, SRABAN 2, 1424 BS

Notorious borrowers escaped defaulter list

Muhith says

STAR BUSINESS REPORT

Many commonly known bad borrowers have dodged the list of top 100 defaulters released in the parliament last week through sleight of hand, said Finance Minister AMA Muhith.

The list contained names that were little known. Asked why the names of notorious defaulters are missing from the list, Muhith said: "They are crafty -- they have reschedued their loans."

Many of the bad borrowers in the last three decades have become defaulters and regularised their loans through rescheduling. Muhith told a group of reporters at his secretariat office on Saturday.

A couple of years back, several widely known borrowers availed rescheduling facilities for 15 years. Still, they do not pay the instalments on time.

"Banks have become hostage to wilful defaulters," said a bank official.

Muhith touched upon various issues, including budget implementation, in an informal talk with the journalists.

The implementation of the budget for fiscal 2017-18 will be a little difficult as the new VAT law was shelved at the eleventh hour, he said.

The new VAT law prescribed a 15 percent uniform VAT for most goods and services available in the country and was scheduled to take effect from July 1.

Its withdrawal at the last minute has left a gaping hole in the finance division's books, as this year's budget is the biggest in the country's history. "That's a problem and we have to tackle it," Muhith said, adding that a meeting will soon be scheduled between the

finance ministry and the National Board of Revenue to revise the revenue targets.

This time, the NBR has been given a revenue earning target of Tk 248,190 crore, Tk 91,254 crore of which will come from VAT. Last fiscal year, VAT receipts amounted to Tk 68,675 crore. This means the new VAT law was supposed to yield an additional Tk 22,579 crore.

However, NBR officials say due to nominal GDP growth Tk 11,000 crore of additional revenue may be realised from VAT in the current fiscal year, Tk 5,000 crore of which would come from cigarettes alone.

Muhith said the revised budget may now be placed in the parliament at an earlier stage. Typically, the revised budget is presented in the first week of June.

"In theory, the VAT law is good but implementing it is very difficult. Its principle is wonderful as the burden will be distributed amongst all."

But the basic assumption of the law is keeping account at every stage and it has to be kept accurately, which is not compatible with human character, Muhith said, while laughing off his failure to implement his plan.

Muhith also said there will be changes in four tax categories, which will be announced through executive orders (statutory regulatory orders).

The source tax on exports will remain the same at 0.70 percent this fiscal year instead of going up to 1 percent as announced in the budget, as the unit price of garment has fallen in the international market.

"Duty adjustment will be made on cigarettes too," he said, without mentioning the other two changes to be brought in.

Interest on some savings tools may remain unchanged

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The interest rates on some savings instruments may be kept attractive as it is right now to ensure social security of pensioners and the middle- and low-income groups.

"Their interest will be strongly protected," said Hedayetullah Al Mamoon, senior secretary of the finance division at an informal briefing on Saturday.

However, the government may slash the interest rates on certain instruments to discourage institutional borrowers, according to Finance Minister AMA Muhith and other high officials of the ministry.

At present, there are four savings instruments, the interest rate on which varies from 11.04 percent to 11.76 percent.

More than 50 percent of the savings instruments sold every year are bought by institutional borrowers like banks and various state-owned enterprises, according to a finance ministry official.

"Those who bought the savings instrument are being identified. The decision will be taken considering that nobody can take double, treble benefits," Mamoon said.

Higher returns on savings certificates continue to increase the government's interest payment burden, according to data from the Directorate of the National Savings.

Subsequently, the government plans to cut the rates on savings tools to lessen the debt burden.

Sales of saving instruments in the first 11 months of fiscal 2016-17 were more than treble the government's target for the entire year.

A total of Tk 46,669 crore worth of savings certificates were sold in the July-May period against the full-year target of Tk 19,610 crore.

A committee has been formed to look into the issue of lowering the rate of interest on savings certificates and they have already held a meeting, Muhith said on Saturday.

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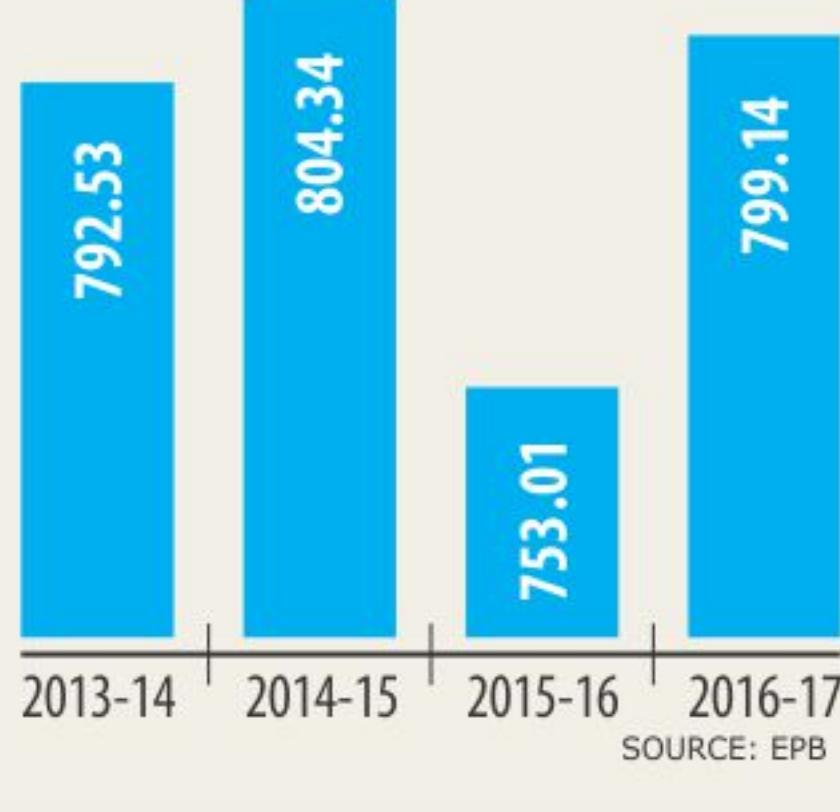
Home textile exports fail to reach potential

Bangladesh faces stiff competition from Pakistan



EXPORT OF HOME TEXTILES

In millions of \$



SOURCE: EPB

In 2016, more than \$6.86 billion worth of home textiles were imported from outside the EU, according to data from the European Apparel and Textile Confederation, Euratex.

Of the sum, China accounted for 33 percent, Pakistan 25 percent, Turkey 16 percent and India 11 percent. Bangladesh's share was 7-8 percent.

Besides, there were remarkable gains in value for Vietnam, Morocco, Taiwan and Ukraine, according to the data.

"Apart from China, the other countries like Pakistan, India and Turkey have their own advantages," Chowdhury said.

For example, all four major home textiles exporters -- China, Pakistan, Turkey and India -- have their own cotton.

Still, Bangladeshi home textile market share in the EU has been increasing in recent years as local manufacturers are becoming adept in this particular segment, Chowdhury said.

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More firms to come under NBR's large taxpayers unit

SOHEL PARVEZ

The National Board of Revenue is considering bringing in some big firms under the purview of Large Taxpayers Unit and de-listing smaller ones to ensure effective monitoring and compliance.

The LTU is a field office responsible for collecting VAT from big companies. The unit was formed in 2004 to provide better services to the high tax-paying companies so that the state gets the correct amount of revenue from them.

"Small firms do not have high tax potential. So we are considering bringing big firms under the LTU and listing the small ones with other field offices based on a policy," NBR Chairman Md Nojibur Rahman told The Daily Star on Saturday.

At present, in-house discussions are going on, he said, adding that a decision will be taken after reviewing the pros and cons.

The initiative comes after the revenue authority found that a number of companies remain out of LTU's purview despite paying high amounts of tax. At the same time, some businesses remain under the purview of the unit although they pay less than the required amount of tax.

As per the selection criteria set by the NBR in 2012, if a firm pays Tk 5 crore to the state coffers in a year for the previous

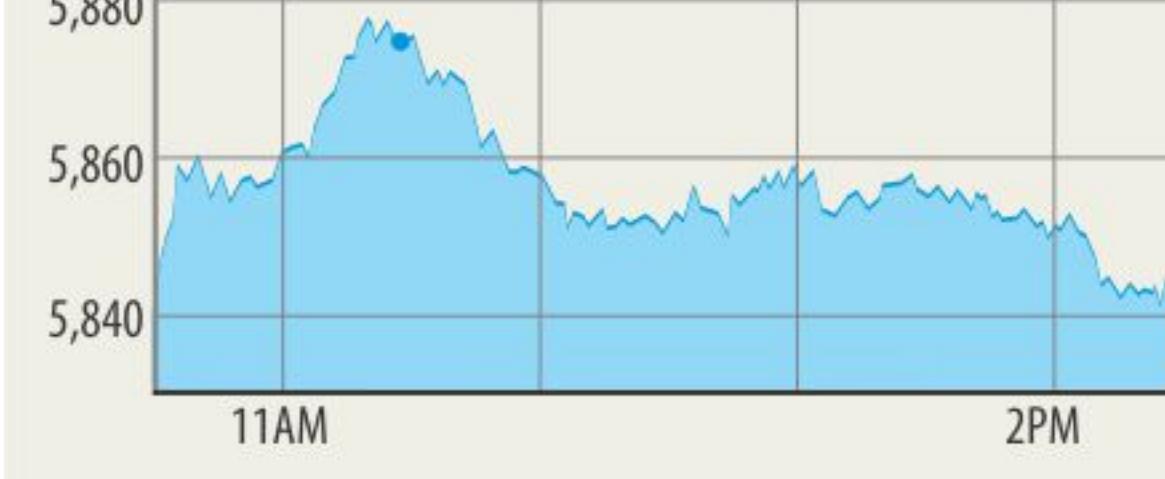


Hyun Chil Hong, president and CEO of Samsung Electronics for Southwest Asia, Seungwon Youn, managing director of Samsung Electronics Bangladesh, and Myungsook Song, vice president for marketing at Samsung Electronics for Southwest Asia, visited a modern manufacturing plant of Transcom Electronics Ltd at Mohakhali in Dhaka on July 12. Latifur Rahman, chairman of Transcom Group, Arshad Huq, chief operating officer, and Yeamin Sharif Chowdhury, head of business of Transcom Electronics, accompanied them. Samsung Electronics along with its award-winning partner Transcom Electronics recently opened the liquid crystal module production plant capable of making 500 units of TV panels and assembling 350 units of TV per day.

TRANSCOM GROUP

Dhaka bourse continues its gaining streak

DSEX index



STAR BUSINESS REPORT

The Dhaka Stock Exchange continued its gaining streak in the first session of the week thanks to keen participation of investors.

DSEX, the benchmark general index of the DSE, gained 9.85 points, or 0.16 percent, to close at 5,844 points yesterday.

Turnover, a major gauge of the market, increased 25.2 percent from the previous session to Tk 1,263 crore on the back of encouraging investor participation, IDLC Asset Management said in its daily market analysis.

Ifad Autos dominated the turnover chart with its transaction of 51.12 lakh shares worth Tk 73.43 crore, followed by Confidence Cement, Keya Cosmetics and Doreen Power respectively.

Keya Cosmetics maintained its elevated position of the past two weeks in the turnover chart despite having no price sensitive information.

The textile sector maintained its lead in the turnover chart, propelled by encouraging trades of Generation Next, Dragon Sweater and Simtex Industries, the analysis added.

At the DSE, 13 out of 20 sectors registered positive price movements.

Among the major sectors, telecom gained 1.59 percent, followed by food and allied at 1.29 percent, and engineering 1.19 percent.

Of the traded issues, 156 advanced, 142 declined and 32 remained unchanged on the premier bourse.

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KEY POINTS

Big firms to be listed, small firms delisted

LTU collects more than half of the total annual VAT, SD

LTU includes 170 firms; active 157

34 firms pay less than the threshold amount

ous three years, it will be eligible for listing with the LTU.

Sister concerns and associated firms of a company can also be listed under the LTU as per the criteria.

The LTU collects more than half of the total annual VAT and supplementary duty from domestic economic activities.

At present, 170 firms, mainly from the tobacco, gas, telecom, banking, pharmaceuticals, electricity distribution, beverage, cosmetics and toiletries, cement and ceramic sectors, are listed under the field office.

Of the listed firms, 157 are active, paying Tk 36,695 crore as VAT in the last fiscal year.

VAT receipts from firms under the LTU comprised 55 percent of Tk 56,080 crore collected in total in 2015-16, according to data from the NBR.

On several occasions earlier, the LTU urged the revenue administration to list firms that generate high taxes under its jurisdiction and delist those that pay less than the threshold amount.

Citing the selection criteria, the field office said many companies have expanded businesses in the last several years by establishing new units. But these newly established sister or associated concerns were not listed under the LTU.

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cians were present.

The urban migrants also experienced changes, such as growing interest in formal employment, particularly in garment industry and reporting being less healthy, although the latter is possibly a reflection of long work hours in the garments sector, Morduch said.

"They also saved more and were less likely to be poor. Overall, the results suggest that mobile banking has an insurance function. It increases the welfare of rural households but has mixed effects on the welfare of migrant workers," he said.

The professor investigated the impacts of obtaining a mobile financial services account on the wellbeing of a group of garment factory workers in Dhaka and their relatives in rural Rangpur.

He focused on two important trends which he said was changing Bangladesh. The first is rapid urbanisation, spurred by the growth of the garment sector, and the availability of industrial jobs. The second is the rapid spread of mobile banking.

Prof Christopher Woodruff of the

University of Oxford said women comprised over three quarters of sewing operators in the garment sector while less than 5 percent of sewing supervisors.

"One solution to the supervisory skills shortage is to increase rates of promotion of women. We examine challenges in promoting women into supervisory roles through experimental work with partner factories," he said.

He found three challenges that need to be overcome. These are a lack of self-confidence of female supervisor candidates; the tendency of other operators, especially males, to discourage them; and often ambivalent attitudes of senior managers.

"Imperfect information about jobs poses a major challenge for workers in developing countries. As a consequence, workers learn about jobs in ad hoc ways and have incomplete information when making employment decisions," said Laura Boudreau, a PhD student of the University of California Berkeley.

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