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DHAKA THURSDAY APRIL 12, 2018, CHAITRA 29, 1424 BS • starbusiness@thedailystar.net

Now ADB differs with growth estimate of BBS

Projects economy to grow at 7pc

STAR BUSINESS REPORT

After the World Bank, the Asian Development Bank has now projected a growth figure that is much lower than the government's provisional estimate of 7.65 percent.

The Manila-based multilateral lender yesterday said Bangladesh's economic growth this fiscal year would be 7 percent as consumption demand slackens despite a rebound in remittance inflow.

Earlier this week, the World Bank cast doubts over the provisional estimate, saying Bangladesh's potential GDP growth is 6.5-6.6 percent.

The question is whether the economy is doing well and the answer is yes, said Manmohan Parkash, ADB's country director, while unveiling the Asian Development Outlook 2018, the lender's flagship annual publication, at its Dhaka office at Agargon.

"We can debate over whether it is 7.1, 7.2 or 7.3 percent. But by any standard, 7 percent is a very good GDP rate," he said.

In fiscal 2016-17, GDP growth was 7.28 percent. Logging in 7 percent growth for three years straight is commendable, he said.

"7 percent growth or higher is actually pointing towards a robust economic performance and that's why we are saying we are broadly optimistic about Bangladesh's economy and it will continue to do well," he added.



Manmohan Parkash, ADB's country director, unveils the Asian Development Outlook 2018 at a programme in Dhaka yesterday. Soon Chan Hong, an economist of the ADB Bangladesh, is also seen.

However, economic diversification is essential for sustaining the high growth, said Soon Chan Hong, an economist of the ADB Bangladesh.

Sustained high growth demands an expanded industrial base and a diversified export basket, which, in turn, depend on filling large infrastructure deficits and implementing policy reforms.

Bangladesh has significant infrastructure deficits, ranking near the bottom globally in commercial access to basic infrastructure such as electricity, roads and railways.

Further, the tax system requires broad reform.

The implementation of the new value-added tax law, which was deferred once again last year, needs to be accomplished without delays to generate the additional revenue that is essential for infrastructure investment. Parkash called for dialogues between stakeholders on the VAT issue.

Export performance is expected to strengthen on projected higher growth in the euro zone and the US.

Minister upset over lower growth projection by WB, ADB

STAR BUSINESS REPORT

Planning Minister AHM Mustafa Kamal yesterday expressed deep shock over the economic growth projection made by development partners for the current fiscal year, which was much lower than the government's provisional estimate.

"I am sorry to the World Bank. I can't accept your projection on GDP growth for this fiscal year," he told reporters at a news briefing at the conference room of the National Economic Council at Sher-e-Bangla Nagar in Dhaka.

"The downsized economic growth projection of the WB and the Asian Development Bank has made me upset," he said.

Kamal suggested that the development lenders collect accurate figures and information from the Bangladesh Bureau of Statistics (BBS) and talk to officials concerned of the state agency before making the economic growth projection.

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Banks' NPL a curse for sustainable growth

ICCB calls for further efforts to combat the menace

STAR BUSINESS REPORT

The International Chamber of Commerce-Bangladesh has called growing non-performing loans (NPL) a curse for sustainable growth, urging the government to do more to combat the menace.

The ICCB said until now, only limited action has been taken to penalise defaulters, curtail risks and strengthen bank management. "To tackle the sector's deep-rooted problems of corruption and poor risk practices, further efforts are needed," according to an editorial in the current news bulletin of the chamber.

It said now that Bangladesh was on course to become a developing country, all efforts should be made to strengthen the banking sector, which is the backbone of the economy.

The chamber, in its bulletin for the January-March period, said the best way to meet the requirements and challenges of a developing country was to strengthen the capital and liquidity ratio of banks.

The NPL is an issue that is impacting the capital adequacy of the sector.

In Bangladesh, six state-owned commercial banks account for about a quarter of the total banking sector assets. They are supplemented by two state-owned specialised banks, 40 private commercial banks and nine foreign banks.

According to a Bangladesh Bank study covering 2012 to 2016, the average ratio of NPLs to total loans was about 27.10 percent.

It was 4.9 percent for private commercial banks, 6.5 percent for foreign banks and 22.56 percent for state banks.

The percentage of the classified loan to the total outstanding stood at 10.1 percent in June 2016, with private commercial banks accounting for 5.4 percent, state banks 25.7 percent and foreign banks 8.3 percent.

Until September 2017, the total banking sector loan amounted to Tk 752,730 crore, of which Tk 80,307 crore, or 10.67 percent, was bad debt.

If the restructured loans were included, the NPL goes up to 17 percent of the outstanding loans.

At the end of September, the state banks had a combined bad debt of Tk 38,517 crore, private banks Tk 33,973 crore, and foreign banks Tk 2,298 crore.

"Naturally, these high NPLs have affected the profitability and the overall capital to risk-weighted assets ratio," said the chamber.

The ICCB said bad loans are routinely restructured to permit further lending to the same borrowers.

An average bank rescheduled bad loans of Tk 10,910 crore annually in 2010-14, according to a study of the Bangladesh Institute of Bank Management.

Despite the regular injection of funds, state-run banks have not been able to improve their NPL positions, said the editorial.

The government has earmarked Tk 2,000 crore in the current budget to recapitalise the state-owned banks.

TAX EVASION IN BANGLADESH

Global tech giants under scanner

STAR BUSINESS REPORT

A group of lawyers have filed a writ petition with the High Court seeking immediate measures from the government for realising appropriate tax, VAT and other charges from the revenues earned by different digital platforms from Bangladesh.

Digital platforms like Google, Facebook, Amazon, Yahoo, YouTube and their ilk are progressively earning substantial amounts from Bangladesh since 2007 but they do not pay any tax against the earnings.

This compelled six lawyers to file a

petition against the tech giants under public interest litigation on Monday.

"In the last few years we observed that these global digital companies are sucking huge amounts of money from our country but we have no information on whether they are paying due taxes or not," said Mohammad Humaun Kabir, a barrister of the Supreme Court and one of the petitioners.

Kabir said they requested the court to pass an order to present a report on the issue encompassing the last 10 years. The hearing might take place today.

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Bonded warehouse benefit for new export products

Corporate tax might be slashed, says NBR chief

STAR BUSINESS REPORT

The revenue authority will extend duty-free or bonded warehouse benefit for import of raw materials to make products for overseas markets as part of the government's efforts to expand the export basket.

"I can give you assurance that if you want to export and ask for bonded warehouse facility I will provide it, but not for the domestic market," said National Board of Revenue Chairman Md Mosharraf Hossain Bhuiyan.

Since he took up the reins of the NBR in January, Bhuiyan has extended bonded facility for a host of new export items, he said at a luncheon organised by the Metropolitan Chamber of Commerce and Industry at its office.

His comment comes following pleas from the motorcycle manufacturer Runner Automobiles for incentives and bonded warehouse privilege for raw materials and components to make two-wheelers for overseas markets.

Bhuiyan also agreed to extend duty-free import benefits for components of 250cc engine capacity bikes, which are not allowed in Bangladesh, under the bonded warehouse facility.

At present, the revenue authority provides duty-free import benefit for raw materials for garment and garment accessories, leather, shipbuilding and some other sectors.

The NBR chief also welcomed another proposal for fiscal benefits from the Bangladesh Employer's Federation President Kamran T Rahman for companies that employ challenged persons.

Bhuiyan also said the NBR is thinking about reducing corporate tax.

"Some of the business personalities tell me that revenue will increase if the corporate tax is reduced."

The reason being, many of the non-compliant entrepreneurs or industries will fall in line.

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NBR Chairman Md Mosharraf Hossain Bhuiyan and MCCI President Nihad Kabir attend a luncheon organised by the chamber at its office in Dhaka yesterday.

Large taxpayers complain of harassment by taxmen

STAR BUSINESS REPORT

Large taxpayers yesterday accused taxmen of harassment during inspections of companies. Top executives of some banks and financial institutions made the allegations in front of Md Mosharraf Hossain Bhuiyan, chairman of the National Board of Revenue (NBR), at a discussion.

The Large Taxpayers Unit (LTU) of the revenue administration organised the discussion ahead of the budget for the next fiscal year, to be announced in June. The unit has launched a gallery on their pre-

mises containing names of large taxpayers in honour of their contribution.

Selim RF Hussain, managing director of Brac Bank, said often tax inspectors refuse to allow expenditure vouchers without any valid reason. He sought the intervention of the NBR chief in this regard.

Syed Hammadul Karim, general manager of Metlife Bangladesh, said sometimes taxpayers are compelled to go to court to settle tax disputes. It would be good for all if disputes could be settled before going to court, he said.

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Govt to import another 500MW from India

STAR BUSINESS REPORT

The government is set to import 500 megawatt more electricity on a short- and long-term basis from India to meet the growing demand for power in the country.

The proposal to import electricity from two Indian companies for Tk 4.7148 to Tk 6.5474 kW/h has already been approved by the cabinet committee on purchase yesterday.

The short-term would be from June 2018 to December 31, 2019.

Bangladesh will purchase 300MW of electricity from NTPC Vidyut Vyapar Nigam (NVVN) for Tk 4.7148 kW/h (\$0.0566) and 200MW from PTC India for Tk 4.8647 kW/h (\$0.0584).

The same companies will also provide power over the long-term: from January 1, 2020 to May 31, 2033.

300MW at a cost of Tk 6.4891 kW/h (\$0.0779) and PTC India Ltd will supply 200MW power at a cost of Tk 6.5474 kW/h (\$0.0786).

Bangladesh has been importing 500MW of electricity from the neighbouring country through the inter-connection grid line from 2013. The tenure for the arrangement will end in June.

Another 100MW of electricity is being imported from Tripura from March 2016. Bangladesh has plans to import more power from India, said a power division official.

Also at yesterday's meeting, the cabinet committee on purchase approved a proposal to appoint Indian Texmaco Rail and Engineering for constructing dual gauge rail line from Akhaura to Agartala for Bangladesh Railway for Tk 241 crore.

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