

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY
▲ 1.43%	▲ 1.55%	\$1,283.00	\$70.18	▲ 0.17%	▲ 0.37%	▼ 0.17%	▲ 0.61%	BUY TK 83.50	92.40	105.00	0.75
5,328.76	9,845.90	(per ounce)	(per barrel)	39,749.73	21,260.14	3,165.32	2,909.91	SELL TK 84.50	96.20	108.80	0.79

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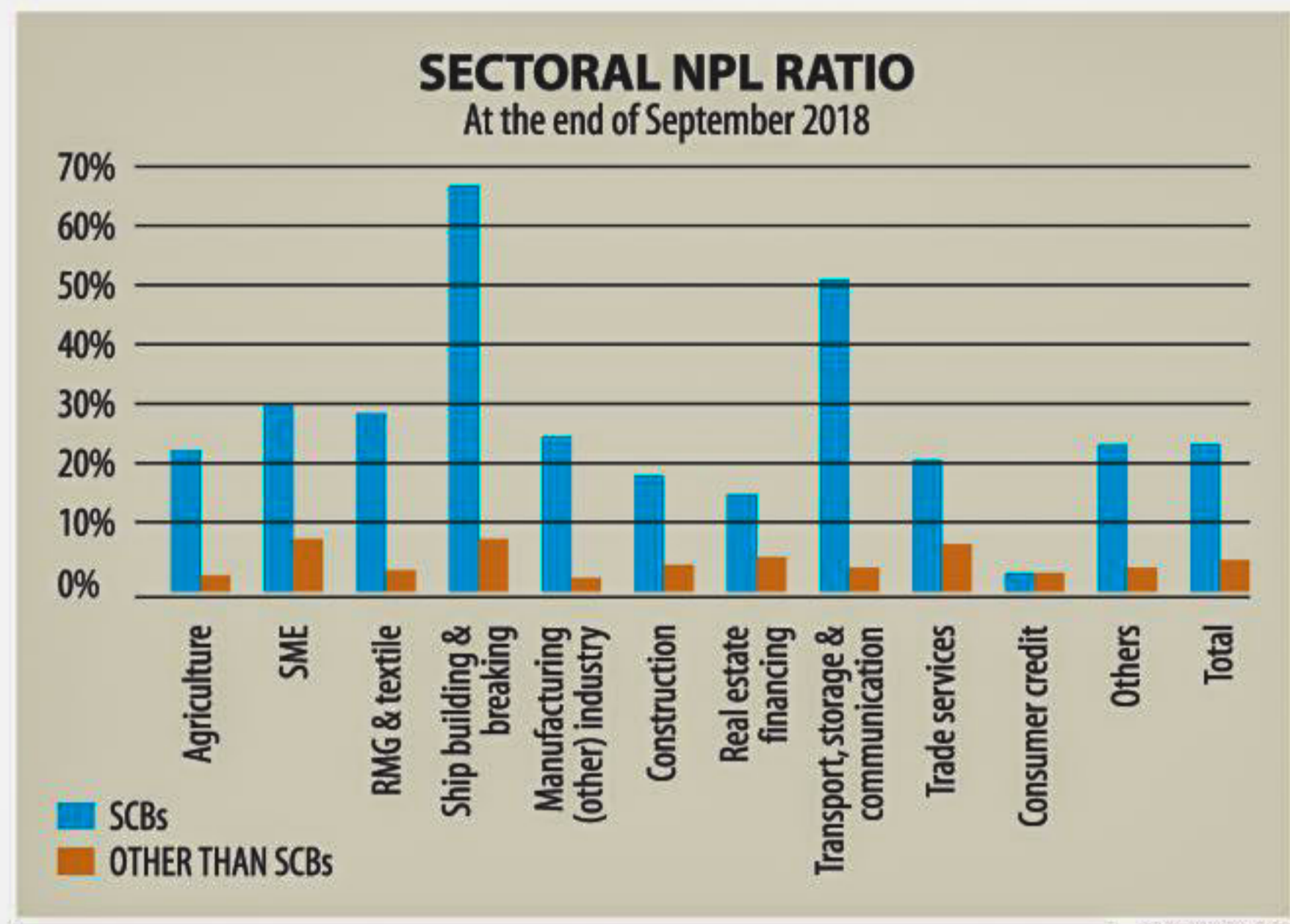
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# Star BUSINESS

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## State banks breed default loans in all sectors

BB blames it on poor governance



STAR BUSINESS REPORT

Dull business in any particular sector is not to be blamed for the rise in default loans in state-run banks; rather, bad debt can be found in every sector that they financed because of their poor governance, said a Bangladesh Bank report.

Banks usually give loans to 11 major sectors in bulk, and the state banks' default loans are much higher than the private and foreign ones in all the sectors, as per the report unveiled yesterday.

But Sonali, Janata, Agrani, Rupali, Bangladesh Development Bank Ltd and BASIC Bank faced the highest default loans in shipbuilding and breaking, transport and communication, SME, and garment and textile sectors.

At the end of December last year, the state banks accounted for 52 percent of the banking sector's total default loans at Tk 93,370 crore.

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## Widen limit for tax-free dividend earnings

Stock investors urge govt

AHSAN HABIB

Stock investors have urged the government to widen the tax exemption limit on dividend earnings by four times considering the sluggish market for a long time.

They say they have been losing money for the last few years because of the bearish market. What is more, their dividend income is shaved off because of taxes.

Both the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE) threw their weight behind the investors by including the demand in their budget proposal submitted to the National Board of Revenue last month.

"Considering the present market scenario, small investors may be allowed tax exemption on dividend income up to Tk 1 lakh," said KAM Majedur Rahman, managing director of the DSE.

At present, the tax exemption limit is Tk 25,000. The market has remained sluggish and failed to meet expectation of the investors in the last nine years, only punctuated by a significant gain a number of times.

During the period, the DSEX, the benchmark index of the DSE, rose to 6,336.88 points—the highest in recent history—but is much lower than the peak in the general index in 2010.

In 2010, the general index jumped to 8,918.51 point when the daily turnover hit Tk 3,249.57 crore.

Currently, the daily turnover ranges between Tk 220 crore to Tk 500 crore, whereas the benchmark index hovers around 5,300.

Rahman said the broadening of the tax exemption will attract investors to the market that will ultimately ensure sustainable development of the capital market.

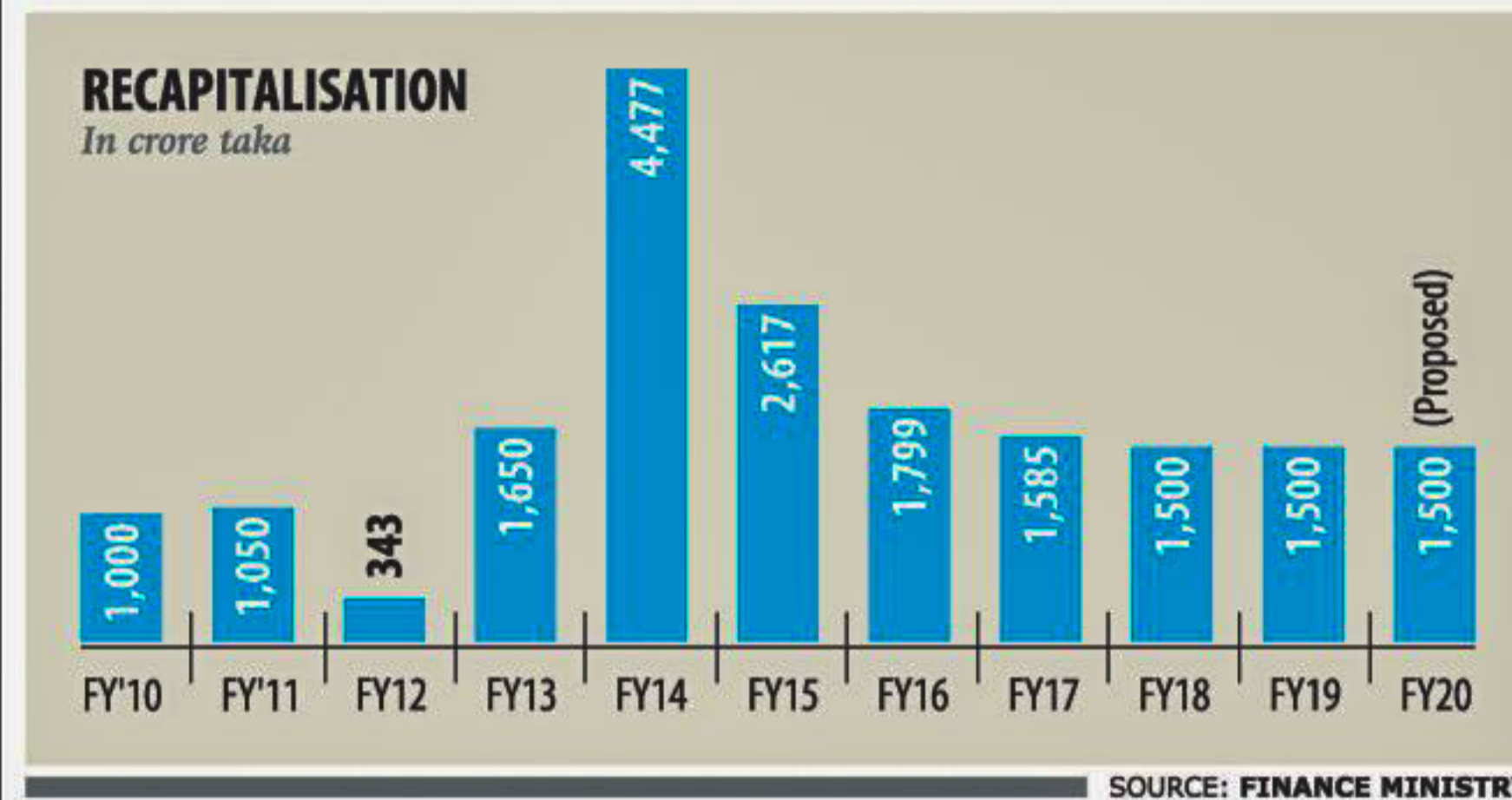
At present, the capital market is facing serious liquidity crisis. If the budget proposals are implemented, it will help ease the crunch, said the DSE in its budget proposal. "The government can remove the tax or at least the tax-free dividend income limit should be increased," said Abu Ahmed, a stock market analyst.

He said listed companies pay corporate tax on their profit and give dividend from the profit after tax. So, the government can ease the tax on dividend earnings, he said.

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## RECAPITALISATION OF STATE BANKS

# Govt to inject another Tk 1,500cr



SOURCE: FINANCE MINISTRY

REZAUL KARIM BYRON and JAGARAN CHAKMA

State banks can keep on expecting to be coddled despite their continued financial irregularities and irresponsible lending practices, with the government looking to inject Tk 1,500 crore in the upcoming fiscal year to help the lenders meet their capital shortfall.

In the last 17 years, the government has injected a total Tk 20,584 crore of the taxpayers' money into the state-run banks – without any tangible improvement in their governance and lending practices to show for.

"This should be stopped," said Khandker Ibrahim Khaled, a former deputy governor of the central bank.

The aim of the state-run commercial banks is to provide funds to the government from their profits and the government will spend the money for welfare activities, he said.

But these banks are being given money to meet their capital shortfall, which defeats the purpose of their existence, he added.

Unconditional recapitalisation has not

helped address the root cause of the problem, said Zahid Hussain, lead economist of the World Bank's Dhaka office.

State-owned banks are at the heart of the default loan problem dogging Bangladesh's banking sector: at the end of 2018, they accounted for 52 percent of the total default loans in the industry.

"They remain severely under-capitalised despite capital injections every year over the past years," he added.

As of 2018, state banks Sonali, Janata, Agrani and BASIC have total capital shortfall of Tk 15,452 crore.

Some Tk 1,500 crore has also been set aside in the current fiscal year's budget and within a couple of weeks the money will be disbursed, according to finance ministry officials.

Curiously, the budgetary allocation for recapitalisation of the banks has been on the rise since fiscal 2006-07, with the government putting in as much as Tk 5,000 crore in a single year.

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## Stocks edge up on budget hope

STAR BUSINESS REPORT

Stocks rallied yesterday riding on the renewed confidence of investors who are hopeful that the budget for the next fiscal year would spell out measures to shore up the sluggish market.

The regulator unofficially called upon many institutional investors to support the market, telling them that the finance minister would provide incentives for stocks in the next budget, according to insiders.

Subsequently, some institutional investors were active yesterday, propping up the key index, said a top official of a merchant bank.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), was up 75.21 points, or 1.43 percent, to close at 5,328.76.

The gains may be extended further as institutional investors have received policy support from the government, the official added.

Turnover, another important indicator of the market, was Tk 403.13 crore, up 14.7 percent from the previous day, according to DSE data.

Square Pharmaceuticals dominated the turnover chart with 4.98 lakh shares

worth Tk 12.43 crore changing hands, followed by United Power Generation, Brac Bank, Premier Bank, and British American Tobacco Bangladesh.

New Line Clothings topped the gainers' list, advancing 16.16 percent to Tk 23. Sonar Bangla Insurance was the worst loser shedding 10.40 percent.

Among the major sectors, food rose 5.1 percent and telecom 2.5 percent while the life insurance sector declined 2.1 percent.

Chittagong stocks also rose with the bourse's benchmark index, CSCX, climbing 150.85 points, or 1.55 percent, to finish the day at 9,845.90.

Gainers beat losers as 158 securities advanced, 47 declined and 40 finished unchanged on the CSE. The port city bourse traded 75.19 lakh shares and mutual fund units worth Tk 41.12 crore.

CSE REVISES SHARIAH INDEX  
 The CSE has revised its Shariah Index, excluding seven companies and including 17 on the basis of their performance.

The revised index will be effective from June 11, the bourse said in a statement yesterday.

A total of 127 companies are now listed with the CSE Shariah Index after the revision. The index is reviewed once a year.

## Robi logs Tk 11.5cr profit in Q1

STAR BUSINESS REPORT

Robi started the year with a positive note and logged Tk 11.5 crore profit in the first quarter driven by data revenue growth.

However, according to the new accounting practice of its parent Axiata Group, Robi made a loss of Tk 24.6 crore in the quarter.

Axiata implemented the IFRS 16, an International Financial Reporting Standard promulgated by the International Accounting Standards Board in January.

After recovering from the losses since its merger with Airtel and intense competition in the last couple of years, Robi has now turned into a profitable venture, the operator said in a statement yesterday.

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## Policy support needed for post-LDC benefits

Planning minister says at UN ESCAP event

STAR BUSINESS REPORT

Additional policy and financial support should be provided to the least developed countries during their

development status graduation, as the advancement takes away the benefits they used to enjoy as an LDC, Planning Minister MA Mannan said yesterday.

With the economic graduation,

Bangladesh may also lose access to duty- and quota-free schemes and specific preferential rules of origin the country now enjoys, he said.

"Major impacts are also expected under the trade related aspect of intellectual property rights agreement, the agreement on agriculture and the agreement on subsidies and countervailing measures," he added.

Mannan spoke while addressing a panel discussion on sustainable development goals (SDGs) at the 75th annual conference of United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) in Bangkok, Thailand.

He said Asia-Pacific Countries with Special Needs Development Report 2019 of the UN ESCAP has rightly pointed out that the international community's role would be to provide more support to countries that were poised to graduate in the years to come.

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MA Mannan, planning minister, talks to Armida Salsiah Alisjahbana, executive secretary of the UN ESCAP, at a meeting on the sidelines of the 75th annual conference of the commission in Bangkok, Thailand yesterday.

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