ASIAN MARKETS

0.33%

0.67%



DHAKA WEDNESDAY JUNE 12, 2019, JAISHTHA 29, 1426 BS starbusiness@thedailystar.net

\$62.49

Govt's bank borrowing to soar 77pc

COMMODITIES

Gold 7

\$1,321.10

REJAUL KARIM BYRON and REFAYET ULLAH MIRDHA

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The government may bump up bank borrowing by as much as 77.32 percent to Tk 54,800 crore for financing the budget deficit in fiscal 2019-

20 as it looks to reduce overdependence on saving instruments. However, the government

STOCKS

0.81%

CSCX

0.96%

DSEX

had a high bank borrowing target this fiscal year too -- of Tk 30,908 crore -- but that is unlikely to be met. In the first 10 months of the current fiscal year, it did not borrow from the

banking system; rather, it

paid back banks. But from May 1 it started borrowing 11,609 crore.

NATURAL

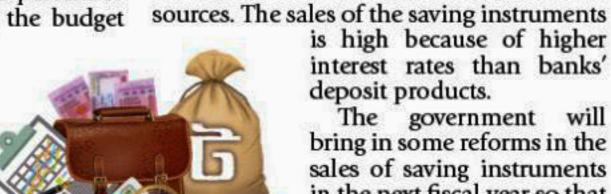
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lower target of Tk 30,000 crore for non-



instruments.

RUN-UPTO BUDGET 2019-20

in savings instruments. The and as of May 21 the amount stood at Tk rate of withholding tax on interest earnings from savings instruments may go up from 5 The government may set a 37.20 percent percent to 7.5 percent or 10 percent, he said.

official.

bank borrowing, which includes saving

Tk 35,602 crore was taken from non-bank

In the first eight months of the fiscal year,

deposit products.

is high because of higher

interest rates than banks'

bring in some reforms in the

sales of saving instruments

in the next fiscal year so that

its high-cost borrowing from

it is reduced significantly,

said a finance ministry

raise tax at source on interest

income from investment

For instance, it is likely to

The government will

The average interest rates in case of government's bank borrowing vary between 6 and 7 percent, while the interest rate in case of from saving borrowing instruments is 10-11 percent.

The next budget deficit will confine at 5 percent of GDP at Tk 145,380 crore, of which Tk 60,580 crore will come from foreign sources, 84,800 crore from domestic sources.

Give farmers Tk 5,000 each

CPD calls upon govt to help growers offset boro losses

CURRENCIES

BUY TK 83.50

SHANGHAI

2.58%

STAR BUSINESS REPORT

The Centre for Policy Dialogue (CPD) yesterday called for Tk 5,000 cash subsidy for the country's nearly two crore farmers to help them offset the losses for their boro harvest because of the low paddy prices.

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"An injustice was done to farmers because of the lower price of paddy this year and the government did not take the right decision at the right time," said Debapriya Bhattacharya, a distinguished fellow of the CPD, at the unveiling of the think-tank's report on the state of the economy and the budgetary challenges.

There was no such mismanagement in any economic sector in Bangladesh like in case of paddy purchasing.

A farmer had to spend Tk 24,000 to grow one tonne of paddy, which the millers bought for Tk 15,000,

RECOMMENDATIONS

Make an action plan to mobilise revenue

Set a public expenditure reform agenda **Revisit fiscal incentives**

Rationalise interest rates

of savings tools

Form an independent commission for banks



Debapriya Bhattacharya, a distinguished fellow of the CPD, speaks while unveiling a report—State of Bangladesh Economy and the Budget Challenges—at the Cirdap auditorium in Dhaka yesterday.

inflicting a Tk 9,000 loss on farmers per tonne, according to growers and the agriculture ministry.

The government, in turn, bought paddy from millers at Tk 26,000 a tonne, giving them a Tk 5,850 profit outright.

"Under the circumstances, a farmer deserves Tk 5,000 to make up for the losses," he added.

About Tk 9,100 crore may be

incentive for rice growers, according to the civil society think-tank.

"I don't see any problem for the government in providing subsidy to rice growers as they have not got fair price of their boro harvest," he said at the event held at the Cirdap auditorium in Dhaka.

The government does not purchase paddy directly from farmers; rather,

required in the budget for the one-off it collects rice from millers, said Toufigul Islam Khan, senior research fellow of the think-tank.

The production cost of paddy rose in villages because of the wage hike of workers. On the contrary, the price of paddy fell.

He suggested adoption of technology to bring down the production cost and higher production.

CEOs of 7 banks

STAR BUSINESS REPORT

The central bank yesterday summoned the chief executive officers of seven commercial banks after their default loans rose alarmingly in the first quarter of 2019.

The seven lenders, which include four state-run banks, were asked to bring down the default loans at the earliest to ensure sound financial health.

The Bangladesh Bank gave the instruction at a meeting at its headquarters in Dhaka in presence of Senior Secretary to the Banking Division Asadul Islam. Fazle Kabir, BB governor, presided over the meeting.

The banks are Sonali, Janata, Agrani, Rupali, National, Islami Bank Bangladesh and Al-Arafah.

The central bank asked the banks to take prompt measures to arrest the default loans, said Md Serajul Islam, spokesperson of the central bank.

READ MORE ON B3

BB summons Tax on savings tools may go up

RUN-UP TO

BUDGET

2019-20

STAR BUSINESS REPORT

The government may increase the tax at source on interest income from investment in national savings instruments in the next fiscal year as it looks to curb people's certificates stood at Tk 39,733 crore in appetite for the tools.

......

The rate of withholding tax on the interest earnings from the savings instruments may go up from 5 percent to 7.5 percent or 10 percent, said officials of the finance ministry. The increased rate will

be announced by Finance Minister AHM Mustafa Kamal tomorrow when he places his budget for 2019-20.

He may also announce a set of incentives, including raising the tax-free dividend income for investors in the capital market to Tk 50,000 from existing Tk 25,000 with a view to reviving the market.

A set of administrative measures, including making taxpayer identification number (TIN) mandatory for payment of electricity bills for those with commercial connections and home owners are on the cards.

The plan to increase the source tax on the interest incomes comes as the government's borrowing from the high interest-bearing instrument is ballooning.

The net sales of national savings

July-March of 2018-19, up from Tk 36,709 crore a year earlier, according to data from the Department of National Savings.

In the first 11 months of the fiscal year, the government's interest payment on savings certificates rose 23 percent to Tk 18,154 crore.

The rate of the source tax was 10 percent until 2010-11 and the National Board of

Revenue brought it down to 5 percent. NBR officials said they would make TIN mandatory while paying of electricity bills in order to bring home owners and people with commercial connections under the income tax network.

Currently, securing the TIN is mandatory for getting electricity connections but people in many cases do not file income tax returns.

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Foreign firms seek DSE brokerage licences

Licensing rules yet to be finalised

AHSAN HABIB

Foreign firms which have made a name around the world through the interest to come to Bangladesh trading in stock markets see huge business potential in Bangladesh and are interested to establish their footprint in the country.

UK-based EFG Private Bank, Aberdeen Asset Management and BlackRock: Financial Planning & Investment Management, Chinabased CITIC CLSA Securities, and USbased Goldman Sachs Group have all expressed their interest in securing brokerage licences of the Dhaka Stock Exchange (DSE).

Of them, BlackRock is one of the world's most renowned asset manager individuals, financial guiding professionals and institutions, while CITIC is the leading securities firm and largest underwriter of Chinese debt and equity.

Goldman Sachs is one of the leading global investment banking, securities and investment management firms, providing financial services to a diversified client base, including

implementation a must

corporations, financial institutions, governments and individuals.

The companies have expressed when the bourse was in the process of signing an agreement with a Chinese consortium to make them a strategic partner, said KAM Majedur Rahman, managing director of the DSE.

"Their participation in the market will help increase foreign investment," he said.

He said the DSE's image would have to be broadened to become an emerging market from a frontier market and attract more foreign investment.

"To do so, we have to bring in more companies with good records and increase their free float."

The CEO said the foreign firms were attracted to Bangladesh because of the country's consistent higher growth rate and foresaw immense potential of the DSE because of its relatively low market capitalisation.

According to the DSE, the market capitalisation of the exchange is only 17 percent of the gross domestic

product whereas it is more than 100 percent in Singapore and many other countries.

Since members are not allowed to sell or transfer their brokerage licences, the market regulator is in the process of formulating rules. However, nearly a year has elapsed but the regulator is yet to seek public opinion on the

A top official of the Bangladesh Securities and Exchange Commission says the formulation of the rules is nearly complete and they will soon convene a meeting to make them

public. Abu Ahmed, a stock market analyst, said there were an excess number of local brokerage houses for which most were suffering losses and failing

to attract depositors. However, he thinks, foreign

brokerage houses may bring positive impact for the market.

Currently, there are 250 brokerage houses in Bangladesh, facilitating stock trading. The DSE's daily average

turnover ranges from Tk 300 crore to Tk 400 crore.

Robi to raise Tk 400cr | Cautious budget and its proper thru' local bonds

MUHAMMAD ZAHIDUL ISLAM

Robi is planning to raise Tk 400 crore from the local market by issuing a Shariah-based security bond with the face value of each



The second largest mobile operator of the market said they were planning to use this money to expand and strengthen their countrywide network coverage. The certificate's maturity period will be

five years starting on the issue date, reads a letter Robi recently sent to Bangladesh Telecommunication Regulatory Commission (BTRC) seeking permission for it.

The interest rate is expected to be more than 8 percent based on present market

conditions, it read. The bond will only be available at the local market for local investors, said Shahed Alam, head of corporate and regulatory affairs at Robi, adding, "As a responsible business entity, Robi is looking to diversify its investment."

He said the whole process was subject to regulatory approval and Robi would start the process for issuing it as soon as the regulator gives the approval.

Standard Chartered bank will be the lead arranger while Sena Kalyan Insurance Company will be the trustee of the Zero-Coupon Islamic Certificate, says Robi's application.

Going through the application, the BTRC has decided to seek comment from the Bangladesh Securities and Exchange Commission (BSEC) on whether there was any legal bar to it.

Md Jahurul Haque, chairman of BTRC, said, "We will take our decision after getting the feedback from the BSEC but my personal point of view is that there is no bar to it and it might bring good to the industry."

READ MORE ON B3

............. Cautious budget and fiscal policies and their proper implementation are needed for Bangladesh to become a higher-income country in just over two

STAR BUSINESS DESK

Former BB governor says

decades, said former Bangladesh Bank studies at Dhaka University. governor Atiur Rahman yesterday.

need a prudent budget and efficient implementation of that budget," said Rahman who teaches development



Atiur Rahman, a former governor of Bangladesh Bank, speaks at a prebudget dialogue organised by the Campaign for Good Governance at BMA Bhaban in Dhaka yesterday.

The country now has enormous "Realising our potential, we growth potential and is well on track for attaining the Sustainable Development (SDGs) Goals mainly an outcome of the inclusive development policies the government pursued during the last decade or so, he added.

The remarks came at a pre-budget dialogue organised by the Campaign for Good Governance at BMA Bhaban in Dhaka.

He said the government has been allocating commendable shares of the national budget for sectors like education and health. However, these portions still remain lower than what are the global norms and hence must be increased. "For example, Bangladesh ought

to allocate 6 percent of its GDP for education and 3 percent of its GDP for health. This means that these shares deserve to be doubled," said Rahman. READ MORE ON B3

BENAPOLE PORT Import rises in last month

of 2018-19 OUR CORRESPONDENT, Benapole

Benapole customs officials have started working round the clock to speed up trade activities in June, the last month to meet the revenue collection target for 2018-19.

To boost imports, the customs officers have also been asked to work from 7:00am to 12:00am every day so that more trucks can enter Bangladesh from India, said Mohammad Belal Hossain Chowdhury, customs commissioner of Benapole. The number of trucks

that entered Bangladesh from India has increased significantly in the last three days, said Mamunur Rahman, deputy director of Benapole Port Authority. READ MORE ON B3